



## **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

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**Wednesday, June 17, 2020 7:00 p.m.**

### **Virtual Meeting**

**Link to join the meeting can be found below, Morgan Hill, CA 95037**

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## **MEETING GUIDELINES**

In accordance with Executive Order N-25-20 and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. We will address the Order 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. Those members of the public wishing to participate remotely may do so via the electronic meeting at: <https://bit.ly/061720CCMeeting> or by calling in to: (669) 900-9128, then enter the meeting id: 826 6318 0774 <<https://us02web.zoom.us/j/82663180774>>.

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**

Deputy City Clerk Michelle Bigelow

## **DECLARATION OF POSTING AGENDA**

Per Government Code Section 54954.2  
Deputy City Clerk Bigelow

## **PRESENTATIONS**

Sobrato High School Valedictorian Dean Tran

What YAC Leaders have been doing during the shelter-in-place  
<<https://www.youtube.com/watch?v=DhWDD3C8vkc>>

## **CITY MANAGER'S REPORT**

City Manager Christina Turner

## **CITY COUNCIL EQUITABLE COMMUNITIES RESOLUTION**

## **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)

## **PUBLIC COMMENT SUPPLEMENT**

## **ADOPTION OF AGENDA**

## **CONSENT CALENDAR**

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

Time Estimate for Consent Calendar: 1 - 10 Minutes

### **1. ACCEPT APRIL 2020 FINANCIAL AND INVESTMENT REPORT**

Recommendation:

Accept and file report.

**2. APPROVE THE JUNE 3, 2020 MEETING MINUTES**

Recommendation:

Approve Minutes.

**3. APPROVE COMMUNITY PROMOTIONS FUNDING REQUESTS FOR FISCAL YEAR 2020-21**

Recommendation:

Approve recommended Fiscal Year (FY) 2020-21 Community Promotions funding requests totaling \$25,500.

**4. APPROVE CITY SPONSORSHIP OF PHILANTHROPY NIGHT, INDIA INDEPENDENCE DAY FESTIVAL, AND FUTURE WOMEN LEADERS CONFERENCE EVENTS AT THE COMMUNITY AND CULTURAL CENTER**

Recommendation:

1. Authorize the City Manager to waive facility rental fees of \$1,500 for Morgan Hill Community Foundation's November 2020 Philanthropy Night Celebration;
2. Authorize the City Manager to waive facility rental fees of \$307 for Indian Association of South Santa Clara County's August 2020 India Independence Day Festival and flag raising ceremony; and
3. Authorize the City Manager to waive facility rental fees of \$1,500 for American Association of University Women's April 2021 Future Women Leaders Conference.

**5. APPROVAL OF A GOVERNMENT CODE 65915 DENSITY BONUS AT 80 PERCENT AND FOUR CONCESSIONS FOR A 100 PERCENT AFFORDABLE HOUSING PROJECT (SR2020-005 MONTEREY-MORGAN HILL SENIOR APARTMENTS)**

Recommendation:

Adopt resolution approving the request for the following, pursuant to Government Code:

1. Density bonus at 80 percent.
2. Affordable housing concessions:
  - a. Increase in floor area ratio;
  - b. Reduction in on-site parking;
  - c. Reduction in private open space; and
  - d. Increase in building height.

**6. APPROVE SIDE LETTER AGREEMENTS BETWEEN THE CITY OF MORGAN HILL AND THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES LOCAL 101, DISTRICT COUNCIL 57 OF MORGAN HILL TO AMEND SECTION 9.02 UNIFORMS WITHIN THE PREVIOUS MEMORANDUM OF UNDERSTANDING DATED JULY 1, 2015 THROUGH DECEMBER 31, 2018 AND CURRENT MEMORANDUM OF UNDERSTANDING DATED DECEMBER 30, 2018 THROUGH DECEMBER 31, 2021**

Recommendation:

1. Approve Side-Letter Agreement Between the City of Morgan Hill and the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill for the previous Memorandum of Understanding dated July 1, 2015 through December 31, 2018 amending Section 9.02 UNIFORMS; and
2. Approve Side-Letter Agreement Between the City of Morgan Hill and the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill for the current Memorandum of Understanding dated December 30, 2018 through December 31, 2021 amending Section 9.02 UNIFORMS.

**7. ADOPT RESOLUTION AUTHORIZING GRANT APPLICATION AND AUTHORIZING THE CITY MANAGER TO EXECUTE GRANT RELATED AGREEMENTS AND DOCUMENTS FOR A LOCAL EARLY ACTION PLANNING GRANT**

Recommendation:

Adopt resolution:

1. Authorizing staff to prepare and submit a Local Early Action Planning Grants Program (LEAP) Application to the State of California, Department of Housing and Community Development for an amount not to exceed \$150,000 for the development of a proposed Housing Element Update; and
2. Authorizing the City Manager to negotiate and execute the City of Morgan Hill LEAP application, grant documents, and any amendments thereto as required by the Department of Housing and Community Development for receipt of the grant.

**8. AMEND THE IMPACT FEE FREEZE PROGRAM FOR COMMERCIAL AND INDUSTRIAL PROJECTS**

Recommendation:

1. Approve the Impact Fee Freeze Program and guidelines; and
2. Authorize the City Manager to negotiate and execute Impact Fee Freeze Agreements that are under \$100,000 for new commercial and industrial projects consistent with the program criteria.

**9. CONSIDER CITY POSITION ON AB 2959 PROVIDING CLARITY ON CONTROL AUTHORITY OF ORGANIC WASTE MATERIALS**

Recommendation:

Direct staff to submit letter in support of AB 2959 to the appropriate representatives.

**10. PROVIDE DIRECTION REGARDING 2020 CALIFORNIA LEGISLATIVE UPDATE - HOUSING, LAND USE AND BALLOT MEASURES**

Recommendation:

Review League of California Cities positions if available and determine Bills of interest; provide positions or amendment suggestions.



## **11. AUTHORIZE STAFF TO PREPARE HIGH SPEED RAIL EIR/EIS COMMENT LETTER**

Recommendation:

Authorize the City Manager to submit a Comment Letter to the California High Speed Rail Authority for the San Jose to Merced Project section EIR/EIS.

## **PUBLIC HEARING**

### **12. ADOPT THE FISCAL YEAR (FY) 2020-21 AND 2021-22 OPERATING BUDGET, FY 2020-21 THROUGH 2025-26 CAPITAL IMPROVEMENT BUDGET, AND FY 2020-21 APPROPRIATIONS LIMIT**

Recommendation:

1. Open/Close Public Hearing.
2. Adopt resolution to:
  - a. Adopt the FY 2020-21 and 2021-22 Operating Budget;
  - b. Adopt the FY 2020-21 through 2025-26 Capital Improvement Program Budget; and
  - c. Adopt the FY 2020-21 Appropriations Limit and Appropriations Limit Adjustment Factors.

Estimated Time: 15 Minutes

## **OTHER BUSINESS**

### **13. DISCUSS POTENTIAL NEXT STEPS FOR NOVEMBER 2020 REVENUE MEASURE INITIATIVES AND OTHER FUNDING APPROACHES**

Recommendation:

1. Receive report regarding potential revenue initiatives;
2. Direct staff to pursue and establish a new citywide Community Facilities District (CFD) for new residential developments;
3. Direct staff to research the feasibility of a Special Fire District for the City of Morgan Hill and any applicable requirements; and
4. Direct staff to:
  - a. Not pursue a revenue measure for November 3, 2020 ballot.  
OR;
  - b. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, based on October 2019 polling results data.  
OR;
  - c. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, and conduct a community polling immediately.

Estimated Time: 45 Minutes

### **14. APPROVE HALE AVENUE EXTENSION PROJECT FUNDING AGREEMENT**

Recommendation:

Authorize the City Manager to enter into a funding agreement with the Santa Clara Valley Transportation Authority (VTA) to fund the City's construction of the Hale Avenue Extension Project.

Estimated Time: 30 Minutes

**15. RECEIVE UPDATE REGARDING REGIONAL HOUSING NEED ALLOCATION AND HOUSING ELEMENT REFORMS**

Recommendation:

Receive report.

Estimated Time: 30 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](mailto: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](mailto: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



**RESOLUTION NO. 17-033**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF MORGAN HILL REAFFIRMING THE CITY'S  
COMMITMENT TO A DIVERSE, SUPPORTIVE,  
INCLUSIVE COMMUNITY AND TO PROTECTING THE  
CONSTITUTIONAL RIGHTS OF ITS RESIDENTS**

**WHEREAS**, On December 14, 2016 the Morgan Hill City Council affirmed a Statement of Support and Assurance to the community assuring that hate crimes will not be tolerated in Morgan Hill, our Police will not be used for federal immigration enforcement, and our Constitutional rights will be protected; and

**WHEREAS**, The Morgan Hill City Council adopted "Sustainable Morgan Hill" as the Council's and organization's guiding principle; and

**WHEREAS**, The vision of Sustainable Morgan Hill is to be "a socially responsible, environmentally conscious, and economically sound community that embraces inclusiveness with participation by all"; and

**WHEREAS**, The Morgan Hill City Council adopted Inclusiveness as a 2017 Strategic Priority committing the City to embrace all community members as partners to advance our vision of being a socially responsible community; and

**WHEREAS**, The City of Morgan Hill values a community characterized by diversity, multiculturalism, and unity and acknowledges that the dignity, health, rights and privacy of all our residents must be respected; and

**WHEREAS**, each person is naturally and legally entitled to live a life without harassment, discrimination, persecution or assault, whether perpetrated by individuals, groups, businesses, or governments; and

**WHEREAS**, there exists significant and growing concern among our residents based upon recent national and regional incidents of hate crimes, intolerance of religious beliefs, discrimination, sexual harassment and assault, and the fear of a trend toward more of these crimes in the future; and

**WHEREAS**, there also exists considerable concern in our city about the potential risks for discrimination, harassment, persecution, assault, and deportation; and

**WHEREAS**, the city and its residents continually reject bigotry and affirm their commitment to a diverse, supportive, inclusive community; and

**WHEREAS**, all members of the city are valued regardless of religion, immigration status, ethnicity, disability, gender, sexual orientation, or gender identity.



**NOW, THEREFORE, BE IT RESOLVED** that the City Council reaffirms its commitment to a diverse, supportive and inclusive community and resolves as follows:

The City of Morgan Hill rejects bigotry in all its forms, including, but not limited to, Islamophobia, anti-Semitism, racism, nativism, misogyny, and homophobia; and

The City of Morgan Hill does not tolerate discrimination based on race, national origin, ethnicity, religion, age, gender, sexual orientation, color, or disability; and

The City of Morgan Hill does not tolerate Hate crimes, harassment, or assault; and

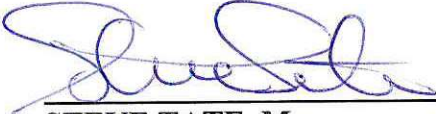
The City of Morgan Hill will oppose any attempts to undermine the safety, security, and rights of members of our community and will work proactively to ensure the rights and privileges of everyone in the city, regardless of religion, country of birth, immigration status, disability, gender, sexual orientation, or gender identity; and

The City of Morgan Hill will promote safety, a sense of security, and equal protection of constitutional and human rights, leading by example through equitable treatment of all by City officials and departments.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Morgan Hill at a regular meeting held on the 3<sup>rd</sup> day of May, 2017.

|                 |                         |                                                                                            |
|-----------------|-------------------------|--------------------------------------------------------------------------------------------|
| <b>AYES:</b>    | <b>COUNCIL MEMBERS:</b> | <b>Larry Carr, Rich Constantine, Rene Spring, Caitlin Robinett Jachimowicz, Steve Tate</b> |
| <b>NOES:</b>    | <b>COUNCIL MEMBERS:</b> | <b>None</b>                                                                                |
| <b>ABSTAIN:</b> | <b>COUNCIL MEMBERS:</b> | <b>None</b>                                                                                |
| <b>ABSENT:</b>  | <b>COUNCIL MEMBERS:</b> | <b>None</b>                                                                                |

**APPROVED:**

  
\_\_\_\_\_  
**STEVE TATE, Mayor**

**ATTEST:**

  
\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

**CERTIFICATION**

I, **Irma Torrez, City Clerk of the City of Morgan Hill, California**, do hereby certify that the foregoing is a true and correct copy of Resolution No. 17-033, adopted by the City Council at a regular meeting held on May 3, 2017.

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

**DATE:**

May 9, 2017

  
\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

Communication: City Council Equitable Communities Resolution (CITY MANAGER'S REPORT)

**From:** [Tamara Bell](#)  
**Cc:** [CC Public Comment](#)  
**Subject:** 24 hour fitness  
**Date:** Thursday, June 11, 2020 5:26:46 PM

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To Whom It May Concern,

RE: 24 HOUR FITNESS CLOSER

I just heard that the Morgan Hill 24 hour fitness may close. Many senior citizens exercise there. The closest facility would be San Jose which states they re-open on June 22, 2020.

Anything which the city of Morgan Hill can do to support the health of the senior community would be extremely appreciated.

Thank you, Tamara Bell

Sent from my iPad

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.

Communication: Public Comment Supplement (PUBLIC COMMENT)





## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

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

## **ACCEPT APRIL 2020 FINANCIAL AND INVESTMENT REPORT**

### **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 ten months ended April 30, 2020. General Fund revenues totaled \$31.8 million, a decrease of about \$1.0 million or 3% from a year ago at this time. Expenditures, including encumbrances amounted to \$35.8 million or 81% of the budget. As previously communicated to the Council and the public, the General Fund is expected to incur a significant reduction in revenue as a result of the COVID-19 pandemic. There are no changes to the projected revenue loss of approximately \$6.0 million to the City's General Fund and Development Services Fund for the current fiscal year since last reported to the City Council and the public at the Budget Workshop on May 15, 2020. The projected revenue loss of \$6.0 million for the current year is led by recreation services of \$2.1 million, followed by sales tax of \$1.5 million, development services of \$1.2 million, transient occupancy tax of \$0.9 million, and reduction of other tax revenues including public safety sales tax, property tax and gas tax of approximately \$0.3 million.

### **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:**

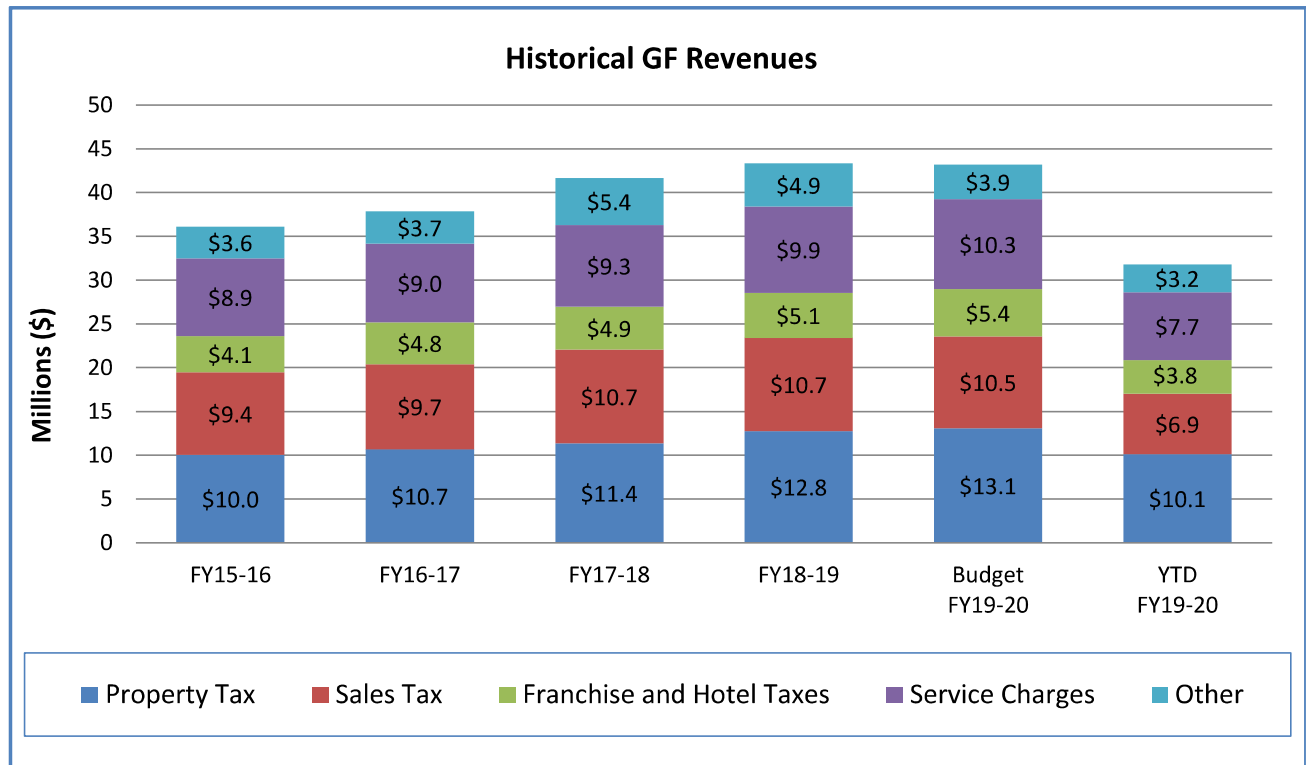
1. April 2020 Financial Statement Analysis
2. April 2020 Financial and Investment Report



**CITY OF MORGAN HILL, CALIFORNIA**  
**FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2019-20**  
**FOR THE MONTH ENDED APRIL 2020 – 83% OF YEAR COMPLETE**

- **General Fund** – Revenues through the month of April totaled \$31.8 million, or 74% of the budgeted revenues. Based on the County's most recent estimate projected Morgan Hill property tax revenue, excluding the property transfer tax, the City is expected to receive \$14.2 million for the fiscal year 2019-20. The current projection is approximately \$1.1 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 April 30, 2020.

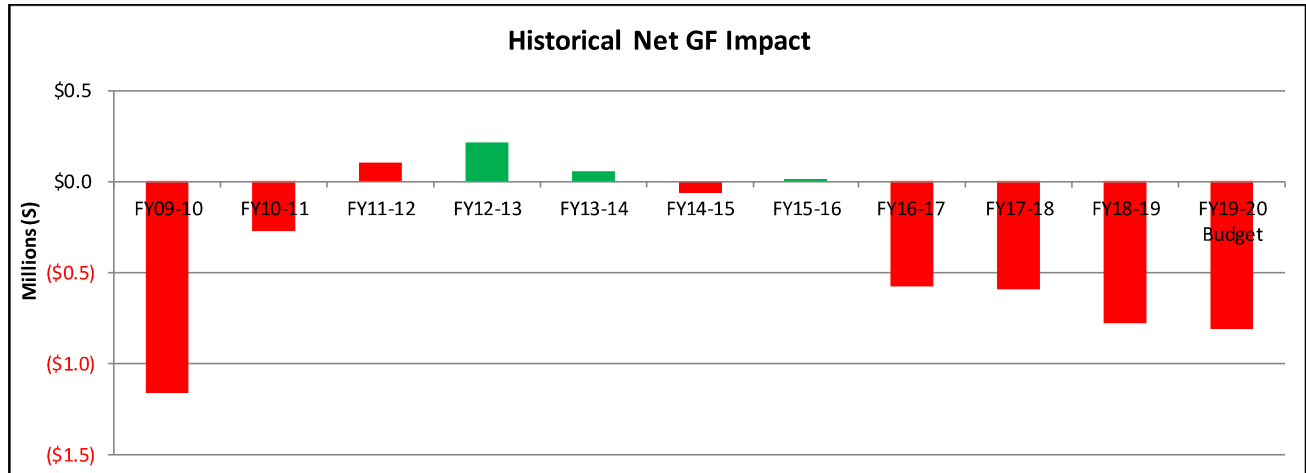


General Fund expenditures and encumbrances as of April 30, 2020 totaled \$35.8 million, of which approximately \$1.2 million is attributable to outstanding encumbrances.



**CITY OF MORGAN HILL, CALIFORNIA**  
**FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2019-20**  
**FOR THE MONTH ENDED APRIL 2020 – 83% 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 \$1.6 million through the month of April. Without the carry-over encumbrances, through the month of April operations resulted in a negative impact to the general fund of about \$0.9 million. 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 April totaled \$3.5 million. Expenditures, including encumbrances, totaled \$5.1 million. Without the outstanding encumbrances, however, expenditures through the month of April amounted to \$4.5 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 April totaled \$0.7 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 APRIL 2020 – 83% 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 April totaled \$9.2 million. Expenditures and outstanding encumbrances totaled \$9.2 million or approximately 76% 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 April 30, 2020.

| (amount in millions)                     | FY15-16 | FY16-17 | FY17-18 | FY18-19 | Budget<br>FY19-20 | YTD<br>FY19-20 |
|------------------------------------------|---------|---------|---------|---------|-------------------|----------------|
| Revenues                                 | 10.2    | 9.7     | 10.3    | 11.4    | 12.1              | 9.2            |
| Expenditures                             | 12.0    | 9.8     | 10.8    | 11.4    | 12.1              | 9.2            |
| Operating Margin                         | (1.8)   | (0.1)   | (0.5)   | -       | -                 | -              |
| Operating Margin<br>without Encumbrances | (1.8)   | (0.0)   | (0.3)   | 0.4     | -                 | 0.3            |

- **Water Operations** – Water Operations includes Utility Billing, Water Conservation, and Water Operations. Revenues from Water Operations through the month of April totaled \$11.4 million. Water Operations expenditures, including outstanding encumbrances, totaled \$12.4 million for the year. Without the encumbrances, however, the expenditures amounted to \$11.2 million. The table below shows Water Operations revenues and expenditures from FY15-16 through FY18-19 Actual, FY19-20 Budget, and YTD as of April 30, 2020.

| (amount in millions)                     | FY15-16 | FY16-17 | FY17-18 | FY18-19 | Budget<br>FY19-20 | YTD<br>FY19-20 |
|------------------------------------------|---------|---------|---------|---------|-------------------|----------------|
| Revenues                                 | 8.5     | 10.9    | 13.0    | 14.2    | 14.8              | 11.4           |
| Expenditures                             | 9.7     | 11.2    | 12.1    | 14.3    | 15.2              | 12.4           |
| Operating Margin                         | (1.2)   | (0.3)   | 0.9     | (0.1)   | (0.4)             | (1.0)          |
| Operating Margin<br>without Encumbrances | (1.2)   | (0.1)   | 1.4     | 0.8     | (0.4)             | 0.2            |

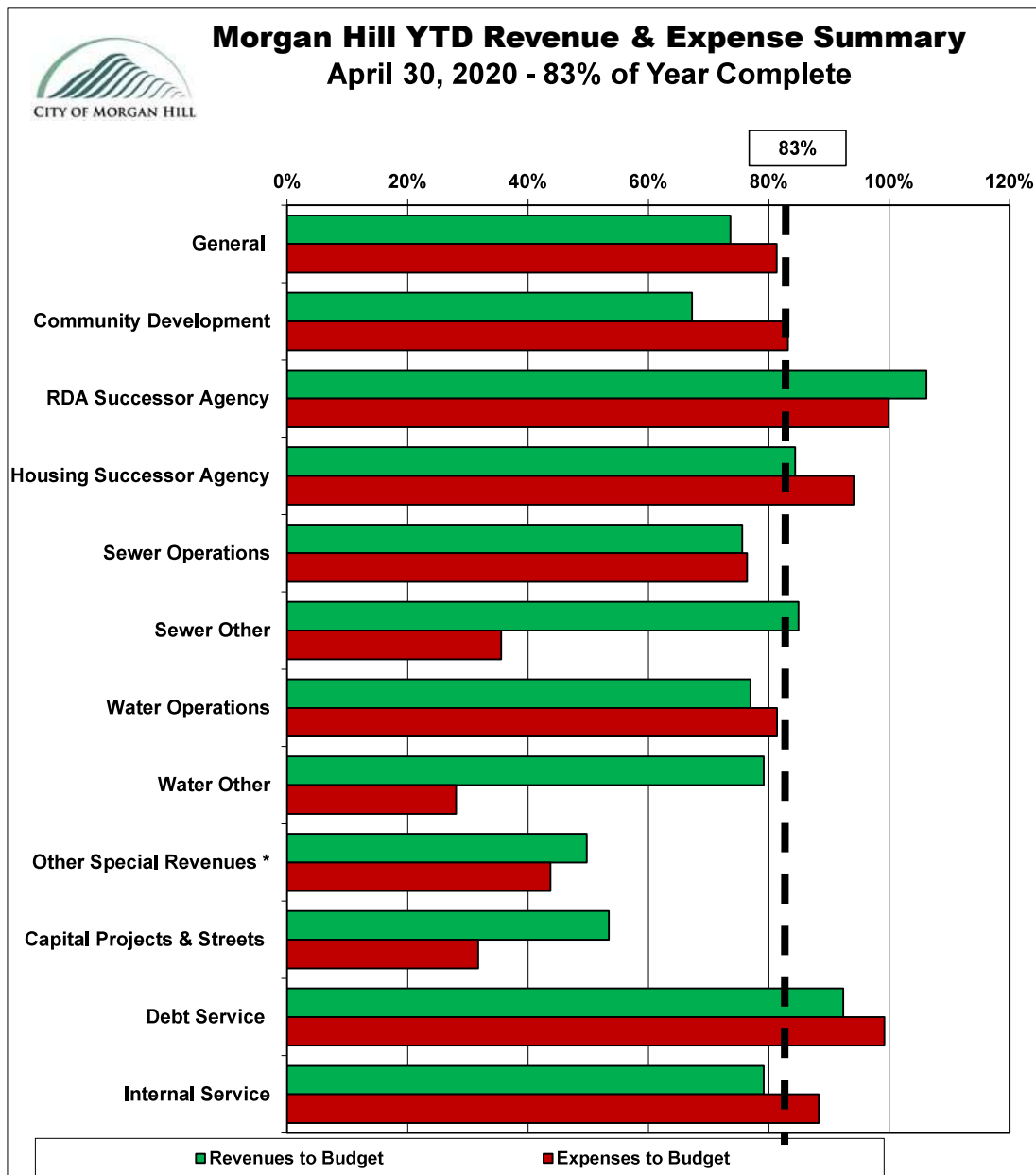
- **Investments** – Two securities were purchased, and four securities were called during the month of April 2020. Total interest earnings received on investments were \$94,000 during the month.

**CITY OF MORGAN HILL**  
**Monthly Financial and Investment Reports**  
**April 30, 2020 - 83% of Year Complete**



**CITY OF MORGAN HILL**

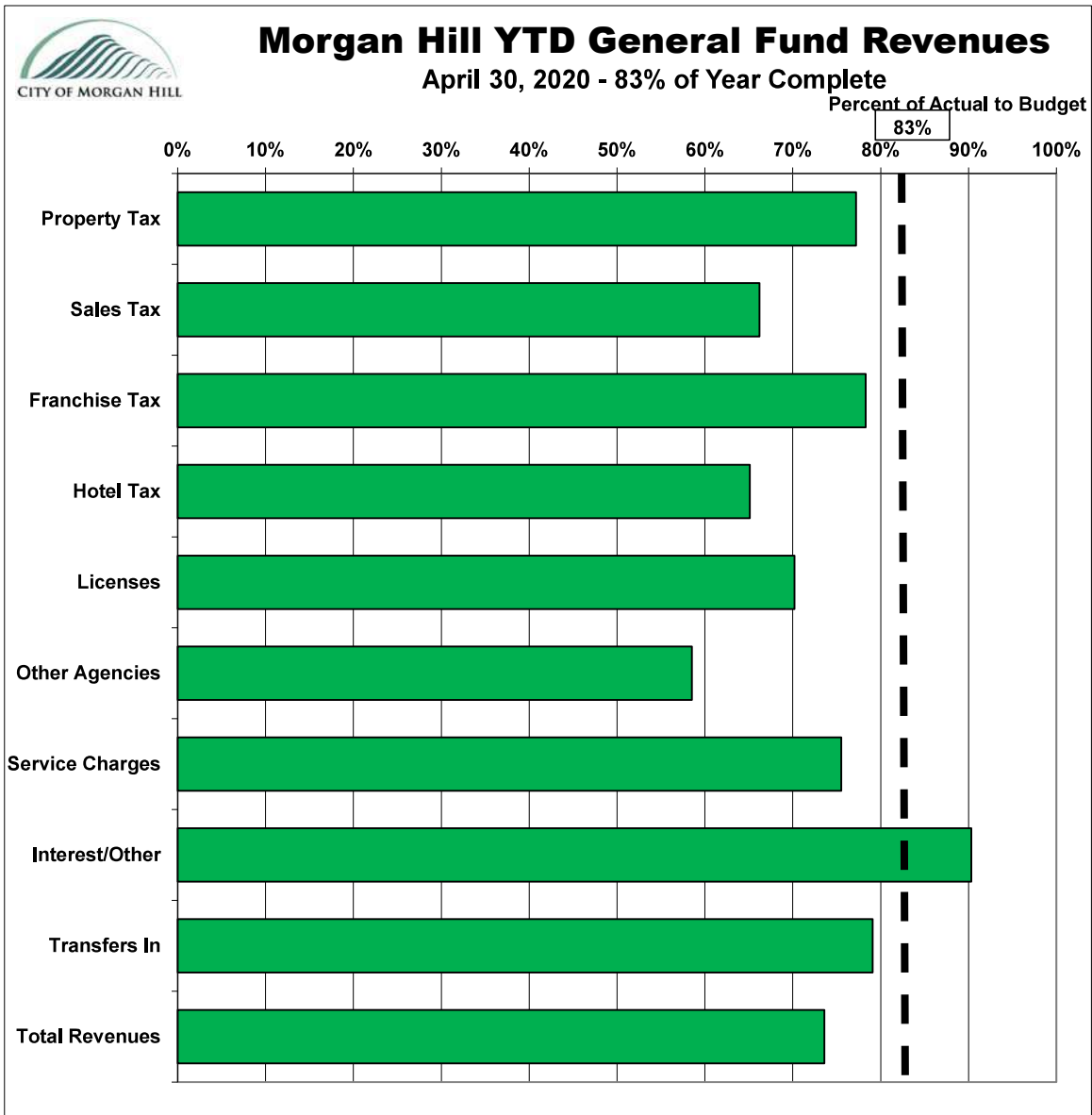
**Prepared by:**  
**FINANCE DIVISION**



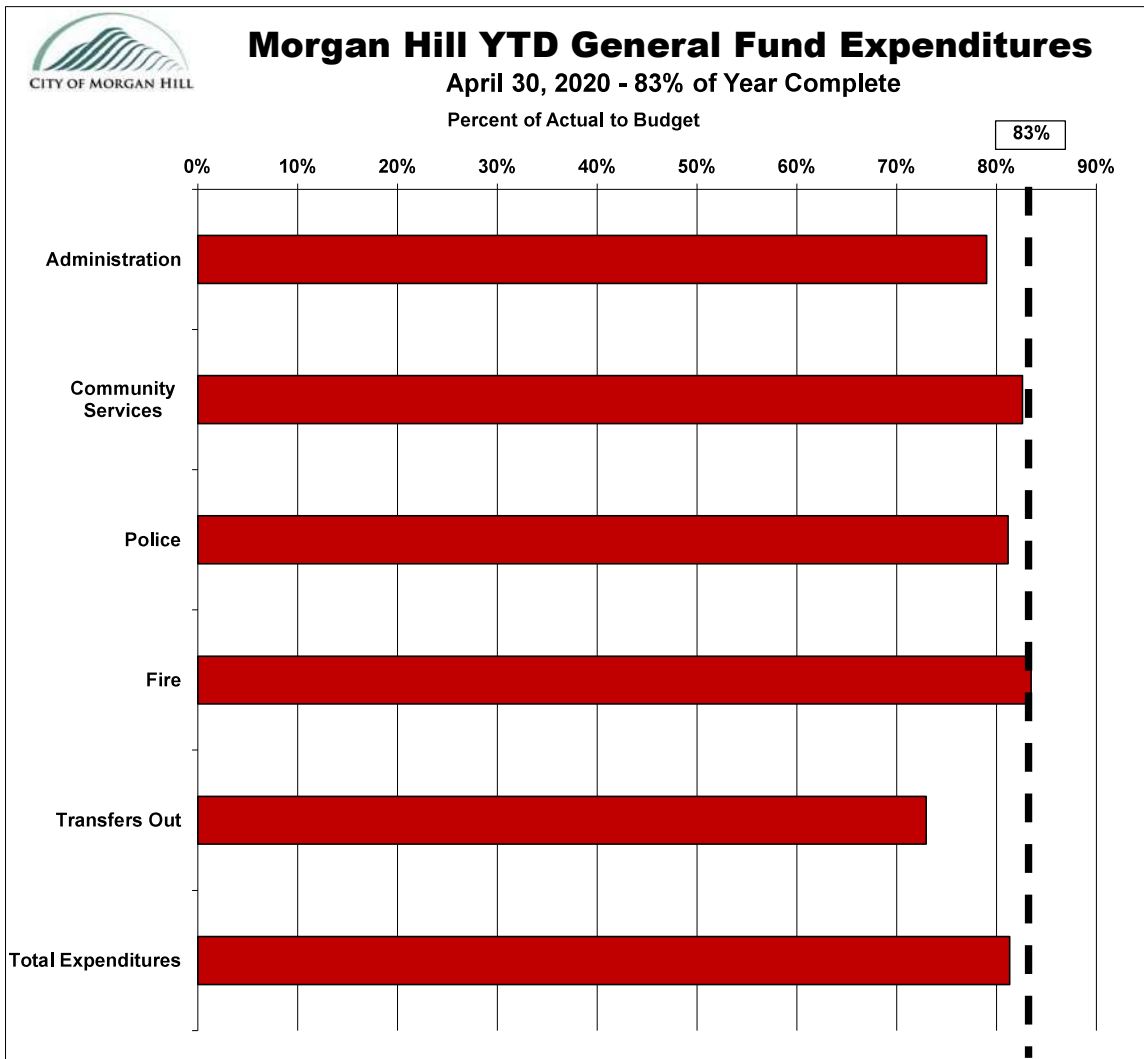
| FUND NAME                  | REVENUES             |             | EXPENSES                 |             |
|----------------------------|----------------------|-------------|--------------------------|-------------|
|                            | ACTUAL               | % OF BUDGET | ACTUAL PLUS ENCUMBRANCES | % OF BUDGET |
| General                    | \$ 31,785,660        | 74%         | \$ 35,786,246            | 81%         |
| Community Development      | 3,538,292            | 67%         | 5,058,729                | 83%         |
| RDA Successor Agency       | 7,364,694            | 106%        | 6,966,604                | 100%        |
| Housing Successor Agency   | 467,129              | 84%         | 880,212                  | 94%         |
| Sewer Operations           | 9,157,109            | 76%         | 9,233,003                | 76%         |
| Sewer Other                | 6,761,320            | 85%         | 8,438,700                | 36%         |
| Water Operations           | 11,369,788           | 77%         | 12,359,634               | 81%         |
| Water Other                | 4,234,296            | 79%         | 1,687,017                | 28%         |
| Other Special Revenues *   | 2,001,097            | 50%         | 1,850,652                | 44%         |
| Capital Projects & Streets | 12,820,002           | 53%         | 20,570,821               | 32%         |
| Debt Service               | 626,248              | 92%         | 686,828                  | 99%         |
| Internal Service           | 9,477,450            | 79%         | 10,213,372               | 88%         |
| <b>TOTAL FOR ALL FUNDS</b> | <b>\$ 99,603,086</b> | <b>73%</b>  | <b>\$ 113,731,817</b>    | <b>58%</b>  |

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





| REVENUE CATEGORY      | BUDGET               | ACTUAL               | % OF BUDGET | PRIOR YEAR TO DATE   | % CHANGE FROM PRIOR YEAR |
|-----------------------|----------------------|----------------------|-------------|----------------------|--------------------------|
| Property Tax          | \$ 13,082,377        | \$ 10,106,007        | 77%         | \$ 9,327,943         | 8%                       |
| Sales Tax             | 10,476,000           | 6,930,419            | 66%         | 7,524,849            | -8%                      |
| Franchise Tax         | 2,319,566            | 1,817,327            | 78%         | 1,751,190            | 4%                       |
| Hotel Tax             | 3,080,880            | 2,005,244            | 65%         | 2,016,976            | -1%                      |
| Licenses              | 206,940              | 145,270              | 70%         | 205,454              | -29%                     |
| Other Agencies        | 417,789              | 244,528              | 59%         | 898,792              | -73%                     |
| Service Charges       | 10,267,724           | 7,747,812            | 76%         | 8,168,230            | -5%                      |
| Interest/Other        | 1,471,324            | 1,328,341            | 90%         | 1,441,906            | -8%                      |
| Transfers In          | 1,847,658            | 1,460,711            | 79%         | 1,477,780            | -1%                      |
| <b>TOTAL REVENUES</b> | <b>\$ 43,170,258</b> | <b>\$ 31,785,660</b> | <b>74%</b>  | <b>\$ 32,813,120</b> | <b>-3%</b>               |



| EXPENDITURE CATEGORY      | BUDGET               | ACTUAL PLUS<br>ENCUMBRANCES | % OF BUDGET | PRIOR YTD PLUS<br>ENCUMBRANCES | % CHANGE FROM<br>PRIOR YEAR |
|---------------------------|----------------------|-----------------------------|-------------|--------------------------------|-----------------------------|
| Administration            | \$ 4,835,112         | \$ 3,819,931                | 79%         | \$ 3,923,835                   | -3%                         |
| Community Services        | 12,689,427           | 10,482,666                  | 83%         | 9,722,892                      | 8%                          |
| Police                    | 17,387,361           | 14,110,665                  | 81%         | 13,599,397                     | 4%                          |
| Fire                      | 6,961,396            | 5,809,655                   | 83%         | 5,939,080                      | -2%                         |
| Transfers Out             | 2,142,463            | 1,563,330                   | 73%         | 1,517,530                      | 3%                          |
| <b>TOTAL EXPENDITURES</b> | <b>\$ 44,015,759</b> | <b>\$ 35,786,246</b>        | <b>81%</b>  | <b>\$ 34,702,734</b>           | <b>3%</b>                   |

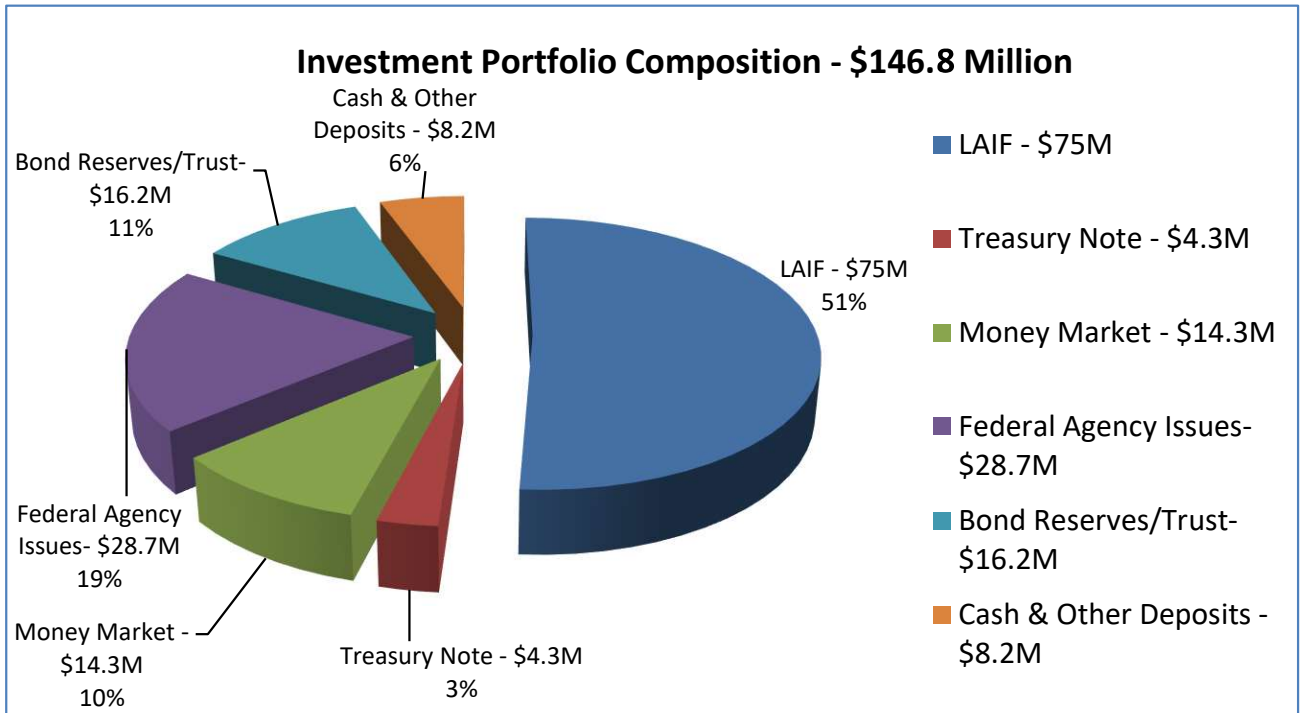


**City of Morgan Hill  
Recreation Report - Fiscal Year 2019-20  
For the Month and Ten Months Ended April 30, 2020  
83% of Year Complete**

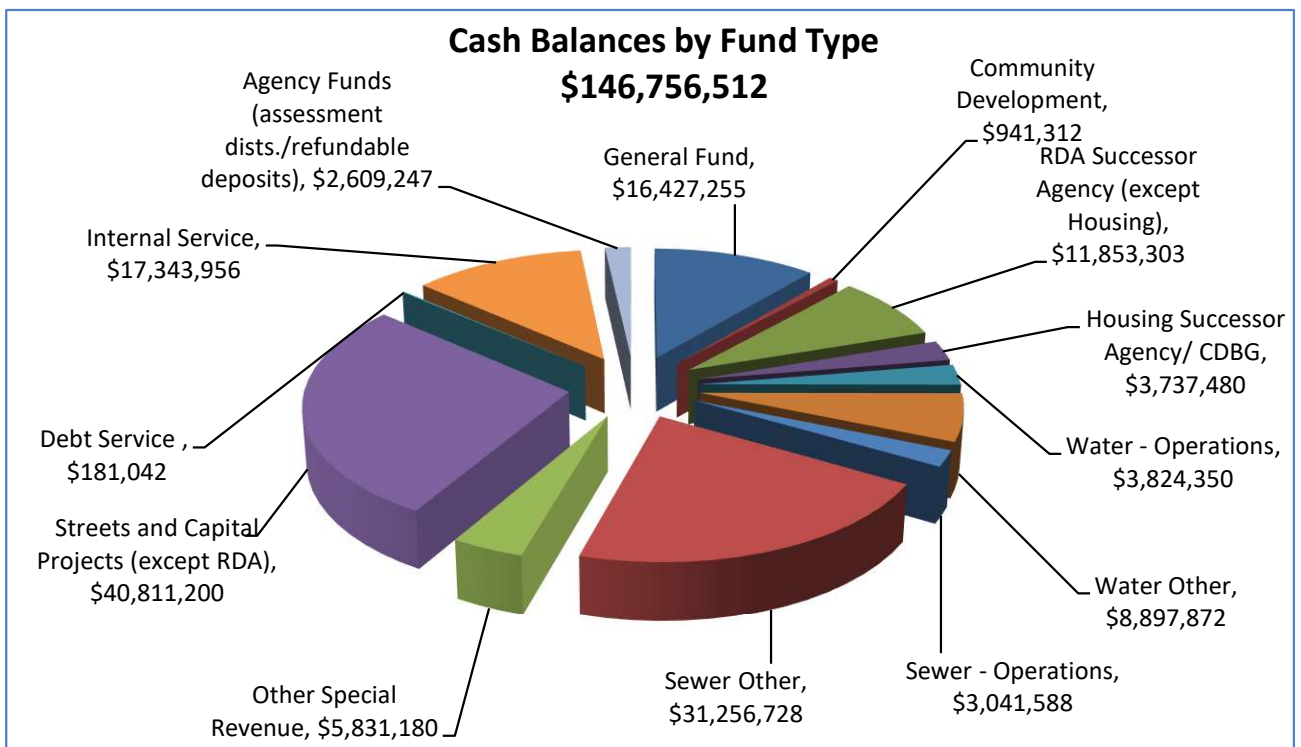
|                                        | <u>Budget</u>              | <u>April 2020</u>          | <u>YTD</u>                   | <u>% of Budget</u> |
|----------------------------------------|----------------------------|----------------------------|------------------------------|--------------------|
| Revenues                               |                            |                            |                              |                    |
| Membership Services & Rec Programs     | \$ 6,426,631               | \$ (22,346)                | \$ 4,645,358                 |                    |
| Facility Rentals                       | 915,330                    | 12,828                     | 724,370                      |                    |
| Community Services                     | 149,705                    | -                          | 77,002                       |                    |
| Transfers in                           | 75,000                     | 6,250                      | 62,500                       |                    |
| Total Revenues                         | <u>\$ 7,566,666</u>        | <u>\$ (3,267)</u>          | <u>\$ 5,509,230</u>          | 73%                |
| Less: Expenditures                     |                            |                            |                              |                    |
| Membership & Program Services          | \$ 6,371,297               | \$ 266,240                 | \$ 4,884,738                 |                    |
| Facility Rentals                       | 1,356,318                  | 89,662                     | 1,079,630                    |                    |
| Community Services                     | 648,407                    | 32,114                     | 493,590                      |                    |
| Total Expenditures                     | <u>\$ 8,376,023</u>        | <u>\$ 388,015</u>          | <u>\$ 6,457,958</u>          | 77%                |
| <b>Net Impact without encumbrances</b> | <b><u>\$ (809,357)</u></b> | <b><u>\$ (391,282)</u></b> | <b><u>\$ (948,727)</u></b>   |                    |
| Encumbrances                           | -                          | -                          | 620,645                      |                    |
| <b>Net Impact with encumbrances</b>    | <b><u>\$ (809,357)</u></b> | <b><u>\$ (391,282)</u></b> | <b><u>\$ (1,569,373)</u></b> |                    |

## City of Morgan Hill Monthly Investment Report - April 30, 2020

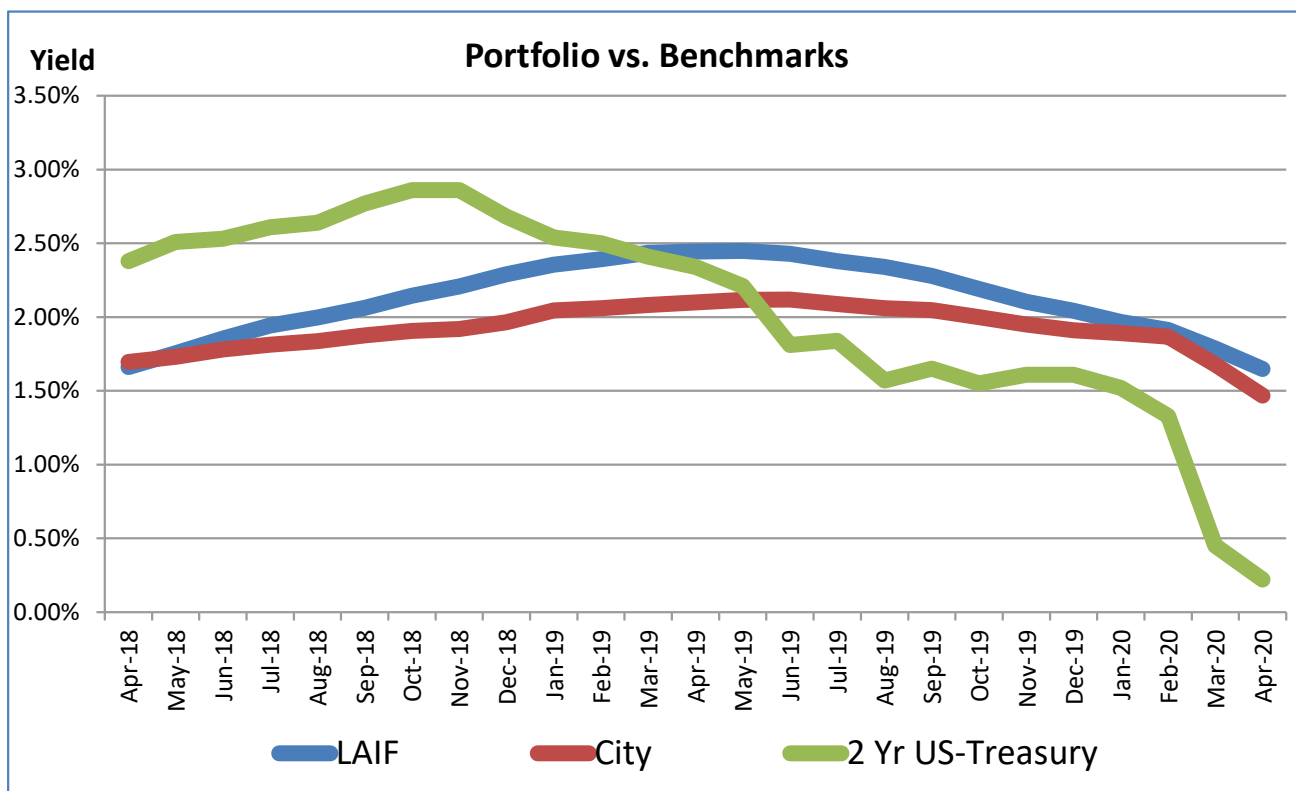
The following are the snapshots of City's investment portfolio as of April 30, 2020. The first chart shows the portfolio composition by investment type:



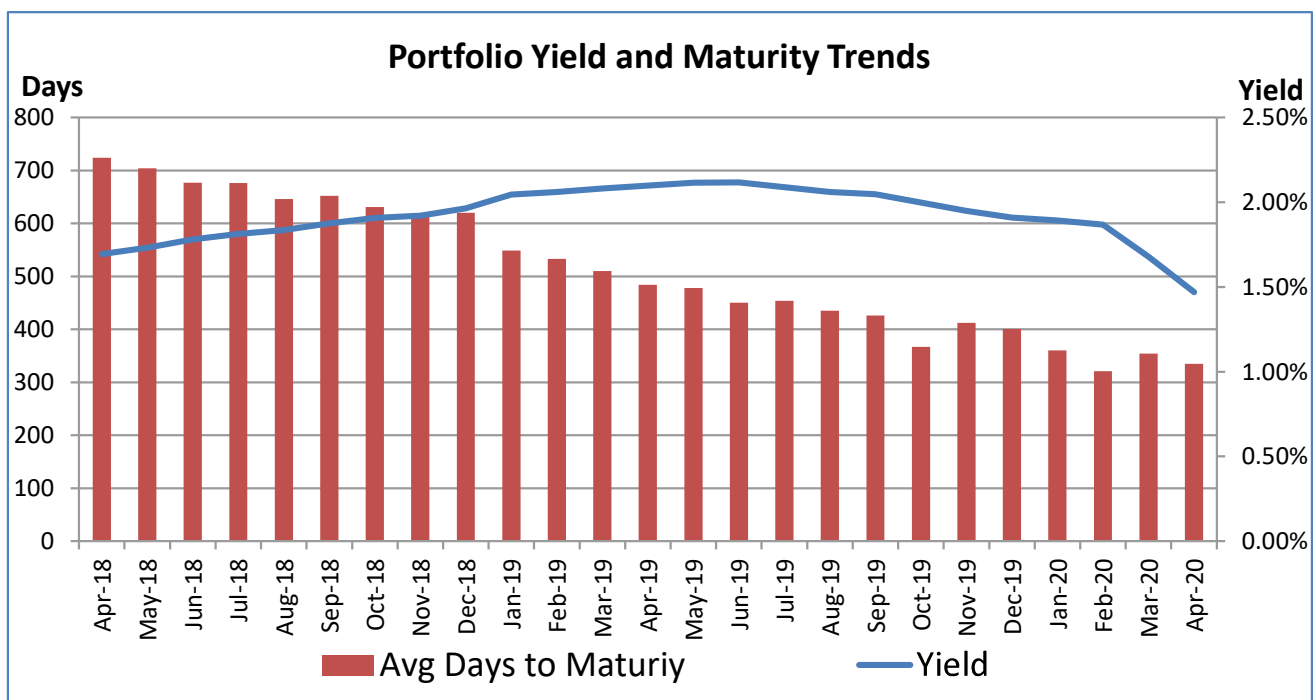
The chart below shows cash balances by fund type reconciled to City's financial system:



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 April 30, 2020**

| <b>Investment Type</b>                          | <b>Settlement Date</b> | <b>Book Value</b>     | <b>% of Portfolio</b> | <b>Market Value</b>   | <b>YTM at Cost</b> | <b>Next Call Date</b> | <b>Date of Maturity</b> |
|-------------------------------------------------|------------------------|-----------------------|-----------------------|-----------------------|--------------------|-----------------------|-------------------------|
| <b>L A I F</b>                                  |                        | <b>\$ 74,988,120</b>  | <b>51.10%</b>         | <b>\$ 75,549,108</b>  | <b>1.65%</b>       |                       |                         |
| <b>City Managed</b>                             |                        |                       |                       |                       |                    |                       |                         |
| Fed Natn'l Mortgage Assn                        | 8/25/2016              | 4,000,000             | 2.73%                 | 4,057,880             | 1.40%              | 8/25/2020             | 8/25/2021               |
| Fed Home Loan Mortgage                          | 11/23/2016             | 4,000,000             | 2.73%                 | 4,003,080             | 1.63%              | 5/23/2020             | 11/23/2021              |
| Treasury Note                                   | 4/30/2018              | 4,349,901             | 3.28%                 | 4,665,240             | 2.73%              | 3/31/2023             | 3/31/2023               |
| Fed Home Loan Mortgage                          | 7/10/2019              | 3,000,000             | 2.04%                 | 3,007,710             | 2.15%              | 7/2/2020              | 7/2/2024                |
| Fed Farm Credit BKS                             | 11/5/2019              | 3,000,000             | 2.04%                 | 3,019,860             | 2.00%              | 11/5/2020             | 11/5/2024               |
| Fed Farm Credit BKS                             | 12/13/2019             | 2,998,615             | 2.04%                 | 3,024,060             | 1.90%              | 12/27/2020            | 11/27/2024              |
| Fed Farm Credit BKS                             | 3/17/2020              | 3,000,000             | 2.04%                 | 3,006,990             | 1.13%              | 3/17/2021             | 3/17/2025               |
| Fed Farm Credit BKS                             | 3/24/2020              | 2,000,000             | 1.36%                 | 2,001,580             | 1.00%              | 3/24/2021             | 3/24/2023               |
| Fed Farm Credit BKS                             | 3/25/2020              | 3,000,000             | 2.04%                 | 2,998,950             | 1.20%              | 3/25/2021             | 3/25/2025               |
| Fed Farm Credit BKS                             | 4/8/2020               | 2,000,000             | 1.36%                 | 2,004,220             | 0.88%              | 10/8/2020             | 4/8/2024                |
| Fed Home Loan Mortgage                          | 4/30/2020              | 1,690,000             | 1.15%                 | 1,689,261             | 0.50%              | 10/30/2020            | 1/30/2023               |
| <b>Sub Total/Average</b>                        |                        | <b>\$ 33,038,516</b>  | <b>22.82%</b>         | <b>\$ 33,478,831</b>  | <b>1.48%</b>       |                       |                         |
| <b>Money Market</b>                             |                        | <b>\$ 14,347,796</b>  | <b>9.78%</b>          | <b>\$ 14,347,796</b>  | <b>0.16%</b>       |                       |                         |
| <b>Total City Managed/Average</b>               |                        | <b>\$ 122,374,432</b> | <b>83.70%</b>         | <b>\$ 123,375,735</b> | <b>1.43%</b>       |                       |                         |
| <b>Bond Reserve Accounts - Held By Trustees</b> |                        | <b>\$ 12,831,559</b>  | <b>8.74%</b>          | <b>\$ 12,831,559</b>  |                    |                       |                         |
| <b>Cash/Deposits</b>                            |                        | <b>\$ 8,163,118</b>   | <b>5.56%</b>          | <b>\$ 8,163,118</b>   |                    |                       |                         |
| <b>PARS Trust</b>                               |                        | <b>\$ 3,387,404</b>   | <b>2.31%</b>          | <b>\$ 3,678,176</b>   |                    |                       |                         |
| <b>GRAND TOTAL/AVERAGE</b>                      |                        | <b>\$ 146,756,512</b> | <b>100%</b>           | <b>\$ 148,048,587</b> |                    |                       |                         |

Attachment: April 2020 Financial and Investment Report [Revision 1] (2765 : Accept April 2020 Financial and Investment Report)



**CITY OF MORGAN HILL CASH AND INVESTMENT REPORT**  
**FOR THE MONTH OF APRIL 30, 2020**  
**FOR THE FISCAL YEAR OF 2019-20**

|                                                        | Invested<br>in Fund | Yield | Book Value<br>End of Month | % of<br>Total  | Market<br>Value       |
|--------------------------------------------------------|---------------------|-------|----------------------------|----------------|-----------------------|
| <b>Investments</b>                                     |                     |       |                            |                |                       |
| State Treasurer LAIF - City                            | All Funds Pooled    | 1.65% | \$ 72,442,640              | 49.36%         | \$ 72,984,585         |
| 2015 Wastewater Rev Bonds - CIP                        | Wastewater Fund     | 1.65% | 2,545,480                  | 1.73%          | 2,564,523             |
| Federal Issues                                         | All Funds Pooled    | 1.45% | 28,688,615                 | 19.55%         | 28,813,591            |
| US Treasury Notes                                      | All Funds Pooled    | 2.73% | 4,349,901                  | 2.96%          | 4,665,240             |
| Dreyfus Treas Cash Management Acct                     | All Funds Pooled    | 0.16% | 14,347,796                 | 9.78%          | 14,347,796            |
|                                                        | <b>SUBTOTAL</b>     |       | <b>\$ 122,374,432</b>      | <b>83.39%</b>  | <b>\$ 123,375,735</b> |
| <b>Bond Reserve Accounts - held by trustees</b>        |                     |       |                            |                |                       |
| Zions Bank - Civic Center/Library Facility             |                     |       |                            |                |                       |
| Blackrock Liq Fund                                     | Debt Service        | 0.00% | 200                        | 0.00%          | 200                   |
| Zions Bank - MH Police Facility Lease Revenue Bonds    |                     |       |                            |                |                       |
| Blackrock Liq Fund                                     | Debt Service        | 0.00% | 255                        | 0.00%          | 255                   |
| BNY - RDA Bonds                                        |                     |       |                            |                |                       |
| Dreyfus Cash Mgmt 521                                  | Successor Fund      | 0.16% | 11,664,531                 | 7.95%          | 11,664,531            |
| Zions Bank - MH Ranch 2015                             |                     |       |                            |                |                       |
| Blackrock Liq Funds Fed Fund -DI -2015                 | Agency Fund         | 0.00% | 586,767                    | 0.40%          | 586,767               |
| Zions Bank - Madrone Bus Park Taxable/ Tax Exempt 2015 |                     |       |                            |                |                       |
| Blackrock Liquidity Temp Fund-2015                     | Agency Fund         | 0.00% | 579,806                    | 0.40%          | 579,806               |
|                                                        | <b>SUBTOTAL</b>     |       | <b>12,831,559</b>          | <b>8.74%</b>   | <b>12,831,559</b>     |
| <b>Other Cash/Deposits</b>                             |                     |       |                            |                |                       |
| General Checking                                       | All Funds           |       | 8,126,006                  | 5.54%          | 8,126,006             |
| 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                  | 1.49%          | 2,370,290             |
| PARS - PENSION Trust                                   |                     |       | 1,200,000                  | 0.82%          | 1,307,886             |
|                                                        | <b>SUBTOTAL</b>     |       | <b>11,550,522</b>          | <b>7.87%</b>   | <b>11,841,294</b>     |
| <b>Total Cash and Investments</b>                      |                     |       | <b>\$ 146,756,512</b>      | <b>100.00%</b> | <b>\$ 148,048,587</b> |

**CASH ACTIVITY SUMMARY**  
**FY 2019-20**

| Fund Type                                            | 07/1/19<br>Balance    | Change in<br>Cash Balance | 4/30/2020<br>Balance  |
|------------------------------------------------------|-----------------------|---------------------------|-----------------------|
| General Fund                                         | \$ 16,094,062         | \$ 333,193                | \$ 16,427,255         |
| Community Development                                | 2,835,370             | (1,894,058)               | 941,312               |
| RDA Successor Agency (except Housing)                | 10,774,671            | 1,078,632                 | 11,853,303            |
| Housing Successor Agency/ CDBG                       | 4,065,899             | (328,419)                 | 3,737,480             |
| Water - Operations                                   | 2,862,753             | 961,597                   | 3,824,350             |
| Water Other                                          | 6,212,393             | 2,685,480                 | 8,897,872             |
| Sewer - Operations                                   | 1,677,931             | 1,363,657                 | 3,041,588             |
| Sewer Other                                          | 31,500,213            | (243,485)                 | 31,256,728            |
| Other Special Revenue                                | 5,130,146             | 701,034                   | 5,831,180             |
| Streets and Capital Projects (except RDA)            | 43,758,217            | (2,947,017)               | 40,811,200            |
| Debt Service                                         | 240,894               | (59,853)                  | 181,042               |
| Internal Service                                     | 15,531,375            | 1,812,581                 | 17,343,956            |
| Agency Funds (assessment dists./refundable deposits) | 4,307,504             | (1,698,256)               | 2,609,247             |
| <b>Total</b>                                         | <b>\$ 144,991,427</b> | <b>\$ 1,765,085</b>       | <b>\$ 146,756,512</b> |

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 Ten Months Ended April 30, 2020  
83% of Year Complete

| FUND<br>REVENUE<br>SOURCE                  | ADOPTED<br>BUDGET | AMENDED<br>BUDGET | CURRENT<br>YTD<br>ACTUAL | %<br>OF BUDGET | PRIOR<br>YTD      | INCR (DECR)<br>FROM PRIOR<br>YTD | %<br>CHANGE |
|--------------------------------------------|-------------------|-------------------|--------------------------|----------------|-------------------|----------------------------------|-------------|
| <b>010 GENERAL FUND</b>                    |                   |                   |                          |                |                   |                                  |             |
| <b><u>TAXES</u></b>                        |                   |                   |                          |                |                   |                                  |             |
| Property Tax - Secured/Unsecured           | \$ 11,189,507     | \$ 11,189,507     | \$ 9,291,632             | 83%            | \$ 8,653,365      | \$ 638,267                       | 7%          |
| Property Tax - RPTTF Residual Distribution | 1,573,610         | 1,573,610         | 673,465                  | 43%            | 451,634           | 221,831                          | 49%         |
| Property Tax - Supplemental Roll           | 319,260           | 319,260           | 140,911                  | 44%            | 222,944           | (82,033)                         | -37%        |
| Sales Tax                                  | 10,091,000        | 10,091,000        | 6,677,449                | 66%            | 7,241,162         | (563,713)                        | -8%         |
| Public Safety Sales Tax                    | 385,000           | 385,000           | 252,970                  | 66%            | 283,687           | (30,716)                         | -11%        |
| Transient Occupancy Taxes                  | 3,080,880         | 3,080,880         | 2,005,244                | 65%            | 2,016,976         | (11,732)                         | -1%         |
| Franchise (Refuse, Cable, PG&E)            | 2,319,566         | 2,319,566         | 1,817,327                | 78%            | 1,751,190         | 66,137                           | 4%          |
| Property Transfer Tax                      | 515,000           | 515,000           | 371,109                  | 72%            | 389,517           | (18,407)                         | -5%         |
| <b>TOTAL TAXES</b>                         | <b>29,473,823</b> | <b>29,473,823</b> | <b>21,230,107</b>        | <b>72%</b>     | <b>21,010,475</b> | <b>219,632</b>                   | <b>1%</b>   |
| <b><u>LICENSES/PERMITS</u></b>             |                   |                   |                          |                |                   |                                  |             |
| Business License                           | 202,000           | 202,000           | 139,334                  | 69%            | 200,137           | (60,803)                         | -30%        |
| Other Permits                              | 4,940             | 4,940             | 5,936                    | 120%           | 5,317             | 619                              | 12%         |
| <b>TOTAL LICENSES/PERMITS</b>              | <b>206,940</b>    | <b>206,940</b>    | <b>145,270</b>           | <b>70%</b>     | <b>205,454</b>    | <b>(60,184)</b>                  | <b>-29%</b> |
| <b><u>FINES AND PENALTIES</u></b>          |                   |                   |                          |                |                   |                                  |             |
| Parking Enforcement                        | 8,500             | 8,500             | 3,277                    | 39%            | 7,316             | (4,039)                          | -55%        |
| Bails & Fines                              | 73,645            | 73,645            | 40,757                   | 55%            | 72,415            | (31,658)                         | -44%        |
| Administrative Citations                   | 9,785             | 9,785             | 95,306                   | 974%           | 49,362            | 45,944                           | 93%         |
| <b>TOTAL FINES AND PENALTIES</b>           | <b>91,930</b>     | <b>91,930</b>     | <b>139,340</b>           | <b>152%</b>    | <b>129,092</b>    | <b>10,248</b>                    | <b>8%</b>   |
| <b><u>OTHER AGENCIES</u></b>               |                   |                   |                          |                |                   |                                  |             |
| Motor Vehicle in-Lieu                      | 24,652            | 24,652            | 36,203                   | 147%           | 21,366            | 14,836                           | 69%         |
| Other Revenue - Other Agencies             | 403,389           | 417,789           | 244,528                  | 59%            | 898,792           | (654,264)                        | -73%        |
| <b>TOTAL OTHER AGENCIES</b>                | <b>428,041</b>    | <b>442,441</b>    | <b>280,731</b>           | <b>63%</b>     | <b>920,158</b>    | <b>(639,427)</b>                 | <b>-69%</b> |
| <b><u>CHARGES CURRENT SERVICES</u></b>     |                   |                   |                          |                |                   |                                  |             |
| Police False Alarm Charge                  | 33,990            | 33,990            | 27,007                   | 79%            | 28,367            | (1,360)                          | -5%         |
| Business License Application Review        | 36,000            | 36,000            | 32,312                   | 90%            | 35,638            | (3,326)                          | -9%         |
| Membership Services & Rec Programs         | 6,426,631         | 6,426,631         | 4,645,358                | 72%            | 5,272,099         | (626,741)                        | -12%        |
| Facility Rentals                           | 915,330           | 915,330           | 724,370                  | 79%            | 812,658           | (88,288)                         | -11%        |
| Community Services                         | 149,705           | 149,705           | 77,002                   | 51%            | 88,724            | (11,721)                         | -13%        |
| General Administration Overhead            | 1,795,198         | 1,795,198         | 1,492,850                | 83%            | 1,421,760         | 71,090                           | 5%          |
| Other Charges Current Services             | 910,870           | 910,870           | 748,913                  | 82%            | 508,984           | 239,928                          | 47%         |
| <b>TOTAL CURRENT SERVICES</b>              | <b>10,267,724</b> | <b>10,267,724</b> | <b>7,747,812</b>         | <b>75%</b>     | <b>8,168,230</b>  | <b>(420,418)</b>                 | <b>-5%</b>  |
| <b><u>OTHER REVENUE</u></b>                |                   |                   |                          |                |                   |                                  |             |
| Use of money/property                      | 517,900           | 517,900           | 460,488                  | 89%            | 375,424           | 85,064                           | 23%         |
| Other Revenues                             | 311,842           | 321,842           | 321,201                  | 100%           | 526,507           | (205,306)                        | -39%        |
| <b>TOTAL OTHER REVENUE</b>                 | <b>829,742</b>    | <b>839,742</b>    | <b>781,689</b>           | <b>93%</b>     | <b>901,931</b>    | <b>(120,242)</b>                 | <b>-13%</b> |
| <b><u>TRANSFERS IN</u></b>                 |                   |                   |                          |                |                   |                                  |             |
| One Time Transfer                          | 180,000           | 180,000           | 149,990                  | 83%            | -                 | 149,990                          | 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%            | 712,150           | (196,178)                        | -28%        |
| Police Impact                              | 25,000            | 25,000            | 20,830                   | 83%            | 20,830            | -                                | n/a         |
| Sewer Operations                           | 351,845           | 351,845           | 293,210                  | 83%            | 291,150           | 2,060                            | 1%          |
| Water Operations                           | 351,845           | 351,845           | 293,210                  | 83%            | 291,150           | 2,060                            | 1%          |
| Park Development                           | 75,000            | 75,000            | 62,500                   | 83%            | 62,500            | -                                | n/a         |
| <b>TOTAL TRANSFERS IN</b>                  | <b>1,822,658</b>  | <b>1,847,658</b>  | <b>1,460,711</b>         | <b>79%</b>     | <b>1,477,780</b>  | <b>(17,068)</b>                  | <b>-1%</b>  |
| <b>TOTAL GENERAL FUND</b>                  | <b>43,120,858</b> | <b>43,170,258</b> | <b>31,785,660</b>        | <b>74%</b>     | <b>32,813,120</b> | <b>(1,027,460)</b>               | <b>-3%</b>  |
| <b>SPECIAL REVENUE FUNDS</b>               |                   |                   |                          |                |                   |                                  |             |
| <b><u>202 STREET MAINTENANCE</u></b>       |                   |                   |                          |                |                   |                                  |             |
| Gas Tax 2105 - 2107.5                      | 738,968           | 738,968           | 596,853                  | 81%            | 579,068           | 17,785                           | 3%          |
| Interest / Other Revenue/Other Charges     | -                 | -                 | 3,150                    | n/a            | 2,755             | 395                              | 14%         |
| <b>202 STREET MAINTENANCE</b>              | <b>738,968</b>    | <b>738,968</b>    | <b>600,003</b>           | <b>81%</b>     | <b>581,823</b>    | <b>18,180</b>                    | <b>3%</b>   |

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City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2019-20  
For the Ten Months Ended April 30, 2020  
83% of Year Complete

| FUND<br>REVENUE<br>SOURCE                            | ADOPTED<br>BUDGET | AMENDED<br>BUDGET | CURRENT<br>YTD<br>ACTUAL | %<br>OF BUDGET | PRIOR<br>YTD      | INCR (DECR)<br>FROM PRIOR<br>YTD | %<br>CHANGE |
|------------------------------------------------------|-------------------|-------------------|--------------------------|----------------|-------------------|----------------------------------|-------------|
| <b>SPECIAL REVENUE FUNDS</b>                         |                   |                   |                          |                |                   |                                  |             |
| <b>205 PUBLIC SAFETY TRUST</b>                       |                   |                   |                          |                |                   |                                  |             |
| Interest Income                                      | 135               | 135               | 1,474                    | 1092%          | 1,032             | 442                              | 43%         |
| Police Grant/SLEF/JAG                                | 100,000           | 100,000           | 114,281                  | 114%           | 107,080           | 7,201                            | 7%          |
| <b>205 PUBLIC SAFETY TRUST</b>                       | <b>100,135</b>    | <b>100,135</b>    | <b>115,755</b>           | <b>116%</b>    | <b>108,112</b>    | <b>7,643</b>                     | <b>7%</b>   |
| <b>206 DEVELOPMENT SERVICES</b>                      |                   |                   |                          |                |                   |                                  |             |
| Building Fees                                        | 3,275,864         | 3,275,864         | 2,119,817                | 65%            | 2,164,734         | (44,918)                         | -2%         |
| Planning Fees                                        | 1,476,912         | 1,476,912         | 925,860                  | 63%            | 1,575,120         | (649,260)                        | -41%        |
| Engineering Fees                                     | 495,977           | 495,977           | 444,481                  | 90%            | 386,991           | 57,490                           | 15%         |
| Other Revenue/Current Charges                        | 14,682            | 14,682            | 48,135                   | 328%           | 49,597            | (1,462)                          | -3%         |
| <b>206 DEVELOPMENT SERVICES</b>                      | <b>5,263,435</b>  | <b>5,263,435</b>  | <b>3,538,292</b>         | <b>67%</b>     | <b>4,176,442</b>  | <b>(638,150)</b>                 | <b>-15%</b> |
| <b>207 LONG RANGE PLANNING</b>                       | <b>736,371</b>    | <b>896,371</b>    | <b>531,771</b>           | <b>59%</b>     | <b>587,576</b>    | <b>(55,805)</b>                  | <b>-9%</b>  |
| <b>215 and 216 HCD BLOCK GRANT</b>                   |                   |                   |                          |                |                   |                                  |             |
| Interest Income/Other Revenue                        | 3,660             | 3,660             | 1,007                    | 28%            | 1,003             | 4                                | 0%          |
| <b>215 and 216 HCD BLOCK GRANT</b>                   | <b>3,660</b>      | <b>3,660</b>      | <b>1,007</b>             | <b>28%</b>     | <b>1,003</b>      | <b>4</b>                         | <b>0%</b>   |
| <b>225 ASSET SEIZURE</b>                             | <b>2,227</b>      | <b>2,227</b>      | <b>18,036</b>            | <b>810%</b>    | <b>33,439</b>     | <b>(15,403)</b>                  | <b>-46%</b> |
| <b>229 LIGHTING AND LANDSCAPE</b>                    | <b>189,158</b>    | <b>189,158</b>    | <b>97,993</b>            | <b>52%</b>     | <b>99,959</b>     | <b>(1,966)</b>                   | <b>-2%</b>  |
| <b>230 COMMUNITY FACILITIES DISTRICT</b>             | <b>44,504</b>     | <b>44,504</b>     | <b>24,988</b>            | <b>56%</b>     | <b>34,527</b>     | <b>(9,539)</b>                   | <b>-28%</b> |
| <b>232 ENVIRONMENTAL PROGRAMS</b>                    | <b>409,843</b>    | <b>409,843</b>    | <b>361,212</b>           | <b>88%</b>     | <b>370,528</b>    | <b>(9,316)</b>                   | <b>-3%</b>  |
| <b>234 MOBILE HOME PARK RENT STAB.</b>               | <b>873</b>        | <b>873</b>        | <b>6,531</b>             | <b>748%</b>    | <b>9,278</b>      | <b>(2,747)</b>                   | <b>-30%</b> |
| <b>235 SENIOR HOUSING</b>                            | <b>4,462</b>      | <b>4,462</b>      | <b>3,618</b>             | <b>81%</b>     | <b>3,381</b>      | <b>237</b>                       | <b>7%</b>   |
| <b>236 HOUSING MITIGATION</b>                        | <b>2,336,690</b>  | <b>2,336,690</b>  | <b>820,310</b>           | <b>35%</b>     | <b>1,213,912</b>  | <b>(393,602)</b>                 | <b>-32%</b> |
| <b>240 EMPLOYEE ASSISTANCE</b>                       | <b>29,256</b>     | <b>29,256</b>     | <b>16,505</b>            | <b>56%</b>     | <b>18,868</b>     | <b>(2,363)</b>                   | <b>-13%</b> |
| <b>247 ENVIRONMENT REMEDIATION</b>                   | <b>2,824</b>      | <b>2,824</b>      | <b>3,372</b>             | <b>119%</b>    | <b>2,022</b>      | <b>1,350</b>                     | <b>67%</b>  |
| <b>250 COMH-SUCCESSOR AGENCY-MHRDA</b>               | <b>6,935,750</b>  | <b>6,935,750</b>  | <b>7,364,694</b>         | <b>106%</b>    | <b>11,998,608</b> | <b>(4,633,914)</b>               | <b>-39%</b> |
| <b>255 HOUSING SUCCESSOR AGENCY</b>                  | <b>553,622</b>    | <b>553,622</b>    | <b>467,129</b>           | <b>84%</b>     | <b>652,269</b>    | <b>(185,140)</b>                 | <b>-28%</b> |
| <b>TOTAL SPECIAL REVENUE FUNDS</b>                   | <b>17,351,779</b> | <b>17,511,779</b> | <b>13,971,216</b>        | <b>80%</b>     | <b>19,891,748</b> | <b>(5,920,532)</b>               | <b>-30%</b> |
| <b>CAPITAL PROJECTS FUNDS</b>                        |                   |                   |                          |                |                   |                                  |             |
| <b>301 PARK DEVELOPMENT</b>                          | <b>2,647,562</b>  | <b>5,749,222</b>  | <b>1,196,105</b>         | <b>21%</b>     | <b>1,923,779</b>  | <b>(727,674)</b>                 | <b>-38%</b> |
| <b>302 PARK MAINTENANCE</b>                          | <b>1,371,696</b>  | <b>1,371,696</b>  | <b>333,891</b>           | <b>24%</b>     | <b>796,909</b>    | <b>(463,017)</b>                 | <b>-58%</b> |
| <b>303 LOCAL DRAINAGE</b>                            | <b>1,652,576</b>  | <b>1,652,576</b>  | <b>821,295</b>           | <b>50%</b>     | <b>674,913</b>    | <b>146,382</b>                   | <b>22%</b>  |
| <b>304 LOCAL DRAINAGE/NON AB1600</b>                 | <b>83,498</b>     | <b>83,498</b>     | <b>24,387</b>            | <b>29%</b>     | <b>149,348</b>    | <b>(124,962)</b>                 | <b>-84%</b> |
| <b>306 AGRICULTURE &amp; OPEN SPACE PRESERVATION</b> | <b>3,420,324</b>  | <b>3,420,324</b>  | <b>904,490</b>           | <b>26%</b>     | <b>2,130,371</b>  | <b>(1,225,881)</b>               | <b>-58%</b> |
| <b>308 STREET CIP</b>                                | <b>5,068,938</b>  | <b>5,068,938</b>  | <b>5,858,014</b>         | <b>116%</b>    | <b>2,386,549</b>  | <b>3,471,466</b>                 | <b>145%</b> |
| <b>309 TRAFFIC IMPACT</b>                            | <b>1,283,196</b>  | <b>1,283,196</b>  | <b>951,445</b>           | <b>74%</b>     | <b>4,539,410</b>  | <b>(3,587,965)</b>               | <b>-79%</b> |
| <b>311 POLICE IMPACT</b>                             | <b>295,109</b>    | <b>295,109</b>    | <b>197,050</b>           | <b>67%</b>     | <b>248,784</b>    | <b>(51,733)</b>                  | <b>-21%</b> |
| <b>313 FIRE IMPACT</b>                               | <b>469,220</b>    | <b>469,220</b>    | <b>114,743</b>           | <b>24%</b>     | <b>308,183</b>    | <b>(193,440)</b>                 | <b>-63%</b> |
| <b>346 PUBLIC FACILITIES NON-AB1600</b>              | <b>630,420</b>    | <b>630,420</b>    | <b>297,164</b>           | <b>47%</b>     | <b>135,832</b>    | <b>161,332</b>                   | <b>119%</b> |
| <b>347 PUBLIC FACILITIES IMPACT</b>                  | <b>221,932</b>    | <b>221,932</b>    | <b>194,105</b>           | <b>87%</b>     | <b>179,362</b>    | <b>14,743</b>                    | <b>8%</b>   |
| <b>348 LIBRARY</b>                                   | <b>936,224</b>    | <b>936,224</b>    | <b>445,632</b>           | <b>48%</b>     | <b>859,491</b>    | <b>(413,859)</b>                 | <b>-48%</b> |
| <b>350 UNDERGROUNDING</b>                            | <b>50,079</b>     | <b>50,079</b>     | <b>13,636</b>            | <b>27%</b>     | <b>145,793</b>    | <b>(132,157)</b>                 | <b>-91%</b> |
| <b>355 SCHOOL PEDESTRIAN/TRAFFIC SAFETY</b>          | <b>656,864</b>    | <b>656,864</b>    | <b>93,754</b>            | <b>14%</b>     | <b>44,047</b>     | <b>49,708</b>                    | <b>113%</b> |
| <b>360 COMMUNITY/REC IMPACT FUND</b>                 | <b>1,359,693</b>  | <b>1,359,693</b>  | <b>774,287</b>           | <b>57%</b>     | <b>920,319</b>    | <b>(146,032)</b>                 | <b>-16%</b> |
| <b>TOTAL CAPITAL PROJECTS FUNDS</b>                  | <b>20,147,331</b> | <b>23,248,991</b> | <b>12,219,999</b>        | <b>53%</b>     | <b>15,443,089</b> | <b>(3,223,090)</b>               | <b>-21%</b> |
| <b>DEBT SERVICE FUNDS</b>                            |                   |                   |                          |                |                   |                                  |             |
| <b>420 CIVIC CENTER DEBT</b>                         | <b>301,874</b>    | <b>301,874</b>    | <b>251,823</b>           | <b>83%</b>     | <b>249,090</b>    | <b>2,732</b>                     | <b>1%</b>   |
| <b>441 POLICE FACILITY BOND</b>                      | <b>376,090</b>    | <b>376,090</b>    | <b>374,426</b>           | <b>100%</b>    | <b>374,425</b>    | <b>1</b>                         | <b>0%</b>   |
| <b>TOTAL DEBT SERVICE FUNDS</b>                      | <b>677,964</b>    | <b>677,964</b>    | <b>626,248</b>           | <b>92%</b>     | <b>623,515</b>    | <b>2,733</b>                     | <b>0%</b>   |

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City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2019-20  
For the Ten Months Ended April 30, 2020  
83% of Year Complete

| FUND<br>REVENUE<br>SOURCE              | ADOPTED<br>BUDGET     | AMENDED<br>BUDGET     | CURRENT<br>YTD<br>ACTUAL | %<br>OF BUDGET | PRIOR<br>YTD          | INCR (DECR)<br>FROM PRIOR<br>YTD | %<br>CHANGE |
|----------------------------------------|-----------------------|-----------------------|--------------------------|----------------|-----------------------|----------------------------------|-------------|
| <b>ENTERPRISE FUNDS</b>                |                       |                       |                          |                |                       |                                  |             |
| <b>640 SEWER OPERATION</b>             |                       |                       |                          |                |                       |                                  |             |
| Sewer Service Fees                     | 11,746,083            | 11,746,083            | 8,349,464                | 71%            | 7,789,626             | 559,837                          | 7%          |
| Interest Income/Transfers              | 43,166                | 43,166                | 55,371                   | 128%           | 35,383                | 19,988                           | 56%         |
| Other Revenue/Current Charges          | 328,660               | 328,660               | 752,274                  | 229%           | 783,100               | (30,826)                         | -4%         |
| <b>640 SEWER OPERATION</b>             | <b>12,117,909</b>     | <b>12,117,909</b>     | <b>9,157,109</b>         | <b>76%</b>     | <b>8,608,110</b>      | <b>548,999</b>                   | <b>6%</b>   |
| <b>641 SEWER EXPANSION</b>             |                       |                       |                          |                |                       |                                  |             |
| Interest Income                        | 253,972               | 253,972               | 316,247                  | 125%           | 270,668               | 45,579                           | 17%         |
| Development Impact Fee                 | 4,801,041             | 4,801,041             | 3,848,642                | 80%            | 4,104,026             | (255,384)                        | -6%         |
| Transfers/Other                        | -                     | -                     | -                        | n/a            | -                     | -                                | 0%          |
| <b>641 SEWER EXPANSION</b>             | <b>5,055,013</b>      | <b>5,055,013</b>      | <b>4,164,889</b>         | <b>82%</b>     | <b>4,374,694</b>      | <b>(209,805)</b>                 | <b>-5%</b>  |
| <b>642 SEWER RATE STABILIZATION</b>    | <b>52,262</b>         | <b>52,262</b>         | <b>41,548</b>            | <b>79%</b>     | <b>38,842</b>         | <b>2,706</b>                     | <b>7%</b>   |
| <b>643 SEWER-CAPITAL PROJECT</b>       | <b>2,853,531</b>      | <b>2,853,531</b>      | <b>2,554,882</b>         | <b>90%</b>     | <b>2,435,042</b>      | <b>119,840</b>                   | <b>5%</b>   |
| <b>TOTAL SEWER FUNDS</b>               | <b>20,078,715</b>     | <b>20,078,715</b>     | <b>15,918,428</b>        | <b>79%</b>     | <b>15,456,689</b>     | <b>461,740</b>                   | <b>3%</b>   |
| <b>650 WATER OPERATION</b>             |                       |                       |                          |                |                       |                                  |             |
| Water Sales                            | 13,400,000            | 13,400,000            | 10,230,627               | 76%            | 9,218,395             | 1,012,232                        | 11%         |
| Meter Install & Service                | 125,500               | 125,500               | 11,928                   | 10%            | 114,957               | (103,029)                        | -90%        |
| Transfers-In / Interest Income         | 478,039               | 478,039               | 411,275                  | 86%            | 389,061               | 22,214                           | 6%          |
| Other Revenue/Current Charges          | 776,961               | 776,961               | 715,958                  | 92%            | 760,763               | (44,805)                         | -6%         |
| <b>650 WATER OPERATION</b>             | <b>14,780,500</b>     | <b>14,780,500</b>     | <b>11,369,788</b>        | <b>77%</b>     | <b>10,483,176</b>     | <b>886,612</b>                   | <b>8%</b>   |
| <b>651 WATER EXPANSION</b>             |                       |                       |                          |                |                       |                                  |             |
| Interest Income/Other Revenue/Transfer | 73,821                | 73,821                | 40,490                   | 55%            | 43,556                | (3,067)                          | -7%         |
| Development Impact Fee                 | 1,452,925             | 1,452,925             | 959,776                  | 66%            | 1,251,197             | (291,421)                        | -23%        |
| <b>651 WATER EXPANSION</b>             | <b>1,526,746</b>      | <b>1,526,746</b>      | <b>1,000,266</b>         | <b>66%</b>     | <b>1,294,753</b>      | <b>(294,487)</b>                 | <b>-23%</b> |
| <b>652 Water Rate Stabilization</b>    | <b>11,107</b>         | <b>11,107</b>         | <b>27,884</b>            | <b>251%</b>    | <b>8,309</b>          | <b>19,575</b>                    | <b>236%</b> |
| <b>653 Water Capital Project</b>       | <b>3,812,288</b>      | <b>3,812,288</b>      | <b>3,206,146</b>         | <b>84%</b>     | <b>2,120,726</b>      | <b>1,085,420</b>                 | <b>51%</b>  |
| <b>TOTAL WATER FUNDS</b>               | <b>20,130,641</b>     | <b>20,130,641</b>     | <b>15,604,085</b>        | <b>78%</b>     | <b>13,906,965</b>     | <b>1,697,120</b>                 | <b>12%</b>  |
| <b>TOTAL ENTERPRISE FUNDS</b>          | <b>40,209,356</b>     | <b>40,209,356</b>     | <b>31,522,513</b>        | <b>78%</b>     | <b>29,363,653</b>     | <b>2,158,860</b>                 | <b>7%</b>   |
| <b>INTERNAL SERVICE FUNDS</b>          |                       |                       |                          |                |                       |                                  |             |
| 730 INFORMATION SYSTEMS                | 1,783,719             | 1,783,719             | 1,509,969                | 85%            | 1,577,473             | (67,504)                         | -4%         |
| 740 BUILDING MAINTENANCE               | 3,258,548             | 3,258,548             | 2,681,948                | 82%            | 2,803,134             | (121,187)                        | -4%         |
| 741 BUILDING REPLACEMENT               | 831,677               | 831,677               | 672,080                  | 81%            | 645,350               | 26,729                           | 4%          |
| 745 CIP ADMINISTRATION                 | 1,871,909             | 1,871,909             | 1,370,615                | 73%            | 1,221,474             | 149,141                          | 12%         |
| 760 UNEMPLOYMENT INSURANCE             | 2,898                 | 2,898                 | 2,162                    | 75%            | 2,320                 | (157)                            | -7%         |
| 770 WORKERS COMPENSATION               | 800,422               | 800,422               | 701,248                  | 88%            | 684,472               | 16,776                           | 2%          |
| 790 EQUIPMENT REPLACEMENT              | 1,052,269             | 1,119,217             | 982,037                  | 88%            | 1,049,560             | (67,523)                         | -6%         |
| 791 EMPLOYEE BENEFITS                  | 1,229,852             | 1,229,852             | 660,254                  | 54%            | 633,747               | 26,508                           | 4%          |
| 795 GENERAL LIABILITY INSURANCE        | 1,076,586             | 1,076,586             | 897,136                  | 83%            | 854,633               | 42,503                           | 5%          |
| <b>TOTAL INTERNAL SERVICE FUNDS</b>    | <b>11,907,880</b>     | <b>11,974,828</b>     | <b>9,477,450</b>         | <b>79%</b>     | <b>9,472,164</b>      | <b>5,286</b>                     | <b>0%</b>   |
| <b>TOTAL FOR ALL FUNDS</b>             | <b>\$ 133,415,168</b> | <b>\$ 136,793,176</b> | <b>\$ 99,603,086</b>     | <b>73%</b>     | <b>\$ 107,607,290</b> | <b>\$ (8,004,204)</b>            | <b>-7%</b>  |

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City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2019-20  
For the Month and Ten Months Ended April 30, 2020  
83% 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    |
|-------------------------------------------|---------------|-------------------------------|-------------------|-------------------|-------------------------|-------------------|----------------------------|--------------|
| <b>010 GENERAL FUND</b>                   |               |                               |                   |                   |                         |                   |                            |              |
| <b>I. ADMINISTRATION</b>                  |               |                               |                   |                   |                         |                   |                            |              |
| CITY COUNCIL                              |               | \$ (59,663)                   | \$ 336,684        | \$ 280,855        | \$ 25,000               | \$ 305,855        | 91%                        | \$ 27        |
| CITY ATTORNEY                             |               | 48,330                        | 763,698           | 607,394           | 65,620                  | 673,014           | 88%                        | 51           |
| CITY MANAGER                              |               | 35,291                        | 580,167           | 392,259           | 61,027                  | 453,286           | 78%                        | 32           |
| HUMAN RESOURCES                           |               | 56,476                        | 751,908           | 584,571           | -                       | 584,571           | 78%                        | 66           |
| COUNCIL SVCS & RECORDS MGMT               |               |                               |                   |                   |                         |                   |                            |              |
| Council Svcs & Records Mgmt               |               | 43,731                        | 601,560           | 497,235           | 4,531                   | 501,766           | 83%                        | 46           |
| Elections                                 |               | 1,627                         | 178,037           | 54,758            | -                       | 54,758            | 31%                        | 14           |
| COUNCIL SVCS & RECORDS MGMT               |               | 45,358                        | 779,597           | 551,993           | 4,531                   | 556,523           | 71%                        | 61           |
| FINANCE                                   |               | 101,631                       | 1,623,059         | 1,234,884         | 11,797                  | 1,246,681         | 77%                        | 1,32         |
| <b>TOTAL ADMINISTRATION</b>               |               | <b>227,423</b>                | <b>4,835,112</b>  | <b>3,651,956</b>  | <b>167,974</b>          | <b>3,819,931</b>  | <b>79%</b>                 | <b>3,71</b>  |
| <b>II. COMMUNITY SERVICES</b>             |               |                               |                   |                   |                         |                   |                            |              |
| Membership Services & Rec. Programs       |               | 266,240                       | 6,371,297         | 4,884,738         | 530,764                 | 5,415,502         | 85%                        | 4,89         |
| Recreation Facility Rentals               |               | 89,662                        | 1,356,318         | 1,079,630         | 16,458                  | 1,096,087         | 81%                        | 1,10         |
| Community Services                        |               | 32,114                        | 648,407           | 493,590           | 73,424                  | 567,014           | 87%                        | 48           |
| Environmental Services                    |               | 16,928                        | 293,918           | 186,057           | -                       | 186,057           | 63%                        | 17           |
| Street Maintenance                        |               | 142,603                       | 2,386,836         | 1,825,908         | 77,288                  | 1,903,196         | 80%                        | 1,91         |
| Downtown Maintenance                      |               | 19,796                        | 321,475           | 257,658           | 28,573                  | 286,231           | 89%                        | 26           |
| Cable Television                          |               | 1,755                         | 22,594            | 18,330            | -                       | 18,330            | 81%                        | 1            |
| COMMUNITY SERVICES                        |               | 569,098                       | 11,400,845        | 8,745,911         | 726,505                 | 9,472,416         | 83%                        | 8,85         |
| CODE COMPLIANCE                           |               | 12,355                        | 160,943           | 129,374           | -                       | 129,374           | 80%                        | 12           |
| INFRASTRUCTURE PLANNING & CONGESTION MGMT |               | 21,398                        | 318,537           | 254,684           | -                       | 254,684           | 80%                        | 4            |
| ECONOMIC DEVELOPMENT PROGRAMS             |               | 53,193                        | 809,102           | 559,878           | 66,314                  | 626,192           | 77%                        | 59           |
| <b>TOTAL COMMUNITY SERVICES</b>           |               | <b>656,044</b>                | <b>12,689,427</b> | <b>9,689,846</b>  | <b>792,820</b>          | <b>10,482,666</b> | <b>83%</b>                 | <b>9,62</b>  |
| <b>III. PUBLIC SAFETY</b>                 |               |                               |                   |                   |                         |                   |                            |              |
| <b>POLICE</b>                             |               |                               |                   |                   |                         |                   |                            |              |
| PD Administration                         |               | 182,514                       | 1,300,288         | 1,135,996         | 192                     | 1,136,188         | 87%                        | 1,11         |
| Field Operations                          |               | 618,840                       | 9,094,915         | 7,212,639         | 118,321                 | 7,330,960         | 81%                        | 7,13         |
| Support Services                          |               | 168,511                       | 2,318,572         | 1,834,829         | -                       | 1,834,829         | 79%                        | 1,81         |
| Emergency Services/Haz Mat                |               | 13,765                        | 210,041           | 156,001           | 9,871                   | 165,873           | 79%                        | 14           |
| Special Operations                        |               | 174,972                       | 2,747,543         | 2,124,948         | 62,348                  | 2,187,296         | 80%                        | 1,81         |
| Dispatch Services                         |               | 110,104                       | 1,716,002         | 1,455,519         | -                       | 1,455,519         | 85%                        | 1,33         |
| POLICE                                    |               | 1,268,706                     | 17,387,361        | 13,919,933        | 190,732                 | 14,110,665        | 81%                        | 13,35        |
| FIRE                                      |               | 520,002                       | 6,961,396         | 5,743,907         | 65,748                  | 5,809,655         | 83%                        | 5,64         |
| <b>TOTAL PUBLIC SAFETY</b>                |               | <b>1,788,708</b>              | <b>24,348,758</b> | <b>19,663,839</b> | <b>256,480</b>          | <b>19,920,320</b> | <b>82%</b>                 | <b>18,99</b> |
| <b>IV. TRANSFERS</b>                      |               |                               |                   |                   |                         |                   |                            |              |
| Other                                     |               | 156,333                       | 2,142,463         | 1,563,330         | -                       | 1,563,330         | 73%                        | 1,51         |
| <b>TOTAL TRANSFERS</b>                    |               | <b>156,333</b>                | <b>2,142,463</b>  | <b>1,563,330</b>  | <b>-</b>                | <b>1,563,330</b>  | <b>73%</b>                 | <b>1,51</b>  |
| <b>TOTAL GENERAL FUND</b>                 |               | <b>2,828,508</b>              | <b>44,015,759</b> | <b>34,568,972</b> | <b>1,217,274</b>        | <b>35,786,246</b> | <b>81%</b>                 | <b>33,85</b> |

Attachment: April 2020 Financial and Investment Report [Revision 1] (2765 : Accept April 2020 Financial and Investment Report)



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2019-20  
For the Month and Ten Months Ended April 30, 2020  
83% 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     |
|-------------------------------------|---------------------------------------|-------------------------------|-------------------|-------------------|-------------------------|-------------------|----------------------------|---------------|
| <b>SPECIAL REVENUE FUNDS</b>        |                                       |                               |                   |                   |                         |                   |                            |               |
| 202                                 | STREET MAINTENANCE                    | 342                           | 743,072           | 519,391           | -                       | 519,391           | 70%                        | 71%           |
| 205                                 | PUBLIC SAFETY/SUPP.LAW                | 572                           | 106,863           | 105,720           | -                       | 105,720           | 99%                        | 10%           |
| 206                                 | DEVELOPMENT SERVICES FUND             |                               |                   |                   |                         |                   |                            |               |
|                                     | Planning                              | 144,901                       | 2,516,024         | 1,734,284         | 94,714                  | 1,828,998         | 73%                        | 1,81%         |
|                                     | Building                              | 133,633                       | 2,098,505         | 1,587,419         | 150,837                 | 1,738,256         | 83%                        | 1,51%         |
|                                     | Engineering                           | 101,746                       | 1,469,242         | 1,198,955         | 292,519                 | 1,491,474         | 102%                       | 1,11%         |
| 206                                 | DEVELOPMENT SERVICES FUND             | 380,280                       | 6,083,771         | 4,520,659         | 538,070                 | 5,058,729         | 83%                        | 4,44%         |
| 207                                 | LONG RANGE PLANNING                   | 58,811                        | 1,106,774         | 458,328           | 427,795                 | 886,123           | 80%                        | 51%           |
| 215/216                             | CDBG                                  | 434                           | 5,209             | 4,340             | -                       | 4,340             | 83%                        | -             |
| 225                                 | ASSET SEIZURE                         | -                             | -                 | 5,000             | -                       | 5,000             | n/a                        | -             |
| 229                                 | LIGHTING AND LANDSCAPE                | 7,109                         | 206,031           | 132,652           | 21,361                  | 154,012           | 75%                        | 13%           |
| 230                                 | COMMUNITY FACILITIES DISTRICT         | 1,275                         | 46,979            | 25,367            | -                       | 25,367            | 54%                        | 1%            |
| 232                                 | ENVIRONMENTAL PROGRAMS                | 26,825                        | 439,095           | 319,152           | 21,962                  | 341,114           | 78%                        | 32%           |
| 234                                 | MOBILE HOME PARK                      | 35                            | 425               | 350               | -                       | 350               | 82%                        | -             |
| 236                                 | HOUSING MITIGATION                    | (304,960)                     | 2,285,207         | 181,703           | 122,209                 | 303,912           | 13%                        | 1,72%         |
| 240                                 | EMPLOYEE ASSISTANCE                   | 81                            | 28,477            | 21,339            | -                       | 21,339            | 75%                        | -             |
| 247                                 | ENVIRONMENTAL REMEDIATION             | 1,058                         | -                 | 3,375             | -                       | 3,375             | n/a                        | -             |
| 250                                 | COMH-SUCCESSOR AGENCY-MHRDA           | 2,775,625                     | 6,973,161         | 6,966,604         | -                       | 6,966,604         | 100%                       | 11,30%        |
| 255                                 | HOUSING SUCCESSOR AGENCY              | 71,185                        | 935,845           | 813,545           | 66,667                  | 880,212           | 94%                        | 3,81%         |
| <b>TOTAL SPECIAL REVENUE FUNDS</b>  |                                       | <b>3,018,672</b>              | <b>18,960,909</b> | <b>14,077,525</b> | <b>1,198,063</b>        | <b>15,275,588</b> | <b>81%</b>                 | <b>23,12%</b> |
| <b>CAPITAL PROJECT FUNDS</b>        |                                       |                               |                   |                   |                         |                   |                            |               |
| 301                                 | PARK DEVELOPMENT                      | 74,843                        | 14,875,933        | 1,948,675         | 341,390                 | 2,290,065         | 15%                        | 42%           |
| 302                                 | PARK MAINTENANCE                      | 74,053                        | 1,227,852         | 936,320           | 107,294                 | 1,043,613         | 85%                        | 89%           |
| 303                                 | LOCAL DRAINAGE                        | 15,333                        | 2,924,734         | 321,952           | 230,480                 | 552,433           | 19%                        | 2,34%         |
| 304                                 | LOCAL DRAIN. NON-AB1600               | 23,774                        | 486,660           | 130,499           | 40,792                  | 171,291           | 35%                        | -             |
| 306                                 | AGRICULTURE & OPEN SPACE PRESERVATION | 2,203                         | 6,695,683         | 3,177,558         | 35,956                  | 3,213,514         | 48%                        | 3,03%         |
| 308                                 | STREET CIP                            | 34,280                        | 8,456,398         | 4,605,186         | 284,507                 | 4,889,693         | 58%                        | 1,81%         |
| 309                                 | TRAFFIC IMPACT                        | 244,992                       | 18,536,119        | 1,162,378         | 141,594                 | 1,303,972         | 7%                         | 5,11%         |
| 311                                 | POLICE IMPACT                         | 101,238                       | 226,130           | 221,964           | -                       | 221,964           | 98%                        | 22%           |
| 313                                 | FIRE IMPACT                           | 275                           | 53,425            | 28,069            | 9,462                   | 37,531            | 70%                        | 3%            |
| 346                                 | PUBLIC FAC. NON AB1600                | 614                           | 930,930           | 87,897            | 222,091                 | 309,988           | 33%                        | 43%           |
| 347                                 | PUBLIC FACILITIES IMPACT              | 2,304                         | 177,688           | 103,964           | 11,418                  | 115,381           | 65%                        | -             |
| 348                                 | LIBRARY IMPACT                        | 280,353                       | 3,849,389         | 1,488,714         | 1,047,852               | 2,536,567         | 66%                        | 51%           |
| 350                                 | UNDERGROUNDING                        | 90                            | 1,075             | 900               | -                       | 900               | 84%                        | -             |
| 355                                 | SCHOOL PEDESTRIAN & TRAFFIC SAFETY    | 56,039                        | 2,190,266         | 329,415           | 16,557                  | 345,973           | 16%                        | 11%           |
| 360                                 | COMM/REC CENTER IMPACT                | 139,383                       | 3,521,478         | 1,004,601         | 2,013,944               | 3,018,544         | 86%                        | 71%           |
| <b>TOTAL CAPITAL PROJECTS FUNDS</b> |                                       | <b>1,049,775</b>              | <b>64,153,761</b> | <b>15,548,092</b> | <b>4,503,337</b>        | <b>20,051,430</b> | <b>31%</b>                 | <b>15,02%</b> |
| <b>DEBT SERVICE FUNDS</b>           |                                       |                               |                   |                   |                         |                   |                            |               |
| 420                                 | CIVIC CENTER DEBT                     | 86,083                        | 311,636           | 317,183           | -                       | 317,183           | 102%                       | 29%           |
| 441                                 | POLICE FACILITY BOND DEBT             | 67,320                        | 380,552           | 369,644           | -                       | 369,644           | 97%                        | 38%           |
| <b>TOTAL DEBT SERVICE FUNDS</b>     |                                       | <b>153,403</b>                | <b>692,188</b>    | <b>686,828</b>    | <b>-</b>                | <b>686,828</b>    | <b>99%</b>                 | <b>68%</b>    |

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City of Morgan Hill  
 Year to Date Expenses - Fiscal Year 2019-20  
 For the Month and Ten Months Ended April 30, 2020  
 83% 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        |
|-------------------------------------|--------------------------|-------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|----------------------------|------------------|
| <b>ENTERPRISE FUNDS</b>             |                          |                               |                       |                       |                         |                       |                            |                  |
| <b>SEWER</b>                        |                          |                               |                       |                       |                         |                       |                            |                  |
| 640                                 | SEWER OPERATIONS         | 847,017                       | 12,087,541            | 8,891,558             | 341,445                 | 9,233,003             | 76%                        | 8,13             |
| 641                                 | SEWER CAPITAL EXPANSION  | 28,745                        | 13,399,255            | 1,240,894             | 982,282                 | 2,223,176             | 17%                        | 1,07             |
| 642                                 | SEWER RATE STABILIZATION | 90                            | 1,078                 | 900                   | -                       | 900                   | 83%                        |                  |
| 643                                 | SEWER-CAPITAL PROJECTS   | 176,868                       | 10,335,505            | 4,824,324             | 1,390,301               | 6,214,624             | 60%                        | 4,30             |
| <b>TOTAL SEWER FUND(S)</b>          |                          | <b>1,052,720</b>              | <b>35,823,378</b>     | <b>14,957,676</b>     | <b>2,714,028</b>        | <b>17,671,703</b>     | <b>49%</b>                 | <b>13,51</b>     |
| <b>WATER</b>                        |                          |                               |                       |                       |                         |                       |                            |                  |
|                                     | Water Operations         | 635,713                       | 14,203,740            | 10,387,706            | 1,102,765               | 11,490,471            | 81%                        | 8,55             |
|                                     | Utility Billing          | 59,965                        | 789,099               | 705,115               | 13,870                  | 718,985               | 91%                        | 64               |
|                                     | Water Conservation       | 4,971                         | 198,464               | 54,777                | 95,400                  | 150,177               | 76%                        | 7                |
| 650                                 | WATER OPERATIONS         | 700,650                       | 15,191,302            | 11,147,598            | 1,212,035               | 12,359,634            | 81%                        | 9,27             |
| 651                                 | WATER CAPITAL EXPANSION  | 64,545                        | 2,281,224             | 1,042,409             | 185,339                 | 1,227,748             | 54%                        | 1,58             |
| 652                                 | WATER RATE STABILIZATION | 29                            | 352                   | 290                   | -                       | 290                   | 82%                        |                  |
| 653                                 | WATER-CAPITAL PROJECTS   | 14,457                        | 3,731,255             | 415,201               | 43,778                  | 458,979               | 12%                        | 75               |
| <b>TOTAL WATER FUND(S)</b>          |                          | <b>779,680</b>                | <b>21,204,133</b>     | <b>12,605,498</b>     | <b>1,441,153</b>        | <b>14,046,651</b>     | <b>66%</b>                 | <b>11,61</b>     |
| <b>TOTAL ENTERPRISE FUNDS</b>       |                          | <b>1,832,400</b>              | <b>57,027,512</b>     | <b>27,563,173</b>     | <b>4,155,181</b>        | <b>31,718,354</b>     | <b>56%</b>                 | <b>25,13</b>     |
| <b>INTERNAL SERVICE FUNDS</b>       |                          |                               |                       |                       |                         |                       |                            |                  |
| 730                                 | INFORMATION SYSTEMS      | 58,269                        | 2,494,467             | 1,635,616             | 221,582                 | 1,857,198             | 74%                        | 1,26             |
| 740                                 | BUILDING MAINTENANCE     | 198,622                       | 3,338,819             | 2,506,188             | 174,962                 | 2,681,149             | 80%                        | 2,58             |
| 741                                 | BUILDING REPLACEMENT     | -                             | 278,950               | 187,117               | 43,830                  | 230,948               | 83%                        | 23               |
| 745                                 | CIP ADMINISTRATION       | 127,786                       | 1,619,521             | 1,370,738             | 9,127                   | 1,379,865             | 85%                        | 1,22             |
| 760                                 | UNEMPLOYMENT             | -                             | 10,000                | 11,990                | -                       | 11,990                | 120%                       |                  |
| 770                                 | WORKERS COMPENSATION     | 15,339                        | 952,045               | 839,519               | -                       | 839,519               | 88%                        | 53               |
| 790                                 | EQUIPMENT REPLACEMENT    | 9,993                         | 1,213,015             | 562,706               | 1,212,734               | 1,775,440             | 146%                       | 56               |
| 791                                 | EMPLOYEE BENEFITS FUND   | 57,798                        | 615,000               | 481,801               | -                       | 481,801               | 78%                        | 43               |
| 795                                 | GEN. LIABILITY INSURANCE | 6,739                         | 1,044,568             | 955,461               | -                       | 955,461               | 91%                        | 86               |
| <b>TOTAL INTERNAL SERVICE FUNDS</b> |                          | <b>474,546</b>                | <b>11,566,384</b>     | <b>8,551,137</b>      | <b>1,662,235</b>        | <b>10,213,372</b>     | <b>88%</b>                 | <b>7,71</b>      |
| <b>REPORT TOTAL</b>                 |                          | <b>\$ 9,357,305</b>           | <b>\$ 196,416,513</b> | <b>\$ 100,995,727</b> | <b>\$ 12,736,090</b>    | <b>\$ 113,731,817</b> | <b>58%</b>                 | <b>\$ 105,53</b> |

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**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2019-20**  
**For the Ten Months Ended April 30, 2020**  
**83% 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 | YTD Actual           | % of Budget | Deficit or Carryover              | Reserved <sup>1</sup> | Unreserved           |  |
| 010                                | GENERAL FUND                       | \$ 17,924,089         | 74%         | \$ 31,785,660        | 74%         | \$ 34,568,972        | 79%         | \$ (2,783,312)                    | \$ 1,217,274          | \$ 13,923,502        |  |
| <b>TOTAL GENERAL FUND</b>          |                                    | <b>\$ 17,924,089</b>  | <b>74%</b>  | <b>\$ 31,785,660</b> | <b>74%</b>  | <b>\$ 34,568,972</b> | <b>79%</b>  | <b>\$ (2,783,312)</b>             | <b>\$ 1,217,274</b>   | <b>\$ 13,923,502</b> |  |
| 202                                | STREET MAINTENANCE                 | 37,376                | 81%         | 600,003              | 81%         | 519,391              | 76%         | 80,612                            | -                     | 117,988              |  |
| 205                                | PUBLIC SAFETY/SUPPL. LAW           | 93,997                | 116%        | 115,755              | 116%        | 105,720              | 82%         | 10,035                            | -                     | 104,032              |  |
| 206                                | DEVELOPMENT SERVICES               | 1,329,077             | 67%         | 3,538,292            | 67%         | 4,520,659            | 74%         | (982,367)                         | 538,070               | (191,359)            |  |
| 207                                | LONG RANGE PLANNING                | 1,248,188             | 53%         | 531,771              | 59%         | 458,328              | 41%         | 73,443                            | 427,795               | 893,836              |  |
| 215 / 216                          | CDBG                               | 57,072                | 28%         | 1,007                | 28%         | 4,340                | 83%         | (3,333)                           | -                     | 53,739               |  |
| 225                                | ASSET SEIZURE                      | 130,210               | 810%        | 18,036               | 810%        | 5,000                | n/a         | 13,036                            | -                     | 143,246              |  |
| 229                                | LIGHTING AND LANDSCAPE             | 158,268               | 52%         | 97,993               | 52%         | 132,652              | 64%         | (34,659)                          | 21,361                | 102,248              |  |
| 230                                | COMMUNITY FACILITIES DISTRICT      | 112,386               | 56%         | 24,988               | 56%         | 25,367               | 54%         | (379)                             | -                     | 112,007              |  |
| 232                                | ENVIRONMENTAL PROGRAMS             | 335,097               | 88%         | 361,212              | 88%         | 319,152              | 73%         | 42,060                            | 21,962                | 355,195              |  |
| 234                                | MOBILE HOME PK RENT STAB.          | 52,468                | 748%        | 6,531                | 748%        | 350                  | 82%         | 6,181                             | -                     | 58,649               |  |
| 235                                | SENIOR HOUSING                     | 228,559               | 81%         | 3,618                | 81%         | -                    | n/a         | 3,618                             | -                     | 232,177              |  |
| 236                                | HOUSING MITIGATION                 | 2,520,285             | 35%         | 820,310              | 35%         | 181,703              | 8%          | 638,607                           | 122,209               | 3,036,683            |  |
| 240                                | EMPLOYEE ASSISTANCE                | 63,226                | 56%         | 16,505               | 56%         | 21,339               | 75%         | (4,834)                           | -                     | 58,392               |  |
| 247                                | ENVIRONMENT REMEDIATION            | 135,636               | 119%        | 3,372                | 119%        | 3,375                | n/a         | (3)                               | -                     | 135,633              |  |
| 250                                | COMH-SUCCESSOR AGENCY-MHRDA        | (500,829)             | 106%        | 7,364,694            | 106%        | 6,966,604            | 100%        | 398,090                           | -                     | (102,739)            |  |
| 255                                | HOUSING SUCCESSOR AGENCY           | 3,976,695             | 84%         | 467,129              | 84%         | 813,545              | 87%         | (346,416)                         | 66,667                | 3,563,613            |  |
| 260                                | PUBLIC ART                         | 185                   | n/a         | -                    | n/a         | -                    | -           | -                                 | -                     | 185                  |  |
| <b>TOTAL SPECIAL REVENUE FUNDS</b> |                                    | <b>\$ 9,977,896</b>   | <b>80%</b>  | <b>\$ 13,971,216</b> | <b>80%</b>  | <b>\$ 14,077,525</b> | <b>74%</b>  | <b>\$ (106,309)</b>               | <b>\$ 1,198,063</b>   | <b>\$ 8,673,524</b>  |  |
| 301                                | PARK DEV. IMPACT FUND              | 4,116,066             | 21%         | 1,196,105            | 21%         | 1,948,675            | 13%         | (752,570)                         | 341,390               | 3,022,106            |  |
| 302                                | PARK MAINTENANCE                   | 4,078,868             | 24%         | 333,891              | 24%         | 936,320              | 76%         | (602,428)                         | 107,294               | 3,369,146            |  |
| 303                                | LOCAL DRAINAGE                     | 12,117,049            | 50%         | 821,295              | 50%         | 321,952              | 11%         | 499,343                           | 230,480               | 12,385,912           |  |
| 304                                | LOCAL DRAINAGE/NON-AB1600          | 1,563,382             | 29%         | 24,387               | 29%         | 130,499              | 27%         | (106,112)                         | 40,792                | 1,416,477            |  |
| 306                                | AGRICULTURE AND OPEN SPACE PRESERV | 7,951,064             | 26%         | 904,490              | 26%         | 3,177,558            | 47%         | (2,273,068)                       | 35,956                | 5,642,040            |  |
| 308                                | STREET CIP                         | 3,299,044             | 116%        | 5,858,014            | 116%        | 4,605,186            | 54%         | 1,252,828                         | 284,507               | 4,267,365            |  |
| 309                                | TRAFFIC IMPACT FUND                | (1,263,866)           | 74%         | 951,445              | 74%         | 1,162,378            | 6%          | (210,933)                         | 141,594               | (1,616,393)          |  |
| 311                                | POLICE IMPACT FUND                 | (640,897)             | 67%         | 197,050              | 67%         | 221,964              | 98%         | (24,914)                          | -                     | (665,811)            |  |
| 313                                | FIRE IMPACT FUND                   | 3,873,198             | 24%         | 114,743              | 24%         | 28,069               | 53%         | 86,674                            | 9,462                 | 3,950,410            |  |
| 346                                | PUBLIC FACILITIES NON-AB1600       | (178,486)             | 47%         | 297,164              | 47%         | 87,897               | 9%          | 209,266                           | 222,091               | (191,313)            |  |
| 347                                | PUBLIC FACILITIES IMPACT FUND      | 688,851               | 87%         | 194,105              | 87%         | 103,964              | 59%         | 90,141                            | 11,418                | 787,575              |  |
| 348                                | LIBRARY IMPACT FUND                | 2,987,436             | 48%         | 445,632              | 48%         | 1,488,714            | 39%         | (1,043,082)                       | 1,047,852             | 896,502              |  |
| 350                                | UNDERGROUNDING                     | 861,895               | 27%         | 13,636               | 27%         | 900                  | 84%         | 12,736                            | -                     | 874,631              |  |
| 355                                | SCHOOL PEDESTRIAN/TRAFFIC SFTY     | 1,477,523             | 14%         | 93,754               | 14%         | 329,415              | 15%         | (235,661)                         | 16,557                | 1,225,305            |  |
| 360                                | COMM/REC CTR IMPACT FUND           | 2,122,228             | 57%         | 774,287              | 57%         | 1,004,601            | 29%         | (230,314)                         | 2,013,944             | (122,030)            |  |
| <b>TOTAL CAPITAL PROJECT FUNDS</b> |                                    | <b>\$ 43,053,353</b>  | <b>53%</b>  | <b>\$ 12,219,999</b> | <b>53%</b>  | <b>\$ 15,548,092</b> | <b>24%</b>  | <b>\$ (3,328,093)</b>             | <b>\$ 4,503,337</b>   | <b>\$ 35,221,923</b> |  |
| 420                                | CIVIC CENTER DEBT                  | 171,351               | 83%         | 251,823              | 83%         | 317,183              | 102%        | (65,361)                          | 200                   | 105,790              |  |
| 441                                | POLICE FACILITY BOND DEBT          | 70,213                | 100%        | 374,426              | 100%        | 369,644              | 97%         | 4,782                             | 255                   | 74,740               |  |
| <b>TOTAL DEBT SERVICE FUNDS</b>    |                                    | <b>\$ 241,564</b>     | <b>92%</b>  | <b>\$ 626,248</b>    | <b>92%</b>  | <b>\$ 686,828</b>    | <b>99%</b>  | <b>\$ (60,579)</b>                | <b>\$ 455</b>         | <b>\$ 180,530</b>    |  |

| Fund No. | Fund |  <b>City of Morgan Hill</b><br><b>Fund Activity Summary - Fiscal Year 2019-20</b><br><b>For the Ten Months Ended April 30, 2020</b><br><b>83% of Year Complete</b> |        |          |             |          |             |                      |                       |                     |  |
|----------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------|-------------|----------|-------------|----------------------|-----------------------|---------------------|--|
|          |      | Fund Balance 06-30-19                                                                                                                                                                                                                                 |        | Revenues |             | Expenses |             | Year to-Date         |                       | Ending Fund Balance |  |
|          |      | YTD                                                                                                                                                                                                                                                   | Actual | YTD      | % of Budget | YTD      | % of Budget | Deficit or Carryover | Reserved <sup>1</sup> | Unreserved          |  |

|                               |                          |                      |                      |                      |            |                     |            |                     |                     |                      |  |
|-------------------------------|--------------------------|----------------------|----------------------|----------------------|------------|---------------------|------------|---------------------|---------------------|----------------------|--|
| 640                           | SEWER OPERATIONS         | \$ 3,235,529         | \$ 9,157,109         | \$ 8,891,558         | 74%        | \$ 265,551          |            | \$ 341,445          |                     | 3,159,635            |  |
| 641                           | SEWER IMPACT FUND*       | 18,119,442           | 4,164,889            | 1,240,894            | 82%        |                     | 9%         | 2,923,995           | 982,282             | 20,061,155           |  |
| 642                           | SEWER RATE STABILIZATION | 2,625,280            | 41,548               | 900                  | 79%        |                     | 83%        | 40,648              | -                   | 2,665,928            |  |
| 643                           | SEWER-CAPITAL PROJECTS   | 9,791,525            | 2,554,882            | 4,824,324            | 90%        |                     | 47%        | (2,269,441)         | 1,390,301           | 6,131,783            |  |
| 650                           | WATER OPERATIONS         | 4,010,886            | 11,369,788           | 11,147,598           | 77%        |                     | 73%        | 222,190             | 1,212,035           | 3,021,041            |  |
| 651                           | WATER IMPACT FUND*       | 2,507,584            | 1,000,266            | 1,042,409            | 66%        |                     | 46%        | (42,143)            | 185,339             | 2,280,102            |  |
| 652                           | WATER RATE STABILIZATION | 1,761,549            | 27,884               | 290                  | 251%       |                     | 82%        | 27,594              | -                   | 1,789,143            |  |
| 653                           | WATER -CAPITAL PROJECT   | 1,685,295            | 3,206,146            | 415,201              | 84%        |                     | 11%        | 2,790,946           | 43,778              | 4,432,462            |  |
| <b>TOTAL ENTERPRISE FUNDS</b> |                          | <b>\$ 43,737,090</b> | <b>\$ 31,522,513</b> | <b>\$ 27,563,173</b> | <b>78%</b> | <b>\$ 3,959,340</b> | <b>48%</b> | <b>\$ 4,155,181</b> | <b>\$ 4,155,181</b> | <b>\$ 43,541,249</b> |  |

|                                     |                          |                      |                     |                     |            |                   |            |                     |                     |                      |  |
|-------------------------------------|--------------------------|----------------------|---------------------|---------------------|------------|-------------------|------------|---------------------|---------------------|----------------------|--|
| 730                                 | INFORMATION SERVICES     | \$ 902,325           | \$ 1,509,969        | \$ 1,635,616        | 85%        | \$ (125,647)      |            | \$ 221,582          |                     | 555,096              |  |
| 740                                 | BUILDING MAINTENANCE     | 64,490               | 2,681,948           | 2,506,188           | 82%        |                   | 75%        | 175,760             | 174,962             | 65,288               |  |
| 741                                 | BUILDING REPLACEMENT     | 2,515,067            | 672,080             | 187,117             | 81%        |                   | 67%        | 484,962             | 43,830              | 2,956,199            |  |
| 745                                 | CIP ENGINEERING          | 62,517               | 1,370,615           | 1,370,738           | 73%        |                   | 85%        | (123)               | 9,127               | 53,267               |  |
| 760                                 | UNEMPLOYMENT             | 142,515              | 2,162               | 11,990              | 75%        |                   | 120%       | (9,828)             | -                   | 132,687              |  |
| 770                                 | WORKERS COMPENSATION     | 2,015,978            | 701,248             | 839,519             | 88%        |                   | 88%        | (138,271)           | 30,000              | 1,847,707            |  |
| 790                                 | EQUIPMENT REPLACEMENT    | 5,238,985            | 982,037             | 562,706             | 88%        |                   | 46%        | 419,331             | 1,212,734           | 4,445,582            |  |
| 791                                 | EMPLOYEE BENEFITS FUNDS  | (233,198)            | 660,254             | 481,801             | 54%        |                   | 78%        | 178,453             | -                   | (54,745)             |  |
| 795                                 | GEN. LIABILITY INSURANCE | 1,379,596            | 897,136             | 955,461             | 83%        |                   | 91%        | (58,324)            | -                   | 1,321,272            |  |
| <b>TOTAL INTERNAL SERVICE FUNDS</b> |                          | <b>\$ 12,088,275</b> | <b>\$ 9,477,450</b> | <b>\$ 8,551,137</b> | <b>79%</b> | <b>\$ 926,313</b> | <b>74%</b> | <b>\$ 1,692,235</b> | <b>\$ 1,692,235</b> | <b>\$ 11,322,353</b> |  |

## SUMMARY BY FUND TYPE

|                         |                       |                      |                       |            |                       |                      |                       |
|-------------------------|-----------------------|----------------------|-----------------------|------------|-----------------------|----------------------|-----------------------|
| GENERAL FUND GROUP      | \$ 17,924,089         | \$ 31,785,660        | \$ 34,568,972         | 74%        | \$ (2,783,312)        | \$ 1,217,274         | \$ 13,923,502         |
| SPECIAL REVENUE GROUP   | 9,977,896             | 13,971,216           | 14,077,525            | 80%        | (106,309)             | 1,198,063            | 8,673,524             |
| DEBT SERVICE GROUP      | 241,564               | 626,248              | 686,828               | 92%        | (60,579)              | 455                  | 180,530               |
| CAPITAL PROJECTS GROUP  | 43,053,353            | 12,219,999           | 15,548,092            | 53%        | (3,328,093)           | 4,503,337            | 35,221,923            |
| ENTERPRISE GROUP        | 43,737,090            | 31,522,513           | 27,563,173            | 78%        | 3,959,340             | 4,155,181            | 43,541,249            |
| INTERNAL SERVICE GROUP  | 12,088,275            | 9,477,450            | 8,551,137             | 79%        | 926,313               | 1,692,235            | 11,322,353            |
| <b>TOTAL ALL GROUPS</b> | <b>\$ 127,022,269</b> | <b>\$ 99,603,086</b> | <b>\$ 100,995,727</b> | <b>73%</b> | <b>\$ (1,392,641)</b> | <b>\$ 12,766,545</b> | <b>\$ 112,863,082</b> |

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.

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

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



# DRAFT



## Meeting Minutes City Council

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

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**Wednesday, June 3, 2020 6:30 pm**

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

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### **SPECIAL/REGULAR MEETING**

A special meeting of the City Council was called at 6:30 p.m. for the purpose of conducting a closed session.

### **SPECIAL MEETING**

**6:30 p.m. Closed Session**

### **CALL TO ORDER**

Mayor Constantine called the meeting to order at 6:34 p.m.

### **ROLL CALL ATTENDANCE**

Deputy City Clerk Michelle Bigelow called the roll.

| Attendee Name           | Title          | Status | Arrived |
|-------------------------|----------------|--------|---------|
| Rich Constantine        | Mayor          | Remote |         |
| Yvonne Martinez Beltran | Mayor Pro Tem  | Remote |         |
| Larry Carr              | Council Member | Remote |         |
| John McKay              | Council Member | Remote |         |
| Rene Spring             | Council Member | Remote |         |

Minutes Acceptance: Minutes of Jun 3, 2020 6:30 PM (CONSENT CALENDAR)

## **DECLARATION OF POSTING AGENDA**

Deputy City Clerk Michelle Bigelow declared the posting of the agenda.

### **CLOSED SESSION**

City Attorney Donald Larkin read the closed session into the record.

### **OPPORTUNITY FOR PUBLIC COMMENT**

Mayor Constantine opened the public comment at 6:35 p.m.

Hearing no requests to speak, the public comment was closed.

### **ADJOURN TO CLOSED SESSION**

CONFERENCE WITH LEGAL COUNSEL-LIABILITY CLAIM

CLAIMANT: Juvenile Jane Doe

AGENCY CLAIMED AGAINST: City of Morgan Hill

### **CONVENE REGULAR MEETING**

Mayor Constantine convened the regular meeting and announced that he would be adjourning the meeting in honor of the pain our country is going through and a hope for peace.

## **REGULAR MEETING**

7:00 p.m.

### **CITY MANAGER'S REPORT**

City Manager Christina Turner spoke regarding the recent events and read the message Chief Palsgrove provided on our Facebook page.

*"We condemn the action of Derek Chauvin and others who did not intervene. We are equally disgusted with what we saw. Our hearts are hurting for the family and friends of George Floyd. We understand and support the need for peaceful protest. We will work extra hard to un-tarnish the badge that you all have entrusted us to wear."*

She announced that the city will be hosting a special town hall next Tuesday, June 9<sup>th</sup> at which they will share more information with the community as well as hear from the community. At the request of Mayor Constantine and Mayor Pro Tem Martinez Beltran we will also agendaize an item to overview our Police training, policies, and ethics. Also, look out for a video that our Chief will be sharing.

She called on Chief Palsgrove who began by sending his condolences to the Floyd family and gave the following statement:

*"The Morgan Hill Police Department condemns the action of Derek Chauvin and others who did not intervene. We are equally disgusted with what we saw. Our hearts are hurting for the family and friends of George Floyd. As such, we understand and support the need for peaceful protest as a constitutional right. Whereas inaction is an implied endorsement of the status quo, collaboration and partnerships can be a healing ointment for the widespread pain that so many are experiencing now and can set the conditions for an action-oriented culture. No one leader can fix the deep seeded systemic racial injustice in America. We need to develop strong partnerships with the community and work together to create effective reform. I acknowledge that I don't know what I don't know, and I am committed to listening and learning. I pledge to use my entrusted position as your Police Chief to affect change and continue to do the research and better understand from where we have come to where we need to go as a community and society. As a*

*member of this department for over 20 years, I know that the men and women of the Morgan Hill Police Department love our community, we are a part of this community, and I know that by working in partnership we can better Morgan Hill for everyone. We personally know a large majority of our community. We are committed to building upon and strengthening our relationships with the people who have entrusted us to serve them. We understand the importance of education, accountability, and training. Our Council understands the importance of education, accountability, and training. I want to share with you a snapshot of how this translates within the police department. First, we accept and investigate thoroughly, all complaints received. In 2018, we received funding and transitioned to an early warning software system to track officer use of force, vehicle collisions, pursuits, discharge of a firearm, property damage, and complaints. This system allows for early intervention, training, and accountability. We have a robust training program that exceeds the standards set forth in California, which is amongst the highest in the nation, well above those in most other states. Our training includes, but is not limited to, Racial Profiling training, all of our officers have attended this training and it is ongoing. Crisis Intervention training, all of our officers have attended this training, except for the new ones that will be going within a year and a half. Implicit Bias and Principled Policing training, all of our officers have attended this training, except for the new ones but they will be going shortly. Tactical Communication, all officers are trained and it's ongoing. Force Option De-escalation training, all officers are trained and it's ongoing. Arrest and Control, all officers are trained and it's ongoing. Title 15 and Title 24 are jail regulations and prisoner care, all officers are trained, and it is ongoing. Same thing with first aid and CPR. Mental health decision making, all officers are trained and it's ongoing. We even send our supervisors to the Sherman Block Institute training where they receive an intense training at the museum of tolerance. Training alone is not enough though. Collaboration and partnerships and positive police presence and interaction can help begin healing the widespread pain that so many are experiencing and can set the conditions for an action-oriented culture. We strive to practice true community policing in Morgan Hill as it's one of our core values. We have liaisons and partnerships in place with many community-based organizations and groups including faith based organizations, schools, social services, and many more to support those in our underserved community to address areas such as homelessness, mental health, suicide, and substance abuse. We have also partnered with the Latino community to address inequities in the application of law for our undocumented community members, racial profiling, and immigration status. Positive police presence is done through many of our outreach programs such as, reading to kids, playing sports, mentoring, explorer program, Citizen's Police Academy, parent project, school resource officer, volunteers in policing, and many more. Our partnerships with the community are far from complete, we recognize that, we are actively working on expanding those partnerships. We know that there is still room for growth and improvement, and we are working on it. We will actively seek the community's partnership in keeping Morgan Hill safe and making a better future. We will also be sharing this information widely with our community through our communication channels. And, as the City Manager has said, we will be having a town hall meeting on Tuesday, June 9<sup>th</sup> at 5:30 pm to share this and additional information with the community and address questions and concerns. Thank you for allowing me the time to present."*

City Manager Turner stated that on June 2<sup>nd</sup> the County Board of Supervisors adopted their new County CDBG Consolidated Plan. As part of that, we applied and were awarded over \$350,000 of those funds for an expedited grant review process. We submitted shovel ready work designed and planned as part of the Britton School Improvements. Specifically, the Central Avenue sidewalks, curve cuts, handicap ramps, and some storm water system relocation. This was money that was put into the Capital Budget but now with the grant funds, that funding will be able to be used on a different project. She reported that in a very short amount of time, even with the Shelter in Place order, the team was able to get that over to the County and get those funds awarded.

The new County order was just announced and is effective on Friday, June 5<sup>th</sup>. It is an amendment to the existing Shelter in Place order which does not have a deadline. It is in place until it gets rescinded or updated. Subject to social distancing protocols as well as safety requirements, there are several different things that the order does. It expands the list of permitted business activities. The big ones are outdoor dining for restaurants and in-store shopping for retail. For childcare, it expands who can go to childcare. Before it was just essential workers, but it now expands it to all. It includes summer camp, summer school, and other educational programs but it is restricted to a limit of 12 or fewer kids along with other restrictions that are included. It allows for outdoor gatherings of up to 25 people for religious services, as well as for weddings, funerals, and other cultural ceremonies. It also allows recreational activities that do not involve physical contact, swimming can resume with some restrictions. In addition to that, it also

allows car-based gatherings including drive-in theaters.

Our team is working feverishly to share what we as the City will be able to do under this order. That will be released as soon as possible.

She shared that the City was able to ease enforcement of certain City regulations to help our businesses. This will allow the use of outdoor areas for retail merchandise pickup and expanded restaurant space. Enforcement of minimum parking requirements in shopping centers in commercial districts has been suspended. In addition to that, to allow for commercial and industrial operations to continue while social distancing, the enforcement of the limitations on hours of operation has been suspended. To allow for further social distancing and extend shift work hours, the enforcement of construction hours to allow construction between the hours of 6-8 Monday through Saturday for certain large construction projects has been suspended. We have created a process to streamline things for our design review approval so that developers can value engineer projects and modify designs to allow social distancing, fees for this streamlined process will be waved. We have created a streamlined process for encroachment permits for the use of city right of ways and other public spaces to expand retail and restaurant operations to allow social distancing, the fees for that will be waved. There are several other items that we have put in place and are putting in place to help our businesses so they can open up.

She concluded by listing the following Town Hall dates and topics:

Thursday, June 4<sup>th</sup> - High Speed Rail EIR

Tuesday, June 9<sup>th</sup> - Chief Palsgrove will talk about our policies, practices, ethics, training and so forth

Thursday, June 11<sup>th</sup> - Hale Avenue Extension Project

## **CITY ATTORNEY'S REPORT**

City Attorney Donald Larkin reported that Council met in closed session regarding a liability claim by a juvenile Jane Doe against the City of Morgan Hill. There was no reportable action.

## **PUBLIC COMMENT**

Mayor Constantine opened the public comment at 7:14 p.m.

Brian Faircloth was called to speak.

Hearing no further requests to speak, the public comment was closed.

## **PUBLIC COMMENT SUPPLEMENT**

## **ADOPTION OF AGENDA**

### **MOTION:**

Adopting the agenda as posted.

|                  |                                                    |
|------------------|----------------------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>                         |
| <b>MOVER:</b>    | Rene Spring, Council Member                        |
| <b>SECONDER:</b> | John McKay, Council Member                         |
| <b>AYES:</b>     | Constantine, Martinez Beltran, Carr, McKay, Spring |

## **CONSENT CALENDAR**

### **MOTION:**

Approving consent calendar items 1-10, 12, and 13.

**RESULT:** **APPROVED [UNANIMOUS]**  
**MOVER:** Rene Spring, Council Member  
**SECONDER:** John McKay, Council Member  
**AYES:** Constantine, Martinez Beltran, Carr, McKay, Spring

**1. ACCEPT 2019 PAVEMENT RESURFACING PROJECT**

Recommendation:

1. Accept as complete, the 2019 Pavement Resurfacing Project, in the final amount of \$4,287,440;
2. Authorize the City Engineer to sign the Notice of Completion; and
3. Direct the City Clerk to file the Notice of Completion with the County Recorder's Office.

**2. ACCEPT INSURANCE PROCEEDS AND APPROVE PURCHASE TO REPLACE COLLISION INVOLVED POLICE VEHICLE**

Recommendation:

1. Accept the insurance proceeds estimated in the amount of \$68,215 for the 2013 Ford Interceptor Utility, #143;
2. Adopt a resolution amending the Fiscal Year 2019-20 adopted budget to appropriate \$68,215 as insurance proceeds revenue and \$80,537 as expenditure from the Equipment Replacement Fund (790) to purchase (including build-out) a patrol 2020 Ford Interceptor Utility;
3. Authorize the City Manager to approve the purchase order with Priority 1 Public Safety Equipment Installation Inc. for the purchase and outfitting of the new vehicle;
4. Declare the 2013 Ford Interceptor Utility #143 (VIN# 8414) to be a surplus; and
5. Authorize the disposal of the surplus vehicle in accordance with Section 3.04.400 of the City of Morgan Hill Municipal Code.

**3. APPROVE AGREEMENT WITH COMMUNITY TOWING FOR POLICE INITIATED TOW SERVICES**

Recommendation:

Approve and authorize the City Manager to execute and administer an agreement with Community Towing.

**4. APPROVE AGREEMENT WITH SECURE SOLUTIONS INC. FOR BACKGROUND INVESTIGATION SERVICES**

Recommendation:

Approve and authorize the City Manager to execute and administer an agreement with Secure Solutions Inc. for a not to exceed amount of \$100,000 to conduct hiring background investigations of police personnel.

**5. APPROVE RE-SUBORDINATION OF EXISTING JASMINE SQUARE APARTMENTS CITY LOANS**

Recommendation:

Approve re-subordination of existing City affordable housing loans necessitated by refinance of senior project loan, allowing developer to pay off balloon payment, lower interest rate, and pay \$150,000 towards City loans.

**6. APPROVE FINAL MAP FOR MONTECITO ESTATES - TRACT NO. 10535 (DIANA AVE AND LOTUS WAY) AND RELATED SUBDIVISION IMPROVEMENT AND STORMWATER**

Minutes Acceptance: Minutes of Jun 3, 2020 6:30 PM (CONSENT CALENDAR)

## **BEST-MANAGEMENT-PRACTICES (BMP) OPERATIONS AND MAINTENANCE AGREEMENTS**

Recommendation:

1. Approve the Final Map;
2. Approve and authorize the City Manager to execute and administer the Subdivision Improvements Agreement with D.R. Horton Bay, Inc.;
3. Approve and authorize the City Manager to execute and administer a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
4. Authorize the recordation of the Final Map, Subdivision Improvements Agreement, and the Stormwater BMP Operation and Maintenance Agreement.

### **7. AWARD 2020 PAVEMENT RESURFACING PROJECT TO MCK SERVICES, INC.**

Recommendation:

1. Approve the 2020 Pavement Resurfacing Project plans and specifications;
2. Award contract to MCK Services, Inc. for the 2020 Pavement Resurfacing Project in the amount of \$2,473,669;
3. Authorize expenditure of construction contingency funds not to exceed \$371,050; and
4. Authorize the City Manager to execute and administer the construction contract with MCK Services, Inc. pending review and approval by the City Attorney's office.

### **8. APPROVE ECONOMIC DEVELOPMENT RECOVERY PLAN**

Recommendation:

Approve the recommended Economic Development Recovery Plan.

### **9. APPROVE AN IMPACT FEE FREEZE AGREEMENT WITH APPLIED MOTION PRODUCTS, INC. FOR A NEW INDUSTRIAL BUILDING ON 2.43 ACRES LOCATED ON MADRONE PARKWAY AND DIRECT STAFF TO RETURN WITH CHANGES TO THE IMPACT FEE PROGRAM**

Recommendation:

1. Direct the City Manager to execute an Impact Fee Freeze Agreement with Applied Motion Products, Inc. for the development of a 21,180 square foot new industrial building located on Madone Parkway;
2. Direct staff to make changes to the Impact Fee Freeze Program to remove assisted living and memory care uses as approved uses under the program; and
3. Direct staff to return with a City Council policy formalizing the Impact Fee Freeze Program on June 17, 2020 as an on-going City program.

### **10. CALL FOR A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 3, 2020**

Recommendation:

1. Adopt resolution "A" calling for a General Municipal Election to be held on Tuesday, November 3, 2020 to elect a Mayor; one Council Member from District A; one Council Member from District C; and a City Treasurer; and
2. Adopt resolution "B" requesting the services of the Board of Supervisors of the County of Santa Clara and the Registrar of Voters Office – and the Consolidation of the Election.

Minutes Acceptance: Minutes of Jun 3, 2020 6:30 PM (CONSENT CALENDAR)

**11. ITEM PULLED FOR DISCUSSION****12. APPROVE THE MAY 15, 2020 MEETING MINUTES**

Recommendation:

Approve Minutes.

**13. APPROVE THE MAY 20, 2020 MEETING MINUTES**

Recommendation:

Approve Minutes.

**ITEM PULLED FOR DISCUSSION****REJECT BIDS FOR THE EAST MAIN AVENUE BIKE LANES AND SIDEWALK PROJECT AND REBID THE PROJECT WITH MODIFICATIONS**

Recommendation:

Reject all bids for the East Main Avenue Bike Lanes and Sidewalk Project and rebid the project with modifications.

Mayor Constantine and City Manager Christina Turner recused themselves and exited the meeting.

Public Services Director Chris Ghione presented the report.

**MOTION:**

Approving the recommended action.

|                  |                             |
|------------------|-----------------------------|
| <b>RESULT:</b>   | <b>APPROVED [3 TO 0]</b>    |
| <b>MOVER:</b>    | Larry Carr, Council Member  |
| <b>SECONDER:</b> | Rene Spring, Council Member |
| <b>AYES:</b>     | Carr, McKay, Spring         |
| <b>ABSTAIN:</b>  | Constantine                 |
| <b>AWAY:</b>     | Martinez Beltran            |

Mayor Constantine and City Manager Christina Turner returned to the meeting.

The meeting recessed at 7:25 p.m.

The meeting reconvened at 7:30 p.m.

**PUBLIC HEARING****14. APPROVE RESOLUTION ORDERING ANNUAL ASSESSMENTS AND RELATED ACTIONS FOR CITY OF MORGAN HILL LANDSCAPE ASSESSMENT DISTRICT NUMBER 1 (DISTRICT)**

Recommendation:

1. Open and close the Public Hearing; and
2. Adopt resolution confirming Fiscal Year (FY) 2020-21 annual assessments and ordering the levy of assessments for the District.

Public Services Director Chris Ghione presented the report.



Mayor Constantine opened the public comment at 7:32 p.m.  
Hearing no requests to speak, the public comment was closed.

**MOTION:**

Approving the recommended action.

|                  |                                                    |
|------------------|----------------------------------------------------|
| <b>RESULT:</b>   | <b>ADOPTED [UNANIMOUS]</b>                         |
| <b>MOVER:</b>    | Rene Spring, Council Member                        |
| <b>SECONDER:</b> | Larry Carr, Council Member                         |
| <b>AYES:</b>     | Constantine, Martinez Beltran, Carr, McKay, Spring |

## **OTHER BUSINESS**

### **15. PROVIDE DIRECTION REGARDING MONTEREY ROAD COMPLETE STREETS/LANE REDUCTION AND USE OF DOWNTOWN PUBLIC SPACES**

Recommendation:

Provide direction to staff on revisiting the Monterey Road Complete Streets/Lane Reduction Project and on the use of other public spaces in the Downtown.

Public Services Director Chris Ghione gave a presentation and answered questions.

Mayor Constantine opened the public comment at 8:36 p.m. The following people were called to speak:

Steve Chappell  
Nick Gaich  
Allan Lebovitz  
Marby Lee  
Mr. Wallace  
Nathan Winchell  
Liam Downey  
Joe Baranowski  
Brian Faircloth  
Dan McCranie  
Sanjar Chakamian

Hearing no further requests to speak, the public comment was closed.

Deputy City Clerk Michelle Bigelow read an email from Doug Muirhead into the record.

**SUBSTITUTE MOTION:**

Move forward with the Complete Streets Project on a temporary basis for a minimum of a six-month period then re-evaluate.

|                  |                                        |
|------------------|----------------------------------------|
| <b>RESULT:</b>   | <b>DEFEATED [2 TO 3]</b>               |
| <b>MOVER:</b>    | Yvonne Martinez Beltran, Mayor Pro Tem |
| <b>SECONDER:</b> | John McKay, Council Member             |
| <b>AYES:</b>     | Martinez Beltran, McKay                |
| <b>NAYS:</b>     | Constantine, Carr, Spring              |

**ORIGINAL MOTION:**

Study the Complete Streets program, come back with a proposal, do the program for a year, and come back within six months for an evaluation.

**RESULT:**                **DEFEATED [2 TO 3]**  
**MOVER:**                John McKay, Council Member  
**SECONDER:**        Yvonne Martinez Beltran, Mayor Pro Tem  
**AYES:**                 Martinez Beltran, McKay  
**NAYS:**                 Constantine, Carr, Spring

**MOTION:**

Direct staff to bring a plan that closes parts of Downtown including Monterey Road with maximum budget of \$100,000, with the idea that we are going to identify a couple of weekends a month over the next four where we will close segments of Monterey Road to allow our downtown businesses the opportunity to expand out and directing staff to add into CIP the Monterey Road Complete Streets program to begin in the summer of 2022 upon the completion of the Hale Avenue Extension Project.

The Meeting recessed at 10:24 p.m.

The Meeting reconvened at 10:29 p.m.

**RESULT:**                **WITHDRAWN**

# **16. PROVIDE DIRECTION REGARDING REVIEW OF HIGH SPEED RAIL ENVIRONMENTAL IMPACT REPORT/STUDY**

Recommendation:

Receive an update and provide input on the High Speed Rail Environmental Impact Report/Study (EIR/EIS) Analysis.

Council Member Carr recused himself from this item and left the meeting.

Economic Development Director Edith Ramirez and Akoni Danielson with David J. Powers gave a presentation and answered questions.

Mayor Constantine opened the public comment at 11:36 p.m. The following people were called to speak:

Ed Tewes

Steve Chappell

Joe Baranowski

Hearing no further requests to speak, the public comment was closed.

**MOTION:**

Extending the meeting to 11:30 p.m.

**RESULT:**                **EXTENDED [4 TO 0]**  
**MOVER:**                Rene Spring, Council Member  
**SECONDER:**        John McKay, Council Member  
**AYES:**                 Constantine, Martinez Beltran, McKay, Spring  
**ABSTAIN:**            Carr

**MOTION:**

Extending the meeting to Midnight.

|                  |                                              |
|------------------|----------------------------------------------|
| <b>RESULT:</b>   | <b>EXTENDED [4 TO 0]</b>                     |
| <b>MOVER:</b>    | Rich Constantine, Mayor                      |
| <b>SECONDER:</b> | Yvonne Martinez Beltran, Mayor Pro Tem       |
| <b>AYES:</b>     | Constantine, Martinez Beltran, McKay, Spring |
| <b>ABSTAIN:</b>  | Carr                                         |

**FUTURE COUNCIL INITIATED AGENDA ITEMS**

Council Member Carr asked for a memo from the City Attorney regarding the County's expansion on their eviction moratorium and their plan to look at how they can accommodate or work with property owners and renters on how they can enter into payment plans so that they don't owe everything all at once. He would like to learn more about what the County is doing so that we may accept their plan or propose our own plan.

**ADJOURNMENT**

There being no further business, Mayor Constantine adjourned the meeting at 11:47 p.m. in honor of the pain our country is going through and a hope for peace.

**MINUTES PREPARED BY:**

Angie Gonzalez, Minutes Clerk



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Nichole Martin, Community Services Coordinator

APPROVED BY: City Manager

## **APPROVE COMMUNITY PROMOTIONS FUNDING REQUESTS FOR FISCAL YEAR 2020-21**

### **RECOMMENDATION(S)**

Approve recommended Fiscal Year (FY) 2020-21 Community Promotions funding requests totaling \$25,500.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Maintaining Infrastructure  
Supporting Our Youth  
Seniors  
and Entire Community  
Preserving and Cultivating Public Trust  
Preserving Our Community History

#### **2020-2021 Strategic Priorities**

Financial Sustainability

### **REPORT NARRATIVE:**

Annually, the City Council considers funding requests from local non-profit organizations that host community wide events. The City Council funding is meant to offset the costs of City services required by the special event permit for the community event.

To be considered for this annual funding, the following criteria must be met:

- The organization requesting the funding is a non-profit
- The event hosted by the requesting organization is a community wide event, open to all, with no associated admission fees
- The event is not a fundraising event
- The event requires a special event permit and City services

In recent years, the City Council has approved funding for the Independence Day Celebrations' (IDC) Fourth of July events known as Freedom Fest; the Morgan Hill Downtown Association's (MHDA) Safe Trick or Treat; and the Kiwanis Holiday Lights Parade. Three years ago, the City Council also began approving funding to offset the cost of the tree lighting that happens in conjunction with the Holiday Lights Parade.

On February 28, 2020, staff provided Community Promotion Funding Request Applications to the three organizations noted above and posted the application with a Newsflash on the City website. The City received a total of four (4) requests from IDC, Morgan Hill Kiwanis, and MHDA (two separate requests). All applications are attached

for reference (Attachment 1). The two requests from MHDA were received after the March 20, 2020 deadline, on March 27, 2020.

As occurred last year, the MHDA has requested funding to offset the cost of the tree for the Holiday Tree Lighting Event. Although it does not meet the above stated criteria because funding the tree is not a community event, staff is once again recommending that the City Council fund the request. This recommendation is based on the tree being a key element in the Holiday Lights Parade and Tree Lighting Event, organized by a different organization. Additionally, the tree serves as a gateway icon for the community during the holiday season.

Due to the current fiscal outlook, staff is recommending reductions in the funding for these community events. Should the City's fiscal situation improve, funding may be restored. The recommended reduction includes a 50% reduction in the total request for MHDA from \$12,000 total to \$6,000 total, to support the Holiday Lights Tree. Due to the current restrictions and logistics of the event, the MHDA does not anticipate the Safe Trick or Treat event being able to take place in 2020. The recommended reduction also includes a 25% reduction to the request for the Kiwanis Holiday Lights Parade from \$6,000 to \$4,500. The recommended reduction includes a 50% reduction to the request for the Independence Day Celebrations from \$30,000 to \$15,000. Funding may not occur if events are cancelled. The City just received confirmation that only limited virtual events will run for this year's Freedom Fest. City staff has not confirmed the exact costs for the IDC but anticipates it to be far less than \$15,000.

#### **COMMUNITY ENGAGEMENT: Inform**

The Community Promotion Funding Request Applications were sent via email to IDC, MHDA, and Morgan Hill Kiwanis informing those organizations of the deadline to submit their requests. Additionally, the application was posted to the website through a Newsflash providing information on the annual process and deadline to submit requests. Discussions took place with all event organizers regarding reductions to the budget.

#### **ALTERNATIVE ACTIONS:**

1. The City Council could choose to provide less funding than recommended which could potentially hinder the ability of the requesting organization to put on the community event.
2. The City Council could choose to provide funding in an amount higher than has been budgeted, which is not recommended, and would require adjustment to the proposed budget.

#### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

Annually, the City Council makes decisions to provide funding to support non-profit community events that benefit the entire community.

#### **FISCAL AND RESOURCE IMPACT:**

With recommended reductions to the budget, the Community Promotions funding allocations for the proposed FY 2020-21 budget is \$25,500. This is \$22,500 short of the requested funding for the events. Funding may not occur if events are cancelled.

Summary of Requests Received:

| Requesting Organization                     | Funding Approved for FY 2019-20 | Funding Budgeted for FY 2020-21 | Funding Requested for FY 2020-21 | Variance |
|---------------------------------------------|---------------------------------|---------------------------------|----------------------------------|----------|
| Independence Day – Freedom Fest             | \$30,000                        | \$15,000                        | \$30,000                         | \$15,000 |
| Kiwanis Morgan Hill – Holiday Lights Parade | \$5,000                         | \$4,500                         | \$6,000                          | \$1,500  |
| MHDA – Tree Lighting                        | \$6,000                         | \$6,000                         | \$6,000                          | \$0      |
| MHDA – Safe Trick or Treat                  | \$6,000                         | \$0                             | \$6,000                          | \$6,000  |
| Totals                                      | \$47,000                        | \$25,500                        | \$48,000                         | \$22,500 |

The Community Promotions are budgeted within the City Council's budget (GL#: 010.1100.42413), in the General Fund (010).

**CEQA (California Environmental Quality Act):**

Council funding ultimately supports events held on public property. The support and permitting of the City to allow these events is categorically exempt under Class 1 Existing facilities, which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

**LINKS/ATTACHMENTS:**

1. FY 20-21 Community Promotions Funding Submitted Applications



**COMMUNITY PROMOTIONS  
CITY COUNCIL FUNDING APPLICATION**

Annually, the City Council considers funding requests from local non-profit organizations that host community wide events. The funding requested is meant to offset the cost of city services required by the special event permit for the community event.

To be considered for this annual funding the following criteria must be met:

- The organization requesting funding must be a non-profit
- The event hosted by the requesting organization must be a community-wide event, open to all, with no associated admission fees
- The event hosted by the requesting organization cannot be a fundraising event
- The event hosted by the requesting organization requires a special event permit and city services

The City Council will consider funding its Community Promotions budget as part of the FY 2020/21 budget review process.

To be considered for funding in FY 2020/21 please complete and return this form by 5:00 pm on Friday, March 20, 2020 to:

Nichole Martin  
Community Services Supervisor  
17575 Peak Avenue  
Morgan Hill, CA 95037  
[nichole.martin@morganhill.ca.gov](mailto:nichole.martin@morganhill.ca.gov)

**Organizer Information:**

**EVENT ORGANIZER:** Independence Day Celebration, Inc.

**ORGANIZATION ADDRESS:** P.O. Box 1776 Morgan Hill, CA 95038

**CONTACT PERSON:** Jeff Dixon

**TELEPHONE and E-MAIL ADDRESS:** 408-778-3900, [pressident@morganhillfreedomfest.com](mailto:pressident@morganhillfreedomfest.com)



*Event Information:***NAME OF EVENT:** Freedom Fest**DATE OF EVENT:** July 3-4, 2020**LOCATION OF EVENT:** Community Center. Outdoor Sports Center, downtown**ANTICIPATED ATTENDANCE:** 80,000-100,000*Budget Information:***ESTIMATED EVENT EXPENSES:** \$ 200,000**ESTIMATED EVENT REVENUE** (Do not include amount of Council support requested): \$ 160,000**AMOUNT OF COUNCIL SUPPORT REQUESTED:** \$ 30,000*Council Support Request Explanation:***DESCRIPTION OF EVENT:**

July 3rd - Patriotic Sing and Family Music Fest

July 4th - Freedom Run, Car Cruise and Show, Historic Parade, Fireworks on the Green

**PLEASE RESPOND TO THE FOLLOWING QUESTIONS:****1. WHY SHOULD THE CITY COUNCIL CONSIDER FUNDING THIS EVENT?**

The Independence Day Celebration, Inc. is an all-volunteer, community service 501c3 non profit corporation. The Morgan Hill Freedom Fest is two day, six event celebration that bring up to 100,000 people to Morgan Hill each year. Without the financial support received from the City of Morgan Hill, we would not be able to continue operating the longest running July 4 celebration in Northern California.

**2. WHAT COUNCIL PRIORITY IS SUPPORTED BY YOUR EVENT?**

Maintaining fiscal responsibility

Serving youth

Preserving and cultivating public trust

**APPLICANT CERTIFICATION FOR SPECIAL EVENTS**

As part of your City Council funding request, the Applicant must agree to the following as part of its Special Event Permit that will need to be applied for through the City's Community Services Department.

The Applicant agrees to indemnify and hold harmless the City of Morgan Hill for any and all claims regarding the below named event. The Applicant agrees to protect, defend, and hold harmless the City of Morgan Hill, its elective or appointed 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. This applies to the Applicant, Applicant's agents, officers, or employees, subcontractors, or independent contractors hired by the Applicant.

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 Applicant.

The person signing this Certification declares that he/she has the authority to bind the Applicant, and that Applicant is bound by all terms of this Certification. The person signing this Certification agrees that they will provide a copy of this Certification to the governing board and director of the Applicant, and to the Applicant's insurers. In the event that the signatory lacks such duly granted authority, said undersigned signatory personally assumes all liability for fees, costs and damages.

The Applicant further agrees to repay the City for any and all incurred costs, damage and clean-up to parks, streets, facilities, buildings or other property owned by the City which result from the below named event.

The Applicant agrees to comply with the permit issuance conditions as stipulated in Section 12.16050 of the City of Morgan Hill Municipal Code, and any other requirements of the City of Morgan Hill.

*In submitting our request for City Council funding, we understand that the City Council will consider funding of its Community Promotions budget as part of the FY 2020/21 General Fund budget development process.*

## Freedom Fest

Print Name of Event

Independence Day Celebration, Inc.

Print Applicant or Organization Name

Applicant/Organization Signature

3/17/20

Date



**COMMUNITY PROMOTIONS  
CITY COUNCIL FUNDING APPLICATION**

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Morgan Hill, CA 95037  
[nichole.martin@morganhill.ca.gov](mailto:nichole.martin@morganhill.ca.gov)

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*Organizer Information:*

**EVENT ORGANIZER:** Morgan Hill Kiwanis

**ORGANIZATION ADDRESS:** P.O. Box 753, Morgan Hill, CA 95038

**CONTACT PERSON:** Dennis Bettencourt

**TELEPHONE and E-MAIL ADDRESS:** 408-316-9535 dbetco@yahoo.com

*Event Information:***NAME OF EVENT:** Holiday Lights Parade and Lighting of the City Holiday Tree**DATE OF EVENT:** December 5, 2020**LOCATION OF EVENT:** Monterey Road, Main to Dunne Avenue**ANTICIPATED ATTENDANCE:** 5000*Budget Information:***ESTIMATED EVENT EXPENSES:** \$ 7,000**ESTIMATED EVENT REVENUE** (Do not include amount of Council support requested): \$ 1,000**AMOUNT OF COUNCIL SUPPORT REQUESTED:** \$ 6,000*Council Support Request Explanation:***DESCRIPTION OF EVENT:**

Winter night time holiday parade, with tree lighting, Santa and post parade entertainment which ushers in the holiday season.

Note: Estimated expenses do no include the expense of the city tree. Typically this is paid through the Downtown Association.

**PLEASE RESPOND TO THE FOLLOWING QUESTIONS:****1. WHY SHOULD THE CITY COUNCIL CONSIDER FUNDING THIS EVENT?**

The Holiday Lights Parade is a classic "Hometown" event held annually and one of Morgan Hill's classic events. The Parade was originally started by the city. More then 20 years ago, with management costs escalating, the city asked Morgan Hill Kiwanis to take over arranging and managing the parade. The costs are for what was "furnished by city" in our original agreement: Police, road closure, permits, sound systems, amphitheater rental , etc. Over the last few years the parade has seen considerable growth in participants and parade viewers. The parade is inclusive with schools, community organizations and business participating. Typically there are 60-70 entrants.

**2. WHAT COUNCIL PRIORITY IS SUPPORTED BY YOUR EVENT?**

The support for these events adds to the community spirit which is identified as the good life of Morgan Hill



**APPLICANT CERTIFICATION FOR SPECIAL EVENTS**

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**Holiday Lights Parade**

Print Name of Event

**Morgan Hill Kiwanis**

Print Applicant or Organization Name

*Chris Bettercoat*

Applicant/Organization Signature

*3/6/2020*

Date



**COMMUNITY PROMOTIONS  
CITY COUNCIL FUNDING APPLICATION**

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Community Services Supervisor  
17575 Peak Avenue  
Morgan Hill, CA 95037  
[nichole.martin@morganhill.ca.gov](mailto:nichole.martin@morganhill.ca.gov)

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*Organizer Information:*

**EVENT ORGANIZER:** Kerry Wallace

**ORGANIZATION ADDRESS:** 90 W. Main Street Suite 6, Morgan Hill, CA 95037

**CONTACT PERSON:** Kerry Wallace

**TELEPHONE and E-MAIL ADDRESS:** 408-779-3910 , [mhda@morganhilldowntownassociation.com](mailto:mhda@morganhilldowntownassociation.com)



*Event Information:***NAME OF EVENT:** Holiday tree Lighting**DATE OF EVENT:** 12/5/2020**LOCATION OF EVENT:** Morgan Hill Community Center**ANTICIPATED ATTENDANCE:** 3,000 to 4,000 and viewed by 20,000+ during the holiday season.*Budget Information:***ESTIMATED EVENT EXPENSES:** \$ \$7,000**ESTIMATED EVENT REVENUE** (Do not include amount of Council support requested): \$ None**AMOUNT OF COUNCIL SUPPORT REQUESTED:** \$ 6,000*Council Support Request Explanation:***DESCRIPTION OF EVENT:**

Terminus of the holiday parade in December, is the Morgan Hill Community and Cultural Center with a holiday tree. A lighting ceremony takes place where the tree lights are turned on and the tree will be left in place for the duration of the holiday season.

**PLEASE RESPOND TO THE FOLLOWING QUESTIONS:****1. WHY SHOULD THE CITY COUNCIL CONSIDER FUNDING THIS EVENT?**

The tree is a symbol to many throughout the community during the holiday season. The holiday tree will be enjoyed by thousands of people from the community and those who are visiting. It will show Morgan Hill's holiday spirit.

**2. WHAT COUNCIL PRIORITY IS SUPPORTED BY YOUR EVENT?**

Preserving our cultural heritage: Morgan Hill has long had a holiday tree, holiday parade and holiday tree lighting event which is known and appreciated by the region.

**APPLICANT CERTIFICATION FOR SPECIAL EVENTS**

As part of your City Council funding request, the Applicant must agree to the following as part of its Special Event Permit that will need to be applied for through the City's Community Services Department.

The Applicant agrees to indemnify and hold harmless the City of Morgan Hill for any and all claims regarding the below named event. The Applicant agrees to protect, defend, and hold harmless the City of Morgan Hill, its elective or appointed 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. This applies to the Applicant, Applicant's agents, officers, or employees, subcontractors, or independent contractors hired by the Applicant.

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*In submitting our request for City Council funding, we understand that the City Council will consider funding of its Community Promotions budget as part of the FY 2020/21 General Fund budget development process.*

**Holiday Tree Lighting**

Print Name of Event

Morgan Hill Downtown Association

Print Applicant or Organization Name

Applicant\Organization Signature

3/27/20

Date





**COMMUNITY PROMOTIONS  
CITY COUNCIL FUNDING APPLICATION**

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Morgan Hill, CA 95037  
[nichole.martin@morganhill.ca.gov](mailto:nichole.martin@morganhill.ca.gov)

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*Organizer Information:*

**EVENT ORGANIZER:** Kerry Wallace

**ORGANIZATION ADDRESS:** 90 W. Main Street Suite 6, Morgan Hill, CA 95037

**CONTACT PERSON:** Kerry Wallace

**TELEPHONE and E-MAIL ADDRESS:** 408-779-3910 , [mhda@morganhilldowntownassociation.com](mailto:mhda@morganhilldowntownassociation.com)

*Event Information:***NAME OF EVENT:** Safe Trick or Treat**DATE OF EVENT:** 10/31/2020**LOCATION OF EVENT:** Downtown Morgan Hill, Monterey Road between Dunne and Main**ANTICIPATED ATTENDANCE:** 3,000 to 4,000*Budget Information:***ESTIMATED EVENT EXPENSES:** \$ 6,000**ESTIMATED EVENT REVENUE** (Do not include amount of Council support requested): \$ None**AMOUNT OF COUNCIL SUPPORT REQUESTED:** \$ 6,000*Council Support Request Explanation:***DESCRIPTION OF EVENT:**

Creates a safe, centralized location for children trick or treating in Morgan Hill not exclusive to the downtown. STOT has been a Halloween tradition for 25 years in downtown Morgan Hill. Families bring their children of all ages to trick or treat in a safe environment. Held on Monterey Road between Dunne & Main St., the event brings businesses, places of worship, and non-profit organizations to provide an evening of arts & crafts, activities and trick or treating. It has become a staple of the downtown and shows what a fun community Morgan Hill is.

**PLEASE RESPOND TO THE FOLLOWING QUESTIONS:****1. WHY SHOULD THE CITY COUNCIL CONSIDER FUNDING THIS EVENT?**

Safe Trick or Treat has become a Morgan Hill tradition of over 25 years of providing a fun & safe environment for children and their families to trick or treat.

**2. WHAT COUNCIL PRIORITY IS SUPPORTED BY YOUR EVENT?**

Preserving a cultural heritage - providing a safe place to gather our youth and families for a traditional holiday activity.



**APPLICANT CERTIFICATION FOR SPECIAL EVENTS**

As part of your City Council funding request, the Applicant must agree to the following as part of its Special Event Permit that will need to be applied for through the City's Community Services Department.

The Applicant agrees to indemnify and hold harmless the City of Morgan Hill for any and all claims regarding the below named event. The Applicant agrees to protect, defend, and hold harmless the City of Morgan Hill, its elective or appointed 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. This applies to the Applicant, Applicant's agents, officers, or employees, subcontractors, or independent contractors hired by the Applicant.

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*In submitting our request for City Council funding, we understand that the City Council will consider funding of its Community Promotions budget as part of the FY 2020/21 General Fund budget development process.*

**Safe Trick or Treat**

\_\_\_\_\_  
Print Name of Event

Morgan Hill Downtown Association

\_\_\_\_\_  
Print Applicant or Organization Name

*Kerry Wallace*

\_\_\_\_\_  
Applicant/Organization Signature

3/27/20

\_\_\_\_\_  
Date



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Mariah Dabel, Community Services Supervisor  
APPROVED BY: City Manager

## **APPROVE CITY SPONSORSHIP OF PHILANTHROPY NIGHT, INDIA INDEPENDENCE DAY FESTIVAL, AND FUTURE WOMEN LEADERS CONFERENCE EVENTS AT THE COMMUNITY AND CULTURAL CENTER**

### **RECOMMENDATION(S)**

1. Authorize the City Manager to waive facility rental fees of \$1,500 for Morgan Hill Community Foundation's November 2020 Philanthropy Night Celebration;
2. Authorize the City Manager to waive facility rental fees of \$307 for Indian Association of South Santa Clara County's August 2020 India Independence Day Festival and flag raising ceremony; and
3. Authorize the City Manager to waive facility rental fees of \$1,500 for American Association of University Women's April 2021 Future Women Leaders Conference.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Supporting Our Youth  
Seniors  
and Entire Community  
Enhancing Diversity and Inclusiveness

#### **2020-2021 Strategic Priorities**

Community Engagement and Messaging

### **GUIDING DOCUMENTS**

Bikeways  
Trails  
Parks and Recreation Masterplan

### **REPORT NARRATIVE:**

Three organizations have requested facility rental fee waivers for use of the Community and Cultural Center (CCC). Staff recommends City Council sponsorship of these community events by directing the City Manager to waive 50% of the facility rental fees. If the recommended partial fee waivers are approved, the City of Morgan Hill will be recognized as a sponsor in all event materials and marketing. Supporting these community events is in alignment with the Sustainable Morgan Hill Vision of inclusion and social responsibility and City Council's ongoing priorities of supporting our youth, seniors, and the entire community and enhancing diversity and inclusiveness.

There is a high likelihood that the 2020 events may not be able to be held due to the Covid-19 emergency and corresponding shelter in place orders. However, staff is still recommending moving forward with the fee waivers at this time. Should the events be

cancelled no fee waiver shall be provided. Alternatively, events may be rescheduled, and the fee waiver still provided.

#### Morgan Hill Community Foundation Philanthropy Night Celebration

The Morgan Hill Community Foundation (MHCF) holds an annual Philanthropy Night Celebration to highlight the work of local nonprofits and honor individuals who have made outstanding contributions to how that nonprofit serves the Morgan Hill community.

Philanthropy Night recognizes the importance of community involvement and volunteerism in Morgan Hill. For the last several years, the City has supported this event by waiving facility room rental fees for use of the CCC. The MHCF Board is requesting City sponsorship of the November 13, 2020 Philanthropy Night by waiving facility rental fees (Attachment 1), and staff recommends a 50% fee waiver totaling \$1,500. In addition, the direct cost of having a City teammate staff the event and the required security would be paid by the MHCF.

The MHCF is a tax-exempt, public charity focused on addressing community needs by supporting programs within the Morgan Hill Unified School District boundaries. The MHCF is committed to enriching the quality of life for residents in the greater Morgan Hill area by serving as a fiscal sponsor and awarding grants to local community nonprofit organizations that provide valuable programs and activities. In 2019, MHCF granted over \$16,000 for funding various projects and expanded funding for local school programs and projects.

#### Indian Association of South Santa Clara County Flag Raising Ceremony

In recognition of the annual Indian Independence Day, the Indian Association of South Santa Clara County (IASC) proposes to hold a flag raising ceremony on August 16, 2020 at the CCC campus. In addition, IASC is requesting to have the flag raised for a few days after the event. The organization is requesting waiver of the amphitheater facility rental fees (Attachment 2), and staff recommends waiving 50% (\$307) of these fees. In addition, the cost of a City teammate staffing the event will be paid by IASC. The event times will be early in the day and will not impact evening rentals at the CCC.

IASC is a nonprofit organization that serves Morgan Hill, Gilroy, San Martin, South San Jose, and Hollister. The organization's mission is to bring all generations of South Santa Clara County's Indian community together to promote our diverse culture and heritage. During the event, IASC will host guest speakers and cultural performances at the Morgan Hill Amphitheater. IASC has held an India Independence Day event in Morgan Hill since 2013, and it will again be free and open to the entire community.

#### American Association of University Women Future Women Leaders Conference

On April 17, 2021, the Morgan Hill Branch of the American Association of University Women (AAUW) will hold the annual Future Women Leaders Conference (FWLC) at the CCC. The event will utilize five conference rooms and the El Toro room from 8:30am-4:30pm for workshops and presentations; the Hiram Morgan Hill Room from 8:30am-12:00pm for keynote speakers and activities; and the amphitheater area from 10:00am-4:00pm for a Community Earth Day festival. The FWLC team hosting the conference is

made up of students living in Morgan Hill and attend Live Oak, Sobrato, Oakwood, Mt. Madonna, and Gilroy Early Education Academy. The conference goals are to focus on promoting community leadership skills in our high school and college aged population.

AAUW is requesting a waiver of CCC facility rental fees for the 2021 conference (Attachment 3), and staff recommends waiving 50% (\$1,500) of the fees. In addition, the cost of a teammate to staff the event will be paid by AAUW. The events are planned early in the day to allow for a Hiram banquet room evening rental.

AAUW is a leading voice in promoting equity and education for women and girls. It is a national, state, and local nonpartisan, nonprofit organization with over 170,000 members and supporters nationwide, 1,000 local branches, and 800 college/university institution partners. Founded in 1881, AAUW is open to all graduates who hold an associate or higher degree from a regionally accredited college or university. AAUW's mission is to advance equity for women and girls through advocacy, education, philanthropy, and research. AAUW's local Morgan Hill Branch was chartered in 1981 and has over 160 members.

#### **COMMUNITY ENGAGEMENT: Collaborate**

This request is an opportunity to support local community based nonprofit organizations that are committed to strengthening the Morgan Hill community. The events are activities that support and promote community and local partner involvement.

#### **ALTERNATIVE ACTIONS:**

1. The Council could elect to not approve one or more of the recommended fee waivers.
2. The Council could elect to waive a smaller or larger amount for one or more of the recommended fee waivers.

#### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

On May 15, 2020, the City Council discussed staff recommendations for the facility rental fee waivers as part of the Budget Workshop.

On March 18, 2020, the City Council reviewed the fee waiver requests and continued the item until the COVID-19 impacts on the City's budget are better known.

On March 6, 2019, the City Council approved facility rental fee waivers for the MHCF 2019 Philanthropy Night; AAUW 2020 Future Women Leaders Conference; and IASC 2019 Indian Flag Raising Ceremony.

On March 6, 2019, the City Council authorized the City to display the national flag of India at the Community and Cultural Center annually for one week each August.

#### **FISCAL AND RESOURCE IMPACT:**

The fiscal impact of the proposed fee waivers is a loss of \$3,307 in facility rental revenue in Fiscal Year (FY) 2020-2021. The additional expenses for staffing, security services, and other related events costs will be paid by the organizations.



**CEQA (California Environmental Quality Act):**

## Categorical Exemption

Hosting events at the Community and Cultural Center is part of the planned management of City facilities and falls within the CEQA categorical exemption of Class 1, Existing Facilities.

**LINKS/ATTACHMENTS:**

1. MHCF Fee Waiver Request Letter
2. IASC 2020 Fee Waiver Request Letter
3. AAUW 2021 Fee Waiver Request Letter

February 25, 2020

Dear Morgan Hill City Council:

The Morgan Hill Community Foundation (MHCF) is a tax-exempt, public charity focused on addressing community needs by supporting programs within the Morgan Hill Unified School District boundaries.

Each year in November the MHCF hosts Philanthropy Night, a banquet and gathering to highlight the work of local non-profits and honor individuals who have made outstanding contributions to how that non-profit serves the community of Morgan Hill. This is MHCF's primary fundraiser with the money raised going directly back into the local community through our grants process and supporting our non-profit partner organizations. For the past several years, the City of Morgan Hill has supported this event by waiving the room rental fees for use of the Community and Cultural Center.

The MHCF is requesting that the City continue to waive the rental fee of \$3,000.00 for the 2020 Philanthropy Night Celebration, scheduled for Friday November 13, 2020. The direct cost of a building coordinator, licensing, and required security would still be paid for by the MHCF. As part of the agreement, the MHCF will provide the City of Morgan Hill with a table for 8 guests, which includes the City's honoree should they nominate someone, at no cost. Additionally, the City of Morgan Hill would be recognized as an event sponsor in all materials, marketing, and advertising for the event.

The MHCF enriches the quality of life for residents in the greater Morgan Hill area in a variety of ways. The MHCF serves as a fiscal sponsor for 10 local community non-profit organizations. Our annual grant cycle award grants to local non-profit organizations for projects to enrich and improve our community. In 2019 we granted out over \$16,000: funding projects for the Morgan Hill Community Garden, South Valley Science and Engineering Fair, Loaves & Fishes, and All Animal Rescue and Friends, and others. For the first time in 2019 expanded our grants program to include a funding for local school programs & projects, broadening our support for the local community. We awarded \$4,000 in school grants to Los Paseos Elementary, Voices Academy, Live Oak Robotics Club, and Martin Murphy Middle School.

The Philanthropy Night Celebration recognizes the importance of community involvement and volunteerism in Morgan Hill. Staff recommends that Council sponsor this important community celebration by directing the City Manager to waive the rental fee of the Community and Cultural Center to the MHCF for the event on November 13, 2020. Support of this Philanthropy Event is consistent with the Councils' priorities of enhancing community engagement, promoting diversity, supporting our youth.

Sincerely,



Nick Gaich  
Board President, Morgan Hill Community Foundation  
(408) 772-1566  
nickgaich@aol.com



Dear Morgan Hill City Council,

As you may know, the Indian Association of South Santa Clara County (IASC) is once again raising the Flag of India at our Annual Independence Day Ceremony on Sunday Aug 16<sup>th</sup> at 10am at the Community and Cultural Centre.

This letter is a humble request for any fee waivers for Event rental and also to keep the flag raised for a few days after the ceremony.

We're told all requests must be approved by the Council, so if you would be so kind as to approve this, since we are a Non-Profit, we would really appreciate it. Please let us know if you have any questions. We hope to see all of you at the Flag raising ceremony!

Thank your consideration,

Poonam Chabra  
President, [IASC](#)  
408-310-3515

Attachment: IASC 2020 Fee Waiver Request Letter (2752 : Facility Use Fee Waivers)



AAUW Morgan Hill P O Box 1528  
Morgan Hill, CA 95038

February 24, 2020

Subject: Request for fee waiver for use of Morgan Hill's Community and Cultural Center for April 17<sup>th</sup>, 2021.

Thank you for waiving fees for several of the Community and Cultural Center rooms for the Young Women Leaders conference for the past three years, any help we get lets us put more of our limited resources toward the conference.

The April 17<sup>th</sup>, 2021 event will utilize:

Five conference rooms and the El Toro Room from 8:30 -4:00 for workshops and presentations  
Hiram Morgan Room from 8:30 to noon for key note speaker and activities  
Patio and stage area from 10:00 – 4:00 pm for AAUW sponsored Community Earth Day festival.

The YWL team hosting the conference is made up of students living in Morgan Hill and going to Live Oak, Sobrato, Oakwood, Mt. Madonna and GECA high schools.

The roles of the students include the general organizations of the program including; facilities, speakers, workshops, publicity, food and other issues. Waiving the fees for CCC will enable them to complete their mission without being burdened with the additional task of fundraising.

The facilities will be used for six hours of presentations, workshops and interactive activities focused on promoting community leadership skills in our high school and college aged population. In addition to the workshop presentations, conference participants will receive lunch, tee shirts and other materials to keep inspiring, motivating and reminding them of the what they have learned and why they are now ready to step up and take on even bolder positions in their school and community.

We are looking forward to working with you, as we have in past years, to provide a quality event that will enhance, motivate and educate our future leaders.

Thank you for considering our request

Margaret McCann  
Young Women Leaders Advisor

Attachment: AAUW 2021 Fee Waiver Request Letter (2752 : Facility Use Fee Waivers)



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Gina Paolini, Interim Principal Planner  
APPROVED BY: City Manager

## **APPROVAL OF A GOVERNMENT CODE 65915 DENSITY BONUS AT 80 PERCENT AND FOUR CONCESSIONS FOR A 100 PERCENT AFFORDABLE HOUSING PROJECT (SR2020-005 MONTEREY-MORGAN HILL SENIOR APARTMENTS)**

### **RECOMMENDATION(S)**

Adopt resolution approving the request for the following, pursuant to Government Code:

1. Density bonus at 80 percent.
2. Affordable housing concessions:
  - a. Increase in floor area ratio;
  - b. Reduction in on-site parking;
  - c. Reduction in private open space; and
  - d. Increase in building height.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Enhancing Diversity and Inclusiveness

#### **2020-2021 Strategic Priorities**

Affordable Housing and Homelessness

### **GUIDING DOCUMENTS**

General Plan/Housing Element

### **REPORT NARRATIVE:**

#### **Project Description**

Morgan Hill Senior Housing, L.P (MHSH LP) has submitted a Design Review permit application. The project is an 82-unit affordable senior housing development to be developed at the southeast corner of San Pedro Avenue and Monterey Road. MHSH LP is a joint venture of two non-profit sponsors (HumanGood Affordable Housing and Sunnyvale Life, Inc). Details regarding the project have been provided (Attachment 2).

The zoning allows for 46 units; however, the project is proposing 82 units, as permitted by Government Code 65915 – the State Affordable Housing Density Bonus program. The project is seeking a density bonus of 80 percent.

When a project seeks a density bonus for a housing development in accordance with Government Code 65915, the project is entitled to receive incentives or concessions based on the affordability level of the project. The project is committing to provide 81 units restricted at 80 percent of the Average Median Income (AMI) and below. These units will primarily fall into the “low income” category, serving Seniors who have a

maximum income of \$78,550 for a one-person household, or a maximum income of \$89,750 for a two-person household. Although, this is the minimum commitment the project is making at this time, the Housing team is actively working with them to identify opportunities that will yield some very-low income units, approximately 8-10 is the goal, to assist with the City's Regional Housing Needs Allocation goal. The project cannot commit to provide deeper affordability at this time, until subsidy opportunities are identified. It is to the project's benefit to have some very-low income units dispersed within as it will result in a more competitive tax credit application.

All affordable units will meet the requirements for low-income housing tax credits provide by the Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) regulations:

- a. With 100 percent of the units serving tenants at 60 percent of AMI and below; or,
- b. Utilizing the income averaging option allowing a mix of tenants up to 80 percent AMI, but with an average tenant income of no more than 59 percent.

The term of rent restrictions would be 55 years. The exact income mix will be determined based on the funding application. The goal is to serve as many very low-income tenants as possible. Expanded details regarding MHS LP and the proposed affordability levels are provided (Attachment 3).

### **Density Bonus**

In accordance with Government Code Section 65915, the City shall grant one density bonus to any project that requests a density bonus and qualifies under the state program. Morgan Hill Municipal Code Section 18.48.040 (Density Bonuses), requires the City Council approve an increase in the number of dwelling units permitted in a project when the density bonus is consistent with the number and degree of affordable units as specified in Government Code Section 65915. The proposed project is 100% affordable and qualifies for the 80 percent density bonus.

### **Concession Request**

Government Code Section 65915(d)(2)(D) requires the City to grant four incentives or concessions for projects that are 100 percent affordable for lower income houses (excluding managers unit), except that up to 20 percent of the total units in the development may be for moderate-income households. Concessions are considered waivers or reductions in development standards, such as height limitation, setback requirement, a floor area ratio (FAR), on-site open space requirement or a parking ratio. This project is entitled to four concessions or incentives, and has requested the following four concessions:

- a. Increase in FAR: 0.84 FAR proposed (0.50 maximum allowed);
- b. Reduction in parking requirements: 37 parking spaces provided (83 required);
- d. Reduction in private open space: Only common open space provided. No private



open space provided (1,968 square feet required); and,

- c. Increase in height limitation: 41 feet for flood purposes (35 feet maximum allowed).

A link to the site plan and elevations for the project has been provided to demonstrate how the project has been designed with the requested concessions (Attachment 4).

Pursuant to Government Code 65915 (d)(1) the City must grant the concessions or incentives unless the City makes written findings, based upon substantial evidence, of any of the following:

- a. The concession or incentive does not result in identifiable and actual cost reductions, consistent with subdivision (k), to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents of the targeted units to be set as specified in subdivision (c).
- b. The concession or incentive would have a specific, adverse impact, as defined in paragraph 2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households.
- c. The concession or incentive would be contrary to state or federal law.

These findings cannot be made for the project; therefore, the concession request should be granted by the City Council.

#### **COMMUNITY ENGAGEMENT: Inform**

A project development web page has been created on the City website to inform the public of the project application. A site plan and project elevations have been provided for public review. The City will continue to inform the public through the public engagement process as the Design Review permit is processed.

#### **ALTERNATIVE ACTIONS:**

None.

#### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

None.

#### **FISCAL AND RESOURCE IMPACT:**

The City development review functions are cost-recovery, with the fees collected from applicants to cover cost of services. These fees have been collected.

#### **California Environmental Quality Act (CEQA):**

A project level environmental assessment will be prepared for the project in conformance with the California Environmental Quality Act. The environmental analysis will be considered during the Design Review permit phase of the project.

**LINKS/ATTACHMENTS:**

1. Resolution
2. Project Narrative and Statement of Operations
3. Clarification on Housing Affordability 6-2-2020
4. Site Plans and Elevations (web link)

## RESOLUTION NO.

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL GRANTING AN 80 PERCENT DENSITY BONUS AND FOUR CONCESSIONS FOR MONTEREY – MORGAN HILL SENIOR APARTMENTS FOR AN 82-UNIT AFFORDABLE HOUSING DEVELOPMENT TO BE LOCATED AT THE SOUTHEAST CORNER OF SAN PEDRO AVENUE AND MONTEREY ROAD (APN: 817-02-025).

**WHEREAS,** Morgan Hill Senior Housing, LP has requested an 80 percent density bonus and four concessions for the senior housing development including a parking reduction, increase in floor area ratio, reduction in private open space and increase in building height.

**WHEREAS,** the Project is an affordable housing development project that includes 100 percent affordable rental units for lower income houses (excluding managers unit) of up to 80 percent AMI.

**WHEREAS,** pursuant to Government Code Section 65915(f)(3)(D)(i), the Project is entitled to a density bonus of 80 percent of the number of units for lower income households.

**WHEREAS,** pursuant to Government Code Section 65915(d)(2)(D), the Project is allowed up to four concessions.

**WHEREAS,** none of the findings for denial of the concessions required by Government Code Section 65915(d)(1) are supported by substantial evidence.

**WHEREAS,** the Morgan Hill Senior Apartment project to be located at the southeast corner of San Pedro Avenue and Monterey Road and identified by Assessor's Parcel Number 817-02-025 will provide a public benefit of a 100 percent affordable housing for seniors and will be deed restricted for 55 years, or the density bonus and four concessions granted for a parking reduction, increase in floor area ratio, reduction in private open space and increase in building height will become null and void.

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

**Section 1.** The City Council does hereby find that the foregoing recitals are true and correct.

**Section 2.** The Project is consistent with the Zoning Ordinance and General Plan.

**Section 3.** The City Council of the City of Morgan Hill hereby grants the density bonus and the four concessions for the Morgan Hill Senior Apartment project.

**Section 4.** This resolution shall take effect immediately upon adoption.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Morgan Hill at a regular meeting held on the 17<sup>th</sup> day of June 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 a regular meeting held on June 17, 2020.

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

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

## **MORGAN HILL SENIOR HOUSING – HOUSING APPLICATION**

### **PROJECT NARRATIVE**

HKIT Architects is submitting a Housing Application on behalf of non-profit sponsor Human Good Affordable Housing to construct a senior housing community on a two-acre site bounded by Monterey Road, San Pedro Avenue, and Church Street. The new community will be comprised of 81 one-bedroom apartments for low-income seniors as defined according to the Santa Clara County AMI; there will also be a 2-bedroom unit provided for an on-site Property Manager. The new development would include landscaping, a private south-facing courtyard, a shaded entry canopy to a garden waiting area for on-site resident pick-off/drop-off, and thirty-seven off-street parking spaces.

The proposed three-story building would be comprised of fully-finished modular residential housing units – with custom pitched roofs and awnings, a sophisticated array of exterior colors and building materials, and all sitework and landscaping constructed on-site by a general contractor. The residential building will feature two elevators, a ground floor lobby and lounge, management offices, utility rooms, a central laundry room, a media room, a fitness room, and a patio overlooking the Monterey Road/San Pedro Avenue corner.

The proposed development is located in the City of Morgan Hill's Mixed-Use Flex zoning district. An environmental review will be required under CEQA because the site is impacted by proximity to a flood plain and contains two vacant residential structures over 50 years of age. The project sponsor expects to follow the entitlement guidelines of the SB330 program; in addition to requesting a density bonus per AB1763, 4 concessions are also requested, namely: for FAR, on-site parking, private open space, and height (likely necessary given that the foundations must be constructed above the flood plain).

The project sponsor hopes to receive entitlement approvals by late summer/early fall of 2020; to apply for CDLAC funding in the December 2020 round to receive a tax credit funding allocation in February 2021; and to start construction in April 2021.

### **STATEMENT OF PROJECT OPERATIONS**

Morgan Hill Senior Housing will have 4 full-time staff (resident service coordinator, maintenance, property manager and lease-up specialist). Staff hours will generally be 9a-5p Mon-Fri with evening and weekend hours as needed. The project anticipates 15-20 visitors per day including friends, family, caregivers, food delivery and service providers. 37 parking stalls will be provided for the 82 units. The project will have a van utilized for resident shopping/medical trips, up to one trip per day. Approximately 50% of residents with cars on-site use their vehicle daily. The project will have an emergency generator which will require the use and storage of diesel fuel. There are no known other hazardous materials that will be used or stored regularly on-site.



June 2, 2020

Ms. Gina Paolini  
City of Morgan Hill Development Services Department-Planning Division  
17575 Peak Avenue  
Morgan Hill, CA 95037

RE: Morgan Hill Senior Housing, L.P. Housing Division Application

Dear Ms. Paolini,

Per the Housing Division Application submitted to the City of Morgan Hill on April 30, 2020, Morgan Hill Senior Housing, L.P. (MHSHP) proposes the construction of an affordable senior housing development on the SE corner of San Pedro and Monterey. MHSHP is a joint venture of two non-profit sponsors with a long history in providing affordable housing for seniors, HumanGood Affordable Housing (HGAH) and Sunnyvale Life, Inc. (SLI). An organization chart for the ownership is attached. The new community will be comprised of 81 affordable one-bedroom apartments for seniors; there will also be a 2-bedroom unit provided for an on-site Property Manager.

Morgan Hill Senior Housing will be the second joint venture for the two non-profit entities, following their partnership at Life's Garden, a 208-unit independent affordable senior community in Sunnyvale, CA. Life's Garden recently completed a refinance and \$25MM renovation ensuring the community will continue to provide much needed affordable housing for the City of Sunnyvale for years to come. Leveraging that successful project, HGAH and SLI are again combining their strengths to expand the availability of quality senior housing in Santa Clara County through the proposed project in Morgan Hill.

HGAH currently serves over 7,000 residents in 95 affordable communities across California, Delaware, Pennsylvania and Washington. HumanGood, the parent company of HGAH, is the result of the affiliation of American Baptist Homes of the West (ABHOW), the be.Group (formerly Southern California Presbyterian Homes) and Presby's Inspired Life. With these mergers, HumanGood has been providing housing for older adults for a combined period of over two hundred years. ABHOW opened its first Continuing Care Retirement Community (CCRC) in 1949 and its first affordable housing community in 1970. Currently, HG owns and operates 14 CCRCs in California, 4 in Pennsylvania and 1 each in Washington, Idaho, Nevada and Arizona. A resume for HGAH is attached.

Sunnyvale Life, Inc. (SLI) was formed in 1973 when the congregation of Sunnyvale Presbyterian Church recognized the need for affordable housing for seniors in its community. SLI, with the assistance of HUD financing, developed the aforementioned Life's Garden, opening its doors in 1976. A nine-member independent Board of Directors from SLI continues to oversee the operations of Life's Garden. HGAH is responsible for the day-to-day management of the property and its residents. Life's Garden is known for its atmosphere of caring and community. Residents say that they feel safe and secure. Residents, staff, and volunteers from the community plan classes and activities to meet the physical and social needs of the residents. Amenities include an activity room, an exercise room, a library, and a computer room. Services include an on-site resident coordinator as well as free lunches from a local provider to support residents as they age in place. SLI is excited to expand its commitment to affordable housing for seniors outside of Sunnyvale and to the greater Santa Clara County.





This letter serves to clarify our commitment to the City of Morgan Hill regarding housing affordability for the new project at San Pedro and Monterey. For purposes of concessions under AB 1763/Title 7-Section 65915, the project commits to the City of Morgan Hill to provide 81 units (100% of the affordable units) restricted to 80% AMI and below.

Notwithstanding the City commitment, the project intends to provide deeper income targeting than what is required for entitlements and land use approvals. All affordable units will meet the requirements for low-income housing tax credits under TCAC and CDLAC regulations, either with 100% of the units serving tenants at 60% of AMI and below; or utilizing the income averaging option allowing a mix of tenants up to 80% of AMI, but with an average tenant income of no more of 59% of AMI. The term of rent restrictions under the TCAC and CDLAC regulatory agreements will be 55 years. The exact income mix will be determined at funding application expected late 2020 or early 2021.

The goal of the sponsors is to serve as many very low income (50% AMI and below) tenants as possible. MSHS LP will seek rental and operating subsidies, as well as other possible funding sources (Apple Housing Fund, Federal Home Loan Bank Affordable Housing Program, etc.) whose funding would reduce project permanent debt and allow the project to serve a lower income mix. The project target income mix is 41 units at or below 50% of MI and 40 units at or below 60% of MI.

Please contact Sarah Nichols, Senior Project Manager, Beacon Development Group at 206.914.3023 or [sarahn@beacondevgroup.com](mailto:sarahn@beacondevgroup.com) if you have any further questions.

Sincerely,

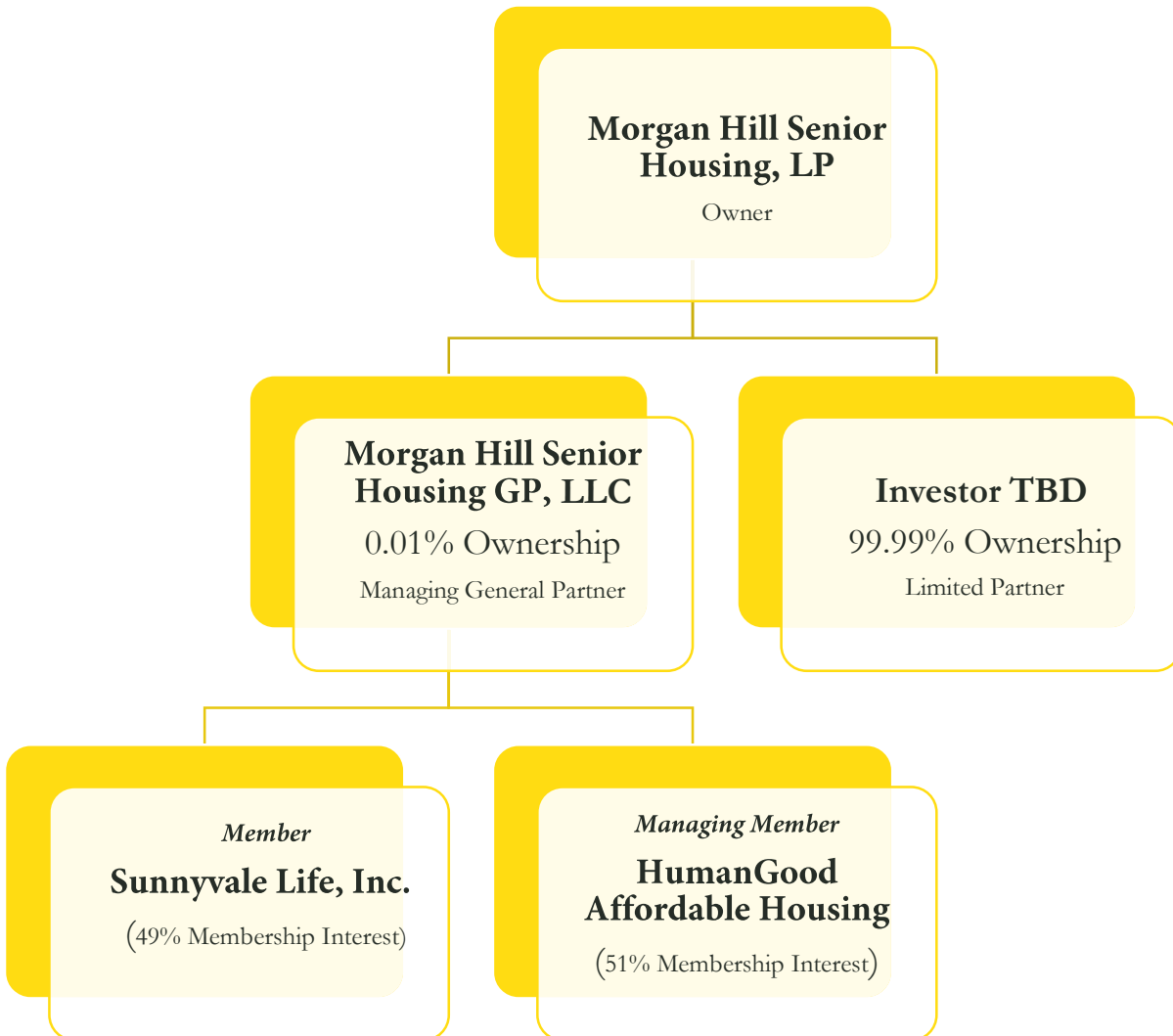
Mary Grace Crisostomo  
Assistant Secretary, HumanGood Affordable Housing

Encls

Attachment: Clarification on Housing Affordability 6-2-2020 (2763 : AB 1763 -Affordable Housing-Density Bonus Concession Request)

# MORGAN HILL SENIOR HOUSING

## Organizational Chart



# human good

## Affordable Housing



HumanGood was founded on the belief that everyone should have the opportunity to live life with enthusiasm, confidence and security, regardless of physical, social or economic circumstances.



## Our Footprint

HumanGood Affordable Housing operates across California, Delaware, Pennsylvania, and Washington.

Communities: **95 owned and/or managed**

Total Assets: **\$756 million**

Annual Revenue: **\$65 million**

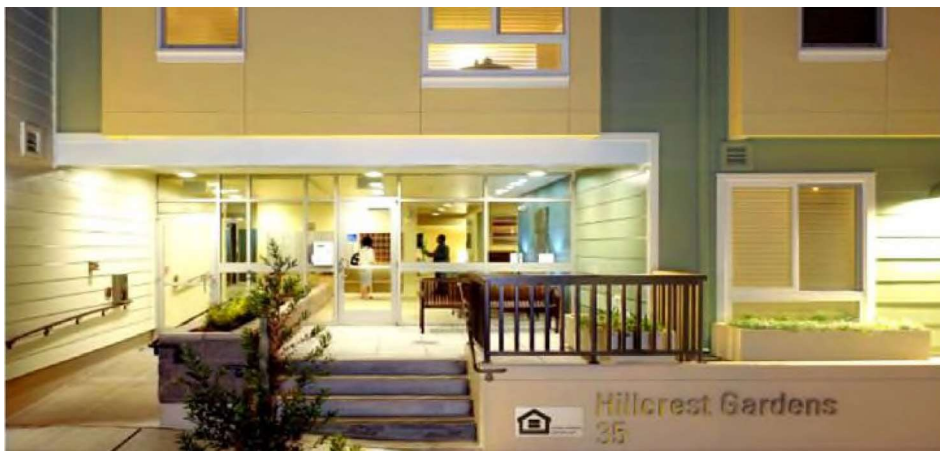
Residents served: **7000+**



## Overview

HumanGood Affordable Housing focuses on meeting the housing and services needs of seniors with limited means. We own and/or manage 95 affordable senior housing communities across California, Delaware, Pennsylvania, and Washington. HumanGood is focused on raising the bar for environmental and program design, innovative supportive services and ever-improving quality standards. Our property management philosophy is centered on diligent fiscal and asset management; we structure projects to ensure healthy long-term performance.

HumanGood Affordable Housing is a separate 501(c)(3) corporation that is a subsidiary of its parent company, HumanGood.



**We specialize in senior housing.** HumanGood Affordable Housing develops and manages a growing portfolio of 95 Affordable Housing communities. In addition to managing its own properties, HumanGood Affordable Housing provides fee management, development, consulting and training services, and asset management.

Strict adherence to regulatory compliance and ongoing professional training means that the HumanGood Affordable Housing team is well prepared to communicate with and serve our senior residents. A customized resident services plan is designed for each property according to its environment and demographic needs. Each HumanGood Affordable Housing team member is thoroughly familiar with Fair Housing laws and lender requirements for each community in order to ensure total compliance with the letter of the law as well as the spirit of the law.

Accurate and timely financial reporting has been essential to HumanGood Affordable Housing's successful property management. HumanGood Affordable Housing has been highly regarded by non-profit non-affiliate Board of Directors as well as partner funding agencies for the organization's ability to ensure that financial operations are sound, project operating budgets are realistic, financial expectations are being met, and physical property conditions are being maintained.

## Qualifications and experience in low income senior housing management



## Development

Beacon Development Group, a wholly-owned subsidiary of HumanGood, leads HumanGood Affordable Housing's real estate development efforts. Beacon Development Group manages the entire development process from concept to financing to construction to handing off the keys to property management for lease-up and close-out.

In addition to leading the development of HumanGood communities, Beacon Development Group provides development consulting services to non-profits and housing authorities across the West Coast. Beacon's staff possess decades of affordable housing development experience with a range of project types from urban mixed-use transit orientated development (TOD) sites to historic preservation and rural development. Beacon is experienced with an array of funding sources including HOME, CDBG, HUD, City, County, State and LIHTC. HumanGood and Beacon's corporate offices are located in Pleasanton, California; Glendale, California; Seattle, Washington; and Lafayette Hill, Pennsylvania.





## Resident Services

HumanGood currently employs Resident Service Coordinators at the majority of its 95 affordable housing communities. The prime mandate for the Resident Services team is to create interlocking services that transforms basic life enrichment activities into a solid infrastructure that enhances wellness and supports functional independence of our residents. We do this by continuing to seek out and expand our partnerships with other affordable housing entities, county providers, community-based providers, educational institutions and health care providers. This allows us to continue to develop new approaches and resources to address our residents' needs.

# HumanGood Affordable Housing Communities

## HUMANGOOD WEST

Adda and Paul Safran  
Senior Housing  
Venice, Calif.

Allen Temple Arms I  
Oakland, Calif.

Allen Temple Arms II  
Oakland, Calif.

Allen Temple Gardens  
Oakland, Calif.

Allen Temple Manor  
Oakland, Calif.

Andres Duarte Terrace  
Duarte, Calif.

Andres Duarte Terrace II  
Duarte, Calif.

Broadmoor Plaza  
San Leandro, Calif.

Canterbury Village  
Santa Clarita, Calif.

Casa de La Paloma  
Glendale, Calif.

Casa de la Vista  
Redlands, Calif.

Castle Argyle  
Los Angeles, Calif.

Clark Terrace  
Norco, Calif.

Clark Terrace II  
Norco, Calif.

Covenant Manor  
Long Beach, Calif.

El Bethel Arms  
San Francisco, Calif.

El Bethel Terrace  
San Francisco, Calif.

Fern Lodge  
Redlands, Calif.

Fredrick Douglas Haynes  
Gardens Apts.  
San Francisco, Calif.

George McDonald Court  
Los Angeles, Calif.

Hadley Villas  
La Quinta, Calif.

Harbor View Manor  
Tacoma, Washington

Hillcrest Gardens—Daly  
City  
Daly City, Calif.

Judson Terrace Homes  
San Luis Obispo, Calif.

Judson Terrace Lodge  
San Luis Obispo, Calif.

Kelly Ridge  
South Lake Tahoe, Calif.

LC Hotchkiss Terrace  
Clovis, Calif.

Life's Garden  
Sunnyvale, Calif.

Lil Jackson Senior  
Community  
Oceanside, Calif.

Lomita Manor  
Lomita, Calif.

Manila Terrace Apartments  
Los Angeles, Calif.

Mount Rubidoux Manor  
Riverside, Calif.

Mountain Vistas  
Redding, Calif.

Mountain Vistas II  
Redding, Calif.

Oak Knolls Haven  
Santa Maria, Calif.

Pacific Meadows  
Carmel, Calif.  
Palmer House

Glendale, Calif.

Park Paseo  
Glendale, Calif.

Rose View Terrace  
Clovis, Calif.

Rosewood Court  
Pasadena, Calif.

Rotary Manor (San Rafael)  
San Rafael, Calif.

Rotary Plaza  
So. San Francisco, Calif.

Rotary Terrace  
So. San Francisco, Calif.

Royal Vista Terrace  
Duarte, Calif.

Salishan Gardens  
Tacoma, Washington

Shepherd's Garden  
Lynnwood, Washington

Sierra Gateway  
Senior Residence  
Fresno, Calif.

Sierra Gateway  
Senior Residence II  
Fresno, Calif.

Sun Tower  
Yakima, Wash.

Sycamore Terrace  
Upland, Calif.

Tahoe Senior Plaza  
So. Lake Tahoe, Calif.

The Gardens  
Glendale Calif.

The Otto Gruber House  
Glendale, Calif.

The Pearl on Oyster Bay  
Bremerton, Wash.

Three Rivers Village  
Richland, Wash.

Tower Park  
Modesto, Calif.

Valley Vista  
San Ramon, Calif.

Westminster Court  
Bell Gardens, Calif.

William C. Arthur Terrace  
Corona, Calif.

## HUMANGOOD EAST

Alician Senior Apartments  
Upper Darby, Pa.

Ann Thomas Presbyterian  
Apartments  
Philadelphia, Pa.

Bensalem Presbyterian  
Apartments  
Bensalem, Pa.

Cantrell Place  
Philadelphia, Pa.

Casa Carmen Aponte  
Philadelphia, Pa.

Community House  
Philadelphia, Pa.

Grace Court  
Yeadon, Pa.

Greenway Presbyterian  
Apartments  
Philadelphia, Pa.

Interfaith House in  
Germantown  
Philadelphia, Pa.

Jackson Place  
Philadelphia, Pa.

Lindley Court Apartments  
Philadelphia, Pa.

Los Jardines  
Wilmington, Del.

Mantua Presbyterian  
Apartments  
Philadelphia, Pa.

Martha A. Lang Senior  
Cyber Village  
Philadelphia, Pa.

Mary Field Presbyterian  
Apartments  
Philadelphia, Pa.

Morrisville Presbyterian  
Apartments  
Morrisville, Pa.

Nativity BVM  
Philadelphia, Pa.

Neumann  
Philadelphia, Pa.

Nugent Senior Apartments  
Philadelphia, Pa.

Old City Presbyterian  
Apartments  
Philadelphia, Pa.

On Lok House  
Philadelphia, Pa.

Paschall Senior Housing  
Philadelphia, Pa.

Pensdale Apartments  
Philadelphia, Pa.

Pensdale II  
Philadelphia, Pa.  
Presser Senior Apartments  
Philadelphia, Pa.

Reed Street Presbyterian  
Apartments  
Philadelphia, Pa.

Riverside Presbyterian  
Apartments  
Philadelphia, Pa.

Salba Apartments  
Jenkintown, Pa.

Scottish Rite House  
Philadelphia, Pa.

Scottish Rite Tower  
Philadelphia, Pa.

St. Francis Villa  
Philadelphia, Pa.

St. John Neumann Place  
Philadelphia, Pa.

St. John Neumann Place II  
Philadelphia, Pa.

Tioga Presbyterian  
Apartments  
Philadelphia, Pa.

Witherspoon Senior  
Apartments  
Philadelphia, Pa.

Wynnefield Place  
Apartments  
Philadelphia, Pa.

## HumanGood Affordable Housing Communities



For more information, please visit  
**HumanGood.org**



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Michael Horta, Human Resources Director  
APPROVED BY: City Manager

**APPROVE SIDE LETTER AGREEMENTS BETWEEN THE CITY OF MORGAN HILL AND THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES LOCAL 101, DISTRICT COUNCIL 57 OF MORGAN HILL TO AMEND SECTION 9.02 UNIFORMS WITHIN THE PREVIOUS MEMORANDUM OF UNDERSTANDING DATED JULY 1, 2015 THROUGH DECEMBER 31, 2018 AND CURRENT MEMORANDUM OF UNDERSTANDING DATED DECEMBER 30, 2018 THROUGH DECEMBER 31, 2021**

#### **RECOMMENDATION(S)**

1. Approve Side-Letter Agreement Between the City of Morgan Hill and the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill for the previous Memorandum of Understanding dated July 1, 2015 through December 31, 2018 amending Section 9.02 UNIFORMS; and
2. Approve Side-Letter Agreement Between the City of Morgan Hill and the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill for the current Memorandum of Understanding dated December 30, 2018 through December 31, 2021 amending Section 9.02 UNIFORMS.

#### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

##### **Ongoing Priorities**

Fostering a Positive Organizational Culture

##### **2020-2021 Strategic Priorities**

Financial Sustainability

#### **REPORT NARRATIVE:**

In previous and the most recent negotiations the City and American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill (AFSCME) agreed to the Memorandum of Understandings (MOUs) dated July 1, 2015 through December 30, 2018 and December 30, 2018 through December 31, 2021 which included a uniform cleaning provision. This is defined in the AFSCME MOUs ARTICLE IX- MISCELLANEOUS POLICIES AND PROCEDURES, section 9.02 UNIFORMS 9.02.01.

While Council has already approved this provision in the MOUs, additional approval of the specific dollar amount is required by CalPERS to be in compliance with California Code of Regulations (CCR) 571(b)(B).

CCR 571(b)(B) states:

(b) The Board has determined that all items of special compensation listed in subsection (a) are:

(B) Indicates the conditions for payment of the item of special compensation, including, but not limited to, eligibility for, and amount of, the special compensation.

The uniform cleaning amount is \$21.75 per pay period and will be PERSable under special compensation. The specified dollar amount will be clarified by way of side-letter agreement between the City and AFSCME for both MOUs. This dollar amount will also be specified in all future negotiated MOUs between the City and AFSCME.

**COMMUNITY ENGAGEMENT: Inform**

This report is intended to inform the community. The Human Resources Team will post the approved side-letter agreements with the corresponding MOUs. They will be available on the Human Resources web page, as is City practice.

**ALTERNATIVE ACTIONS:**

Not Applicable.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

On September 16, 2015 the City Council adopted the resolution approving the Memorandum of Understanding (MOU) with the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill (AFSCME) and corresponding salary schedule dated July 1, 2015 through December 30, 2018.

On December 5, 2018, the City Council approved the Memorandum of Understanding (MOU) with the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill (AFSCME) and corresponding salary schedule dated December 30, 2018 through December 31, 2021.

**FISCAL AND RESOURCE IMPACT:**

The fiscal impact of the stated uniform cleaning amount was known and included in the previous, current, and recommended biennial budgets. There is no additional fiscal impact for the PERSable uniform cleaning amount of \$21.75 per pay period.

**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. AFSCME PERS Sharing Side Letter (Uniform Cleaning) MOU July 2015 - Dec 2018 5.26.20
2. AFSCME PERS Sharing Side Letter (Uniform Cleaning) 5.26.20





Side-Letter Agreement  
Between the  
City of Morgan Hill  
And the  
American Federation of State, County, and Municipal  
Employees Local 101, District Council 57 of Morgan Hill

The City of Morgan Hill ("City") and American Federation of State, County, and Municipal Employees Local 101, District Council 57 ("AFSCME") collectively ("the Parties"), after meeting and conferring in good faith, hereby execute this Letter of Understanding ("Side Letter Agreement") to add a new sentence to ARTICLE IX-MISCELLANEOUS POLICIES AND PROCEDURES, section 9.02 UNIFORMS 9.02.01 to the Parties previous Memorandum of Understanding dated July 1, 2015 through December 31, 2018 (the "MOU") in order to clarify the dollar amount of uniform cleaning. It is understood and acknowledged by the Parties that this Side Letter Agreement does not materially change any of the agreed-upon terms and conditions of the current MOU and is merely a clarification of the PERSable dollar amount for uniform cleaning, as has been requested by CalPERS in order to be in compliance with California Code of Regulations (CCR) 571(b)(B).

## **9.02      Uniforms**

**9.02.01**      *City will provide uniforms for those employees in the Parks, Streets and Utility Divisions required to wear uniforms as a condition of employment. All divisions will be provided soft caps with the City logo attached. With the exception of City provided soft cap or safety helmet, no other caps, head gear, or hats are to be worn. City will also provide regular uniform cleaning. **The uniform cleaning amount is \$21.75 per pay period and will be PERSable under special compensation.** Employees assigned uniforms are to report to work in uniforms that are neat and clean.*

CITY OF MORGAN HILL

American Federation of State, County,  
and Municipal Employees Local 101,  
District Council 57 of Morgan Hill

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Christina Turner  
City Manager

Ozzie Esquivel  
AFSCME President

Dated: \_\_\_\_\_

Michael Horta  
Human Resources Director

Dated: \_\_\_\_\_

\_\_\_\_\_  
Donald A. Larkin  
City Attorney



Side-Letter Agreement  
Between the  
City of Morgan Hill  
And the  
American Federation of State, County, and Municipal  
Employees Local 101, District Council 57 of Morgan Hill

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CITY OF MORGAN HILL

American Federation of State, County,  
and Municipal Employees Local 101,  
District Council 57 of Morgan Hill

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Christina Turner  
City Manager

Ozzie Esquivel  
AFSCME President

Dated: \_\_\_\_\_

Michael Horta  
Human Resources Director

Dated: \_\_\_\_\_

\_\_\_\_\_  
Donald A. Larkin  
City Attorney



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Adam Paszkowski, Principal Planner  
APPROVED BY: City Manager

## **ADOPT RESOLUTION AUTHORIZING GRANT APPLICATION AND AUTHORIZING THE CITY MANAGER TO EXECUTE GRANT RELATED AGREEMENTS AND DOCUMENTS FOR A LOCAL EARLY ACTION PLANNING GRANT**

### **RECOMMENDATION(S)**

Adopt resolution:

1. Authorizing staff to prepare and submit a Local Early Action Planning Grants Program (LEAP) Application to the State of California, Department of Housing and Community Development for an amount not to exceed \$150,000 for the development of a proposed Housing Element Update; and
2. Authorizing the City Manager to negotiate and execute the City of Morgan Hill LEAP application, grant documents, and any amendments thereto as required by the Department of Housing and Community Development for receipt of the grant.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Supporting Our Youth  
Seniors  
and Entire Community  
Enhancing Diversity and Inclusiveness  
Advancing Regional Initiatives

#### **2020-2021 Strategic Priorities**

Affordable Housing and Homelessness

### **GUIDING DOCUMENTS**

Downtown Specific Plan  
General Plan/Housing Element

### **REPORT NARRATIVE:**

Staff recommends adoption of a grant resolution (Attachment 1) authorizing the submittal of a Local Early Action Planning (LEAP) grant (Attachment 2) to the State of California, Department of Housing and Community Development for an amount not to exceed \$150,000 for the preparation of the Housing Element Update to facilitate compliance with the sixth cycle Regional Housing Need Allocation (RHNA).

#### **Housing Element**

Since 1969, the State of California has required local governments to adequately plan to meet the housing needs of everyone in their communities through the development of Housing Elements. The laws that govern this process are collectively known as the

State Housing Element Law. The Regional Housing Need Allocation (RHNA) process is part of the State Housing Element Law used to determine how many new homes, and the affordability of those homes, local governments must plan for in their Housing Elements.

The State Department of Housing and Community Development (HCD) first determines each region's housing need by income level for the planning period. The regional council of governments (the Association of Bay Area Governments for the City of Morgan Hill) then allocates RHNA shares to each jurisdiction using a methodology developed by the regional council and required by state law to include specific variables.

Local governments participate in the development of the allocation methodology and are required to update their Housing Elements to show how they will accommodate their share of the RHNA. They are required to demonstrate they have enough land, vacant or feasible for redevelopment and zoned to accommodate their assigned housing units at all income levels.

The City's current certified Housing Element was adopted in February 2015 and plans for 928 new homes from 2014 to 2022 and is applicable from 2015 to 2023. The Bay Area is currently heading into its sixth RHNA cycle, which will last from 2022 to 2030 and is applicable from 2023 to 2031. The City will need to submit its Housing Element update for certification to HCD by January 2023.

### LEAP Grant

The State of California, Department of Housing and Community Development (HCD) is accepting grant applications for approximately \$119,040,000 as part of the LEAP Grants Program. LEAP is made available as a portion of the formerly known Local Government Planning Support Grants Program, which was established as part of the 2019-20 Budget Act, pursuant to Chapter 3.1 of the Health and Safety Code (Sections 50515 to 50515.05). LEAP provides funding to jurisdictions for the preparation and adoption of planning documents, process improvements that accelerate housing production, and facilitate compliance in implementing the sixth cycle of the RHNA.

The Local Government Planning Support Grants Program provides one-time grant funding to regions and jurisdictions for technical assistance, preparation and adoption of planning documents, and process improvements. Funds are available to eligible applicants on a noncompetitive basis. Applications are due by July 1, 2020. HCD determined maximum award amounts based on population estimates from the Department of Finance. Jurisdictions with a population of 20,000 to 59,999 are eligible for a maximum award amount of \$150,000.

Pursuant to the Notice of Funding Availability for the LEAP Grant, eligible activities must demonstrate an increase in housing related planning activities and facilitate accelerated housing production. The Notice of Funding Availability for the LEAP Grant further clarifies that the preparation and adoption of Housing Elements of the General Plan that



include an implementation component to facilitate compliance with the sixth cycle RHNA is an eligible activity under the grant.

### Prohousing

The 2019-20 Budget Act requires HCD to develop Prohousing designation emergency regulations program. This LEAP program will allow HCD to designate jurisdictions who are awarded the grant as “Prohousing,” when they demonstrate policies and strategies to accelerate housing production. In turn, Prohousing jurisdictions will be awarded additional points or preference in programs such as the Affordable Housing and Sustainable Communities (AHSC), Transformative Climate Communities (TCC), Infill Infrastructure Grant (IIG) programs and other state funding programs.

Pursuant to Gov. Code Section 65589.9(f)(2), “Prohousing” policies mean policies that facilitate the planning, approval, or construction of housing. These policies may include, but are not limited to, the following:

- A. Planning for local financial incentives for housing, including, but not limited to, establishing a local housing trust fund;
- B. Reducing parking requirements for sites that are zoned for residential development;
- C. Adoption of zoning allowing for use by right for residential and mixed-use development;
- D. Zoning more sites for residential development or zoning sites at higher densities than is required to accommodate the minimum existing RHNA for the current Housing Element cycle;
- E. Adoption of accessory dwelling unit ordinances or other mechanisms that reduce barriers for property owners to create accessory dwelling units beyond the requirements outlined in Section 65852.2, as determined by the Department;
- F. Process improvements that reduce permit processing time;
- G. Creating of objective development standards;
- H. Studies and implementing actions that reduce development impact fees; and
- I. Establishing a Workforce Housing Opportunity Zone, as defined in Section 65620, or a housing sustainability district, as defined in Section 66200.

### **COMMUNITY ENGAGEMENT: Collaborate**

Opportunities to engage the community will occur during the development of the Housing Element Update planning process. In addition, adoption of the Housing Element will include noticed Planning Commission and City Council public hearings.

### **ALTERNATIVE ACTIONS:**

The City Council could direct staff not to submit the grant application. This would eliminate the opportunity for, and the forfeiture of, grant funding and the City of Morgan Hill will have to burden the full cost of updating the Housing Element in compliance with the sixth cycle RHNA. HCD has indicated this is a one-time noncompetitive grant funding opportunity.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

February 18, 2015 – City Council adopted the City of Morgan Hill Housing Element.

**FISCAL AND RESOURCE IMPACT:**

To complete the grant application process, limited staff resources from the Development Services Department are required and expected to be accommodated within the existing workplan. The preliminary cost estimate to develop the Housing Element Update in-house is \$300,000. \$150,000 of that amount will be funded by the grant in which City staff will draft and prepare the Housing Element. The grant is a reimbursement formula, meaning the City must front the costs and then expense phases of work to the State for reimbursement. This activity will be funded from the City's Long-Range Planning Fund (207) and is included in the recommended biennial budget being presented as separate item tonight for Council adoption. The grant reimbursement received will be deposited into Fund 207.

**CEQA (California Environmental Quality Act):**

Although the submittal of a grant application is exempt from CEQA, the future adoption of a Housing Element Update will be subject to additional CEQA review.

**LINKS/ATTACHMENTS:**

1. Resolution
2. LEAP Grant Application (Template)

## RESOLUTION NO.

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AUTHORIZING APPLICATION FOR, AND RECEIPT OF, LOCAL GOVERNMENT PLANNING SUPPORT GRANT PROGRAM FUNDS

WHEREAS, pursuant to Health and Safety Code 50515 et. Seq, the Department of Housing and Community Development (Department) is authorized to issue a Notice of Funding Availability (NOFA) as part of the Local Government Planning Support Grants Program (hereinafter referred to by the Department as the Local Early Action Planning Grants program or LEAP); and

WHEREAS, the City Council of the City of Morgan Hill (City) desires to submit a LEAP grant application package ("Application"), on the forms provided by the Department, for approval of grant funding for projects that assist in the preparation and adoption of planning documents and process improvements that accelerate housing production and facilitate compliance to implement the sixth cycle of the regional housing need assessment; and

WHEREAS, the Department has issued a NOFA and Application on January 27, 2020 in the amount of \$119,040,000 for assistance to all California Jurisdictions.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL ("APPLICANT") RESOLVES AS FOLLOWS:

Section 1. The City Manager or designee is hereby authorized and directed to apply for and submit to the Department the Application package.

Section 2. In connection with the LEAP grant, if the application is approved by the Department, the City Manager of the City of Morgan Hill is authorized to submit the Application, enter into, execute, and deliver on behalf of the Applicant, a State of California Agreement (Standard Agreement) for the amount of \$150,000, and any and all other documents required or deemed necessary or appropriate to evidence and secure the LEAP grant, the Applicant's obligations related thereto, and all amendments thereto.

Section 3. The Applicant shall be subject to the terms and conditions as specified in the NOFA, and the Standard Agreement provided by the Department after approval. The Application and any and all accompanying documents are incorporated in full as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the Application will be enforceable through the fully executed Standard Agreement. Pursuant to the NOFA and in conjunction with the terms of the Standard Agreement, the Applicant hereby agrees to use the funds for eligible uses and allowable expenditures in the manner presented and specifically identified in the approved Application.

**PASSED AND ADOPTED** by the City Council of the City of Morgan Hill at its meeting

held on this 17<sup>th</sup> day of June 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-XXX adopted by the City Council at the meeting held on the 17<sup>th</sup> day of June 2020.

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

DATE: \_\_\_\_\_

\_\_\_\_\_  
 Irma Torrez, CITY CLERK

# Local Early Action Planning Grant Application



**State of California  
Governor Gavin Newsom**

**Alexis Podesta, Secretary  
Business, Consumer Services and Housing Agency**

**Doug McCauley, Acting Director  
Department of Housing and Community Development**

**Zachary Olmsted, Deputy Director  
Department of Housing and Community Development  
Housing Policy Development**

2020 West El Camino, Suite 500  
Sacramento, CA 95833

Website: <https://www.hcd.ca.gov/grants-funding/active-funding/leap.shtml>

Email: [EarlyActionPlanning@hcd.ca.gov](mailto:EarlyActionPlanning@hcd.ca.gov)

January 27, 2020

Attachment: LEAP Grant Application (Template) (2760 : LEAP Grant - Housing Element Update)

## LEAP Application Packaging Instructions

The applicant is applying to the Department of Housing and Community Development (Department) for a grant authorized underneath the Local Early Action Planning Grants (LEAP) provisions pursuant to Health and Safety Code Sections 50515 through 50515.05. LEAP provides funding to jurisdictions for the preparation and adoption of planning documents, process improvements that accelerate housing production and facilitate compliance in implementing the sixth cycle of the regional housing need assessment. If you have questions regarding this application or LEAP, email [earlyactionplanning@hcd.ca.gov](mailto:earlyactionplanning@hcd.ca.gov).

If approved for funding, the LEAP application is incorporated as part of your Standard Agreement with the Department. In order to be considered for funding, all sections of this application, including attachments and exhibits if required, must be complete and accurate.

All applicants must submit a complete, signed, original application package and digital copy on CD or USB flash drive to the Department and postmarked by the specified due date in the NOFA. Applicants will demonstrate consistency with LEAP requirements by utilizing the following forms and manner prescribed in this application.

- Pages 3 through 14 constitute the full application (save paper, print only what is needed)
- Attachment 1: Project Timeline and Budget: Including high-level tasks, sub-tasks, begin and end dates, budgeted amounts, deliverables, and adoption and implementation dates.
- Attachment 2: Nexus to Accelerating Housing Production
- Attachment 3: State and Other Planning Priorities
- Attachment 4: Required Resolution Template
- Government Agency Taxpayer ID Form (available as a download from the LEAP webpage located at <https://www.hcd.ca.gov/grants-funding/active-funding/leap.shtml>)
- If the applicant is partnering with another local government or other entity, include a copy of the legally binding agreement; and
- Supporting documentation (e.g., letters of support, scope of work, project timelines, etc.)

**Pursuant to Section XII of the LEAP 2020 Notice of Funding Availability (NOFA)**, the application package must be postmarked on or before July 1, 2020, and received by the Department at the following address:

**Department of Housing and Community Development  
Division of Housing Policy Development  
2020 West El Camino Ave, Suite 500  
Sacramento, CA 95833**



**A. Applicant Information and Certification**

|                                                                                                                                                                                       |            |          |                          |    |                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------|--------------------------|----|--------------------------|
| Applicant (Jurisdiction)                                                                                                                                                              |            |          |                          |    |                          |
| Applicant's Agency Type                                                                                                                                                               |            |          |                          |    |                          |
| Applicant's Mailing Address                                                                                                                                                           |            |          |                          |    |                          |
| City                                                                                                                                                                                  |            |          |                          |    |                          |
| State                                                                                                                                                                                 | California | Zip Code |                          |    |                          |
| County                                                                                                                                                                                |            |          |                          |    |                          |
| Website                                                                                                                                                                               |            |          |                          |    |                          |
| Authorized Representative Name                                                                                                                                                        |            |          |                          |    |                          |
| Authorized Representative Title                                                                                                                                                       |            |          |                          |    |                          |
| Phone                                                                                                                                                                                 |            | Fax      |                          |    |                          |
| Email                                                                                                                                                                                 |            |          |                          |    |                          |
| Contact Person Name                                                                                                                                                                   |            |          |                          |    |                          |
| Contact Person Title                                                                                                                                                                  |            |          |                          |    |                          |
| Phone                                                                                                                                                                                 |            | Fax      |                          |    |                          |
| Email                                                                                                                                                                                 |            |          |                          |    |                          |
| Proposed Grant Amount                                                                                                                                                                 | \$         |          |                          |    |                          |
| <p><i>Pursuant to Health and Safety Code Section 50515.03 through (d) of the Guidelines, all applicants must meet the following two requirements to be eligible for an award:</i></p> |            |          |                          |    |                          |
| <b>1. Does the application demonstrate a nexus to accelerating housing production as shown in Attachment 1?</b>                                                                       |            | Yes      | <input type="checkbox"/> | No | <input type="checkbox"/> |
| <b>2. Does the application demonstrate that the applicant is consistent with State Planning or Other Priorities; Attachment 2?</b>                                                    |            | Yes      | <input type="checkbox"/> | No | <input type="checkbox"/> |
| <b>Is a fully executed resolution included with the application package?</b>                                                                                                          |            | Yes      | <input type="checkbox"/> | No | <input type="checkbox"/> |
| <b>Does the address on the Government Agency Taxpayer ID Form exactly match the address listed above?</b>                                                                             |            | Yes      | <input type="checkbox"/> | No | <input type="checkbox"/> |
| <b>Is the applicant partnering with another eligible local government entity? If Yes, provide a fully executed copy of the legally binding agreement.</b>                             |            | Yes      | <input type="checkbox"/> | No | <input type="checkbox"/> |

As the official designated by the governing body, I hereby certify that if approved by HCD for funding through the Local Early Action Planning Program (LEAP), the \_\_\_\_\_ assumes the responsibilities specified in the Notice of Funding Availability and certifies that the information, statements and other contents contained in this application are true and correct.

Signature: \_\_\_\_\_ Name: \_\_\_\_\_

Date: \_\_\_\_\_ Title: \_\_\_\_\_

## B. Proposed Activities Checklist

**Check all activities the locality is undertaking. Activities must match the project description.**

|    |                          |                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | <input type="checkbox"/> | Rezoning and encouraging development by updating planning documents and zoning ordinances, such as general plans, community plans, specific plans, implementation of sustainable communities strategies, and local coastal programs                                                                                                                                                                                        |
| 2  | <input type="checkbox"/> | Completing environmental clearance to eliminate the need for project-specific review                                                                                                                                                                                                                                                                                                                                       |
| 3  | <input type="checkbox"/> | Establishing housing incentive zones or other area based housing incentives beyond State Density Bonus Law such as a workforce housing opportunity zone pursuant to Article 10.10 (commencing with Section 65620) of Chapter 3 of Division 1 of Title 7 of the Government Code or a housing sustainability district pursuant to Chapter 11 (commencing with Section 66200) of Division 1 of Title 7 of the Government Code |
| 4  | <input type="checkbox"/> | Performing infrastructure planning, including for sewers, water systems, transit, roads, or other public facilities necessary to support new housing and new residents                                                                                                                                                                                                                                                     |
| 5  | <input type="checkbox"/> | Planning documents to promote development of publicly owned land such as partnering with other local entities to identify and prepare excess or surplus property for residential development                                                                                                                                                                                                                               |
| 6  | <input type="checkbox"/> | Revamping local planning processes to speed up housing production                                                                                                                                                                                                                                                                                                                                                          |
| 7  | <input type="checkbox"/> | Developing or improving an accessory dwelling unit ordinance in compliance with Section 65852.2 of the Government Code                                                                                                                                                                                                                                                                                                     |
| 8  | <input type="checkbox"/> | Planning documents for a smaller geography (less than jurisdiction-wide) with a significant impact on housing production including an overlay district, project level specific plan, or development standards modifications proposed for significant areas of a locality, such as corridors, downtown or priority growth areas                                                                                             |
| 9  | <input type="checkbox"/> | Rezoning to meet requirements pursuant to Government Code Section 65583(c)(1) and other rezoning efforts to comply with housing element requirements, including Government Code Section 65583.2(c) (AB 1397, Statutes of 2018)                                                                                                                                                                                             |
| 10 | <input type="checkbox"/> | Upzoning or other implementation measures to intensify land use patterns in strategic locations such as close proximity to transit, jobs or other amenities                                                                                                                                                                                                                                                                |
| 11 | <input type="checkbox"/> | Rezoning for multifamily housing in high resource areas (according to Tax Credit Allocation Committee/Housing Community Development Opportunity Area Maps);<br>Establishing Pre-approved architectural and site plans                                                                                                                                                                                                      |
| 12 | <input type="checkbox"/> | Preparing and adopting housing elements of the general plan that include an implementation component to facilitate compliance with the sixth cycle RHNA                                                                                                                                                                                                                                                                    |
| 13 | <input type="checkbox"/> | Adopting planning documents to coordinate with suballocations under Regional Early Action Planning Grants (REAP) that accommodate the development of housing and infrastructure and accelerate housing production in a way that aligns with state planning priorities, housing, transportation equity and climate goals, including hazard mitigation or climate adaptation                                                 |
| 14 | <input type="checkbox"/> | Zoning for by-right supportive housing, pursuant to Government Code section 65651 (Chapter 753, Statutes of 2018)                                                                                                                                                                                                                                                                                                          |
| 15 | <input type="checkbox"/> | Zoning incentives for housing for persons with special needs, including persons with developmental disabilities                                                                                                                                                                                                                                                                                                            |
| 16 | <input type="checkbox"/> | Planning documents related to carrying out a local or regional housing trust fund                                                                                                                                                                                                                                                                                                                                          |
| 17 | <input type="checkbox"/> | Environmental hazard assessments; data collection on permit tracking; feasibility studies, site analysis, or other background studies that are ancillary (e.g., less than 15% of the total grant amount) and part of a proposed activity with a nexus to accelerating housing production                                                                                                                                   |
| 18 | <input type="checkbox"/> | Other planning documents or process improvements that demonstrate an increase in housing related planning activities and facilitate accelerating housing production                                                                                                                                                                                                                                                        |
| 19 | <input type="checkbox"/> | Establishing Prohousing Policies                                                                                                                                                                                                                                                                                                                                                                                           |

Attachment: LEAP Grant Application (Template) (2760 : LEAP Grant - Housing Element Update)

### C. Project Description

*Provide a description of the project and each activity using the method outlined below, and ensure the narrative speaks to **Attachment 1: Project Timeline and Budget**.*

- a. Summary of the Project and its impact on accelerating production*
- b. Description of the tasks and major sub-tasks*
- c. Summary of the plans for adoption or implementation*

*Please be succinct and use Appendix A or B if more room is needed.*

Attachment: LEAP Grant Application (Template) (2760 : LEAP Grant - Housing Element Update)

## D. Legislative Information

| District                                      | # | Legislator Name |
|-----------------------------------------------|---|-----------------|
| <b>Federal<br/>Congressional<br/>District</b> |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
| <b>State Assembly<br/>District</b>            |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
| <b>State Senate<br/>District</b>              |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |
|                                               |   |                 |

Applicants can find their respective State Senate representatives at <https://www.senate.ca.gov/>, and their respective State Assembly representatives at <https://www.assembly.ca.gov/>.

## 7.b

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## Attachment 2: Application Nexus to Accelerating Housing Production

*Applicants shall demonstrate how the application includes a nexus to accelerating housing production by providing data regarding current baseline conditions and projected outcomes such as a reduction in timing, lower development costs, increased approval certainty, increases in number of entitlements, more feasibility, or increases in capacity. An expected outcome should be provided for each proposed deliverable. If necessary, use Appendix B to explain the activity and its nexus to accelerating housing production.*

| Select at least one                                                                                                     | *Baseline | **Projected | ***Difference | Notes |
|-------------------------------------------------------------------------------------------------------------------------|-----------|-------------|---------------|-------|
| Timing (e.g., reduced number of processing days)                                                                        |           |             |               |       |
| Development cost (e.g., land, fees, financing, construction costs per unit)                                             |           |             |               |       |
| Approval certainty and reduction in discretionary review (e.g., prior versus proposed standard and level of discretion) |           |             |               |       |
| Entitlement streamlining (e.g., number of approvals)                                                                    |           |             |               |       |
| Feasibility of development                                                                                              |           |             |               |       |
| Infrastructure capacity (e.g., number of units)                                                                         |           |             |               |       |
| Impact on housing supply and affordability (e.g., number of units)                                                      |           |             |               |       |
|                                                                                                                         |           |             |               |       |
|                                                                                                                         |           |             |               |       |

**\* Baseline – Current conditions in the jurisdiction (e.g. 6-month development application review, or existing number of units in a planning area)**

**\*\*Projected – Expected conditions in the jurisdiction because of the planning grant actions (e.g. 2-month development application review)**

**\*\*\*Difference – Potential change resulting from the planning grant actions (e.g., 4-month acceleration in permitting, creating a more expedient development process)**



### Attachment 3: State and Other Planning Priorities Certification (Page 1 of 3)

*Applicants must demonstrate that the locality is consistent with State Planning or Other Planning Priorities by selecting from the list below activities that are proposed as part of this application or were completed within the last five years. Briefly summarize the activity and insert a date of completion.*

#### State Planning Priorities

| Date of Completion                              | Brief Description of the Action Taken                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Promote Infill and Equity</b>                |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Rehabilitating, maintaining, and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, streets, water, sewer, and other essential services, particularly in underserved areas.</i>                                                                                                                |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Seek or utilize funding or support strategies to facilitate opportunities for infill development.</i>                                                                                                                                                                                                                                                                                                                                   |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Other (describe how this meets subarea objective)</i>                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Promote Resource Protection</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Protecting, preserving, and enhancing the state's most valuable natural resources, including working landscapes such as farm, range, and forest lands; natural lands such as wetlands, watersheds, wildlife habitats, and other wildlands; recreation lands such as parks, trails, greenbelts, and other open space; and landscapes with locally unique features and areas identified by the state as deserving special protection.</i> |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Actively seek a variety of funding opportunities to promote resource protection in underserved communities.</i>                                                                                                                                                                                                                                                                                                                         |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Other (describe how this meets subarea objective)</i>                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Encourage Efficient Development Patterns</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 | <i>Ensuring that any infrastructure associated with development, other than infill development, supports new development that does the following:</i>                                                                                                                                                                                                                                                                                      |
|                                                 | <i>(1) Uses land efficiently.</i>                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**Attachment 3: State and Other Planning Priorities Certification (Page 2 of 3)**

*(2) Is built adjacent to existing developed areas to the extent consistent with environmental protection.*

*(3) Is located in an area appropriately planned for growth.*

*(4) Is served by adequate transportation and other essential utilities and services.*

*(5) Minimizes ongoing costs to taxpayers.*

*Other (describe how this meets subarea objective)*

**Other Planning Priorities****Affordability and Housing Choices**

*Incentives and other mechanisms beyond State Density Bonus Law to encourage housing with affordability terms.*

*Efforts beyond state law to promote accessory dwelling units or other strategies to intensify single-family neighborhoods with more housing choices and affordability.*

*Upzoning or other zoning modifications to promote a variety of housing choices and densities.*

*Utilizing surplus lands to promote affordable housing choices.*

*Efforts to address infrastructure deficiencies in disadvantaged communities pursuant to Government Code Section 65302.10.*

*Other (describe how this meets subarea objective)*

**Attachment 3: State and Other Planning Priorities Certification (Page 3 of 3)****Conservation of Existing Affordable Housing Stock**

*Policies, programs or ordinances to conserve stock such as an at-risk preservation ordinance, mobilehome park overlay zone, condominium conversion ordinance and acquisition and rehabilitation of market rate housing programs.*

*Policies, programs and ordinances to protect and support tenants such as rent stabilization, anti-displacement strategies, first right of refusal policies, resources to assist tenant organization and education and "just cause" eviction policies.*

*Other (describe how this meets subarea objective)*

**Climate Adaptation**

*Building standards, zoning and site planning requirements that address flood and fire safety, climate adaptation and hazard mitigation.*

*Long-term planning that addresses wildfire, land use for disadvantaged communities, and flood and local hazard mitigation.*

*Community engagement that provides information and consultation through a variety of methods such as meetings, workshops, and surveys and that focuses on vulnerable populations (e.g., seniors, people with disabilities, homeless, etc.).*

*Other (describe how this meets subarea objective)*

**Certification:** I certify under penalty of perjury that all information contained in this LEAP State Planning and Other Planning Priorities certification form (Attachment 2) is true and correct.

Certifying Officials Name: \_\_\_\_\_

Certifying Official's Title: \_\_\_\_\_

Certifying Official's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Attachment 4: Required Resolution Template**

RESOLUTION NO. [insert resolution number]

A RESOLUTION OF THE [INSERT EITHER "CITY COUNCIL" OR "COUNTY BOARD OF SUPERVISORS"] OF [INSERT THE NAME OF THE CITY OR COUNTY] AUTHORIZING APPLICATION FOR, AND RECEIPT OF, LOCAL GOVERNMENT PLANNING SUPPORT GRANT PROGRAM FUNDS

WHEREAS, pursuant to Health and Safety Code 50515 et. Seq, the Department of Housing and Community Development (Department) is authorized to issue a Notice of Funding Availability (NOFA) as part of the Local Government Planning Support Grants Program (hereinafter referred to by the Department as the Local Early Action Planning Grants program or LEAP); and

WHEREAS, the [insert either "City Council" or "County Board of Supervisors"] of [insert the name of the City or County] desires to submit a LEAP grant application package ("Application"), on the forms provided by the Department, for approval of grant funding for projects that assist in the preparation and adoption of planning documents and process improvements that accelerate housing production and facilitate compliance to implement the sixth cycle of the regional housing need assessment; and

WHEREAS, the Department has issued a NOFA and Application on January 27, 2020 in the amount of \$119,040,000 for assistance to all California Jurisdictions;

Now, therefore, the [insert either "City Council" or "County Board of Supervisors"] of [insert the name of the city or county] ("Applicant") resolves as follows:

SECTION 1. The [insert the authorized designee's TITLE ONLY] is hereby authorized and directed to apply for and submit to the Department the Application package;

SECTION 2. In connection with the LEAP grant, if the Application is approved by the Department, the [insert the authorized designee's TITLE ONLY] of the [insert the name of the City or County] is authorized to submit the Application, enter into, execute, and deliver on behalf of the Applicant, a State of California Agreement (Standard Agreement) for the amount of [\$ enter the dollar amount of the Applicant's request], and any and all other documents required or deemed necessary or appropriate to evidence and secure the LEAP grant, the Applicant's obligations related thereto, and all amendments thereto; and

SECTION 3. The Applicant shall be subject to the terms and conditions as specified in the NOFA, and the Standard Agreement provided by the Department after approval. The Application and any and all accompanying documents are incorporated in full as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the Application will be enforceable through the fully executed Standard Agreement. Pursuant to the NOFA and in conjunction with the terms of the Standard Agreement, the Applicant hereby agrees to use the funds for eligible uses and allowable expenditures in the manner presented and specifically identified in the approved Application.

ADOPTED ON [insert the date of adoption], by the [insert either "City Council" or "County Board of Supervisors"] of [insert the name of the City or County] by the following vote count:

AYES:      NOES:      ABSENT:      ABSTAIN:

\_\_\_\_\_, ATTEST: APPROVED AS TO FORM:  
[Signature of Attesting Officer]

\_\_\_\_\_, APPROVED  
[Signature of approval]

Attachment: LEAP Grant Application (Template) (2760 : LEAP Grant - Housing Element Update)

## Appendix A

Attachment: LEAP Grant Application (Template) (2760 : LEAP Grant - Housing Element Update)

## Appendix B

Attachment: LEAP Grant Application (Template) (2760 : LEAP Grant - Housing Element Update)



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: John Lang, Economic Development Manager  
APPROVED BY: City Manager

## **AMEND THE IMPACT FEE FREEZE PROGRAM FOR COMMERCIAL AND INDUSTRIAL PROJECTS**

### **RECOMMENDATION(S)**

1. Approve the Impact Fee Freeze Program and guidelines; and
2. Authorize the City Manager to negotiate and execute Impact Fee Freeze Agreements that are under \$100,000 for new commercial and industrial projects consistent with the program criteria.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Maintaining Infrastructure

#### **2020-2021 Strategic Priorities**

Economic Development

Financial Sustainability

### **GUIDING DOCUMENTS**

Economic Blueprint

### **POLICY CONSIDERATIONS:**

Should the City approve the Impact Fee Freeze as an on-going City program to support new commercial and industrial development with certain recommended modifications?

Should the City allow for the extension of existing Impact Fee Freeze Agreements to support development impacted by the current COVID-19 economic crisis?

### **REPORT NARRATIVE:**

On June 21, 2017, the City Council approved an Impact Fee Freeze Pilot Program to promote economic development investment by locking impact fee schedules for commercial and industrial projects for a period of three years. The Impact Fee Freeze Program provided certainty to developers and afforded a small 'savings' on City fees.

The Impact Fee Freeze Pilot Program has been in effect for three years and the City has processed eight agreements since the approval of the program. It is recommended the Council formally adopt the Impact Fee Freeze Program (Attachment 1) as an ongoing City program and provide the City Manager authority to approve agreements with a net impact of up to \$100,000 that meet Program requirements.

### **Background**

Impact fees applied to new development allow the City to continue to plan for long-term infrastructure including, water, sewer, roads, and public facilities. Developers are



required to pay the impact fee associated with the projected impact caused by that development.

Greenfield development (development in vacant lands that have never been developed) is more costly due to the initial development of the infrastructure and offsite improvements. For many years, the City of Morgan Hill has deliberated the high cost of doing business due to the City's developing infrastructure needs. Additionally, the sewer costs for the City of Morgan Hill are generally higher due to the capital improvement costs associated with the joint Morgan Hill/Gilroy sewer plant located in Gilroy.

A report commissioned by the City in 2015 by Strategic Economics evaluated three development scenarios in Morgan Hill, Gilroy, and San Jose. The study (Attachment 2) found that the City of Morgan Hill's development impacts fees were higher for both the advanced manufacturing/R&D development project and the automobile dealership project. In summary, the City of Morgan Hill seems to be less competitive in two out of the three prototypes. However, the City of Morgan Hill's Auto Dealer Strategy which provides a mechanism to offset impact fees through a sales tax sharing agreement, makes Morgan Hill more competitive than Gilroy and San Jose.

During the outreach for the development of the City's 2017 Economic Blueprint (over 400 inputs from community, businesses, and developers), it was reaffirmed that one of the barriers to investment of commercial and industrial development in Morgan Hill continued to be the high impact fees.

In addition to higher impact fees, Morgan Hill is disadvantaged with some of the lowest rents in Silicon Valley. Developers must pay similar construction costs to most other cities in the region, without the benefit of rents that can support the initial investment resulting in nearly an 11% increase in a development proforma. Mid and post COVID-19, companies and developers are facing reduced lending opportunities and decision making that includes the impacts of recent business closures, possible contraction in the market and whether or not to reserve cash for business uncertainties rather than construct, expand or relocate (Attachment 3).

New commercial and industrial development in Morgan Hill has been historically low during the last two decades. The City had not seen any commercial and industrial development since 2001 until the La Quinta Hotel was developed in 2014, and the Mast Avenue industrial building in 2017.

### **Analysis:**

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

| <b>Project</b>            | <b>City Council</b> | <b>Expiration</b> | <b>Status</b>      | <b>Project</b>                                  |
|---------------------------|---------------------|-------------------|--------------------|-------------------------------------------------|
| <b>Healthworks Bakery</b> | 4/4/2018            | 6/30/2020         | Applicant Withdrew | 17,152 sq. ft industrial building, headquarters |

|                                                              |            |           |                                                                 |                     |                                                                                            |
|--------------------------------------------------------------|------------|-----------|-----------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------------|
| <b>Bridge Group Investments (Shoe Palace)</b>                | 10/17/2018 | 6/30/2020 | Project construction                                            | under               | for new baking company<br>503,400 sq. ft industrial building, headquarters for Shoe Palace |
| <b>Evergreen Company</b>                                     | 10/17/2018 | 6/30/2021 | Overall construction underway, Individual projects under review | site                | 185,000 sq. ft proposed build out                                                          |
| <b>Morgan Hill Real Estate (Towbin Dodge)</b>                | 11/7/2018  | 6/30/2020 | Approved Certificate; Project abandoned                         | Design Project      | 36,652 sq. ft commercial building for new car dealership                                   |
| <b>TBI-Mission West II, LLC (SV Glass)</b>                   | 12/5/2018  | 6/30/2021 | Construction started                                            | has                 | 31,172 sq. ft. industrial building                                                         |
| <b>TBI-Mission West II, LLC Parcel K (Carpenter's Union)</b> | 1/23/2019  | 6/30/2021 | Building Issued, will start soon                                | Permit construction | 55,000 sq. ft. industrial building to be used as a training and education facility         |
| <b>TBI-Mission West II, LLC Parcel 1 (Madrone Plaza)</b>     | 1/23/2019  | 6/30/2021 | Proposed Cancelled                                              | Project             | 2 hotels, site is being marketed for other purposes                                        |
| <b>Applied Motion Products</b>                               | 6/3/2020   | 6/30/2022 | Building Permit issued soon                                     | to be               | 21,000 sq. ft industrial building, headquarters for a business to business operator        |

The savings afforded by the Impact Fee Freeze program will be recovered through ad valorem property and personal property taxes, business to business sales tax, retail sales and/or transient occupancy taxes generated by the development. The respective Impact Fee Funds will be reimbursed from general tax revenues generated and collected by the development. Staff is tracking the projects and will do an annual interfund transfer on the anniversary of the Certificate of Occupancy of the project. The transfers will occur gradually until the Impact Fee Fund is paid in full.

The Impact Fee Freeze Program encourages businesses in the City that are, or can be, key sources of sales tax revenue that support the City's General Fund, which in turn supports public services provided by the City to its residents and local businesses. This program is consistent with the goals of the existing 2006 Sewer and Traffic Impact Fee Financing Program to stimulate commercial development and is necessary for the preservation and protection of the public health, safety, or welfare of the community.

### Impact Fee Freeze Program Guidelines

The Impact Fee Freeze Program establishes and locks City's Impact Fees using the FY 2016-17 rates for new industrial and commercial development provided the prospective development secures entitlements and submits for building permits within three years of the date of the agreement. With this update, it is proposed that the base year adjust to 2017-18.

The Impact Fee Freeze Program is intended to support new commercial and industrial development that support the City's long-term economic sustainability goals identified in the City's General Plan and Economic Blueprint by growing jobs, retaining and

attracting new companies and generate positive tax revenue to the City caused by the development through new property, sales, and/or transient occupancy taxes.

**Eligibility:**

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

**Program Requirements:**

1. Program participants must submit a request in writing indicating interest in the Impact Fee Freeze Program and identify goals of the speculative development, including type, size, location, and general timeframe of development.
2. Applicant must enter into an Impact Fee Freeze Financing Agreement with the City of Morgan Hill agreeing to secure entitlements and submit for building permits for prospect development within three years of the executed agreement.
3. Applicant must provide the City with estimates of construction valuation, projected number of jobs, and revenue generated by the uses.
4. Project must be able to generate revenue to repay the 'savings' caused by the Impact Fee Freeze Agreement within 10 years of receiving a completion of the project and receipt of Certificate of Occupancy.

**Other:**

1. Impact Fee Freeze Agreements generating net savings of up to \$100,000 can be approved by the City Manager; Impact Fee Freeze Agreements generating net savings more than \$100,000 must be approved by the City Council.
2. The City Manager has the authority to modify the Agreement provisions except for the maximum amount, which requires City Council approval.
3. The City Manager may suspend this program at any time if it is determined that the Impact Fee Fund is negatively affected by continuation of the program.
4. Impact Fee Freeze Agreements are assignable.
5. City Manager has the authority to amend Impact Fee Freeze Agreements for minor modifications and provide necessary extensions that do not exceed 24 months.

**COMMUNITY ENGAGEMENT: Inform**

The Impact Fee Freeze Incentive Program aligns with the Economic Blueprint Strategy #3 "Attract New Development," Action #5, "Explore Incentive Programs to Attract

Industry Specific Development.” The proposed program has been discussed with numerous local developers and end users.

### **ALTERNATIVE ACTIONS:**

As proposed, the Development Impact Fee Freeze program applies to all new commercial and industrial development projects excluding assisted living, mini storage and stand-alone carwashes.

Alternatively:

1. a square footage cap could be implemented to provide an incentive to developments of a certain size projects, although size may not be a good indication of the impact of fees (i.e. auto dealerships on 6-7 acres, with only a small building footprint, but a business with very limited supportable development margins).
2. The Council could limit the program to industrial development projects only.
3. The Council could elect to not freeze all development fees, only a few. For instance, water, sewer and traffic could be the development impact fees that are frozen and other fees such as public safety and public facilities would not be subject to the freeze.

### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

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

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

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

### **FISCAL AND RESOURCE IMPACT:**

Each Impact Fee Freeze agreement is evaluated to determine the amount of savings a Fee Freeze agreement creates. In addition, an analysis of revenues is also determined to understand the payback period that it will take to replenish impact fees the project generates. Once individual projects become occupied, staff will be able to determine the amount of property tax, sales tax or other General Fund revenue generated. Subsequently, a portion of those tax dollars will be set aside annually to pay back the impact fee funds. Estimated impacts will vary depending on how much impact fees grow over time. In addition, to create a uniform analysis, variable fees such as frontage fees and meters hookups are not included in the estimate.

There are 247 acres of vacant industrial/commercial property in Morgan Hill. If all vacant industrial/commercial parcels were to develop simultaneously in the third year, the impact of the proposed freeze would be conservatively \$2.2 million saved by

developers. Total impact fees collected would exceed \$24 million. This also means that the City would receive \$2.2 million less for infrastructure improvements. However, the City would receive new General Fund revenue from new development such as property tax and the potential for sales tax and transient occupancy taxes.

**CEQA (California Environmental Quality Act):**

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

**LINKS/ATTACHMENTS:**

1. Impact Fee Freeze Program Guidelines
2. Comparative Analysis 2015
3. Impact Fee Freeze Agreement Letter, 6-3-20

City of Morgan Hill  
Impact Fee Freeze Program Guidelines  
June 2020

The Impact Fee Freeze Program establishes and locks City's Impact Fees using the FY 2017-18 rates for new industrial and commercial development provided the prospect development secures entitlements and submits for building permits within three years of the date of the agreement.

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

**Eligibility:**

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

**Program Requirements:**

1. Program participants must submit a request in writing indicating interest in the Impact Fee Freeze Program and identify goals of the speculative development, including type, size, location, and general timeframe of development.
2. Applicant must enter into a Fee Freeze Financing Agreement with the City of Morgan Hill agreeing to secure entitlements and submit for building permits for prospect development within three years of the executed agreement.
3. Applicant must provide the City with estimates of construction valuation, projected number of jobs and revenue generated by the uses.
4. Project must be able to generate revenue to repay the 'savings' caused by the Fee Freeze Agreement within 10 years of receiving a completion of the project and receipt of Certificate of Occupancy.

**Other:**

1. Impact Fee Freeze Agreements generating net savings of up to \$100,000 can be approved by the City Manager; Impact Fee Freeze Agreements generating net savings more than \$100,000 must be approved by the City Council.
2. The City Manager has the authority to modify the Agreement provisions except for the maximum amount, which requires City Council approval.
3. The City Manager may suspend this program at any time if it is determined that the Impact Fee Fund is negatively affected by continuation of the program.
4. Impact Fee Freeze Agreements are assignable.
5. City Manager has the authority to amend Impact Fee Freeze Agreements for minor modifications and provide necessary extensions that do not exceed 24 months.



## MEMORANDUM

Date: December 3, 2015

To: Edith Ramirez, City of Morgan Hill

From: Sujata Srivastava and Jake Cummings, Strategic Economics

Subject: Comparative Analysis of Commercial Development Fees (#1212b)

## Introduction

This memorandum report is a comparative analysis of commercial development costs in Morgan Hill, Gilroy, and San Jose. The analysis compares major categories of development fees and permits in each city (impact fees, permits, and other upfront charges), as well as estimates of revenues generated by three commercial development prototypes: R&D/ high tech manufacturing; hotel; and auto dealership.

The details of each prototype are shown below in Figure 1.

*Figure 1. Development Prototypes for Analysis*

| Prototype                     | Units                  | Building Area<br>(sf) | Land Area<br>(acres) |
|-------------------------------|------------------------|-----------------------|----------------------|
| R&D / High Tech Manufacturing | <i>not applicable</i>  | 150,000               | 6.0                  |
| Hotel / Lodging               | 150 full service rooms | 125,000               | 3.0                  |
| Auto Dealership               | <i>not applicable</i>  | 50,000                | 5.0                  |

Development fees and permit costs were calculated based on the results of a survey to City staff for each jurisdiction. The estimated fees and permits presented in this memo are not meant to represent the actual cost of a specific development project. Costs for actual development proposals will vary depending on factors such as site characteristics, building design, and location. However, this analysis serves to provide a reasonable comparison of the cost of developing the three prototypes in each city.

In addition to estimating fees and permit costs, Strategic Economics also compiled revenue indicators for the R&D and hotel prototypes. For the R&D prototype, average asking rental rates were used as an indicator of value.<sup>1</sup> For the hotel prototype, the average revenue per available room (RevPAR) was used. Revenue estimates for the auto dealership prototype were not calculated due to the high variability in sales revenues depending on the type of vehicles sold.

<sup>1</sup> Because the analysis involves smaller sub-markets, particularly Gilroy, the average rents observed from a limited number of properties in these sub-markets can be highly variable. To represent this variability, Strategic Economics has provided two sources of market information here: Colliers and CoStar.





## Summary of Findings

The following summarizes the findings of the analysis, which are also described in Figures 2 through 6. The detailed fee data is displayed in Figure 7.

### Development Fees and Permits

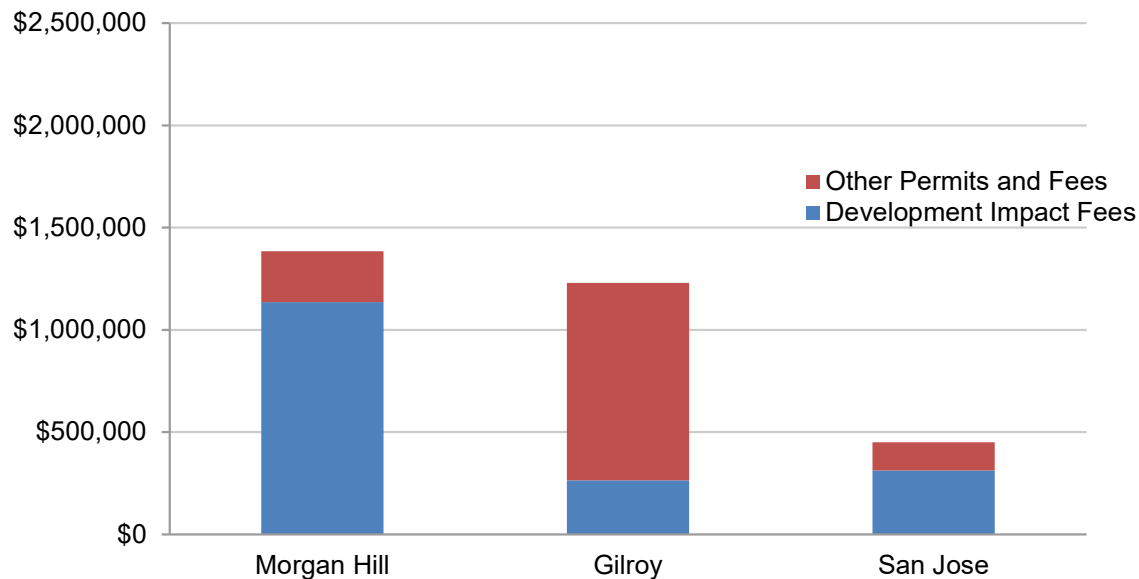
- **For the R&D / high tech manufacturing prototype, development fees and permits in Morgan Hill are higher than in Gilroy and Jose.** Estimated fees and permits in Morgan Hill for the R&D prototype total approximately \$1.38 million. Morgan Hill's fees are approximately twice as high as in San Jose, and 13 percent higher than in Gilroy (see Figure 2). The difference is largely due to Morgan Hill's significantly higher impact fees to mitigate the local impacts of growth on sewer and traffic.
- **For the hotel prototype, development fees in Morgan Hill are lower than in the other cities.** Total estimated fees and permits in Morgan Hill are 41 percent lower than in Gilroy, and slightly lower than in San Jose (see Figure 3).
- **For the auto dealership prototype, development fees in Morgan Hill are slightly higher than in Gilroy, and significantly higher than in San Jose.** Morgan Hill's fees are 11 percent higher than in Gilroy and 177 percent higher than in San Jose (see Figure 4). As with the R&D prototype, the higher cost in Morgan Hill is largely due to its higher local impact fees.

### Revenues

- **The rental rates for R&D / high tech manufacturing space in Morgan Hill are higher than in Gilroy, and lower than in San Jose.** See Figure 5 for a comparison of R&D rental rates reported by Colliers and CoStar. According to both data sources Morgan Hill's average monthly rents are between \$0.91 and \$1.02, significantly higher than in Gilroy (\$0.50 to 0.75). San Jose's citywide R&D rents are estimated at between \$1.61 and \$1.70. South San Jose, which has an R&D inventory similar to Morgan Hill, has an average asking rent of \$1.12.
- **For hotels, the revenue per available room (RevPAR) in Morgan Hill is positioned between Gilroy and San Jose.** The RevPAR in Morgan Hill is almost \$76, compared to \$56 in Gilroy and \$122 in San Jose (see Figure 6).

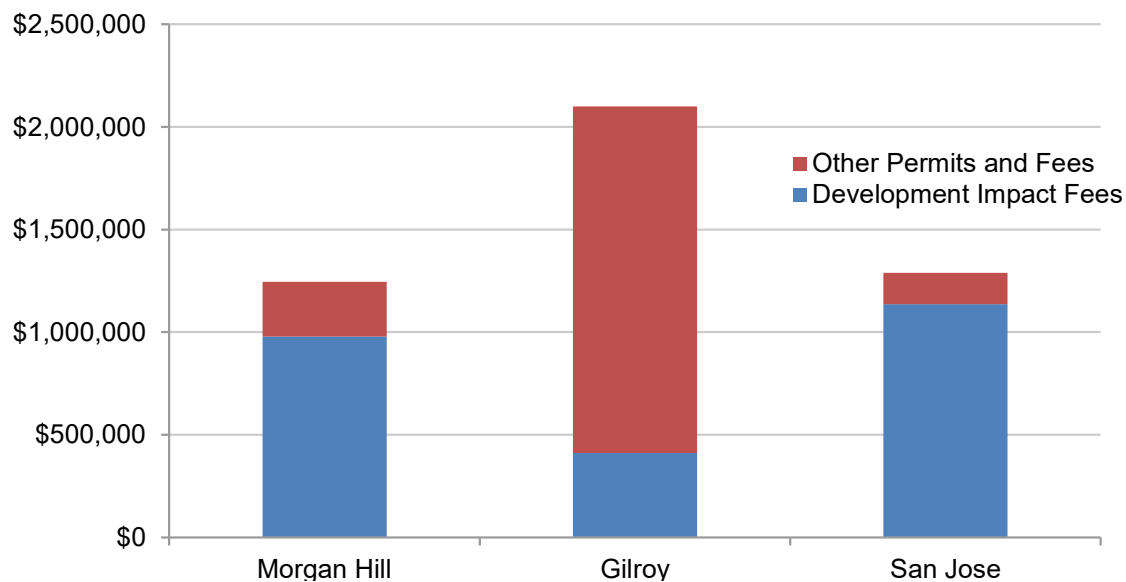


Figure 2. R&D / High Tech Manufacturing Prototype Development Fees



Sources: Cities of Morgan Hill, Gilroy, and San Jose.

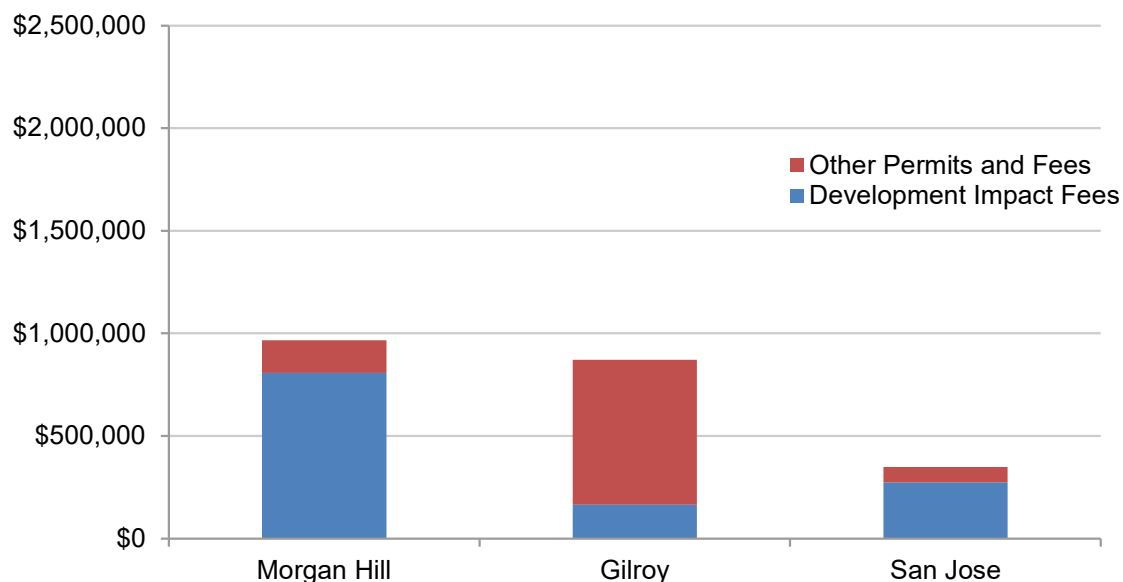
Figure 3. Hotel Prototype Development Fees



Sources: Cities of Morgan Hill, Gilroy, and San Jose.



Figure 4. Auto Dealership Prototype Development Fees



Sources: Cities of Morgan Hill, Gilroy, and San Jose.

Figure 5. R&D Market Rents and Inventory Comparison

|                              | Morgan Hill | Gilroy  | South San Jose | City of San Jose |
|------------------------------|-------------|---------|----------------|------------------|
| <b>Colliers</b>              |             |         |                |                  |
| Average Asking Rent*         | \$0.91      | \$0.75  | \$1.12         | \$1.70           |
| Total Rentable Building Area | 2,839,794   | 372,104 | 10,679,353     | 41,593,435       |
| <b>CoStar</b>                |             |         |                |                  |
| Average Asking Rent*         | \$1.02      | \$0.50  | n/a            | \$1.61           |
| Total Rentable Building Area | 3,376,971   | 673,640 | n/a            | 39,079,547       |

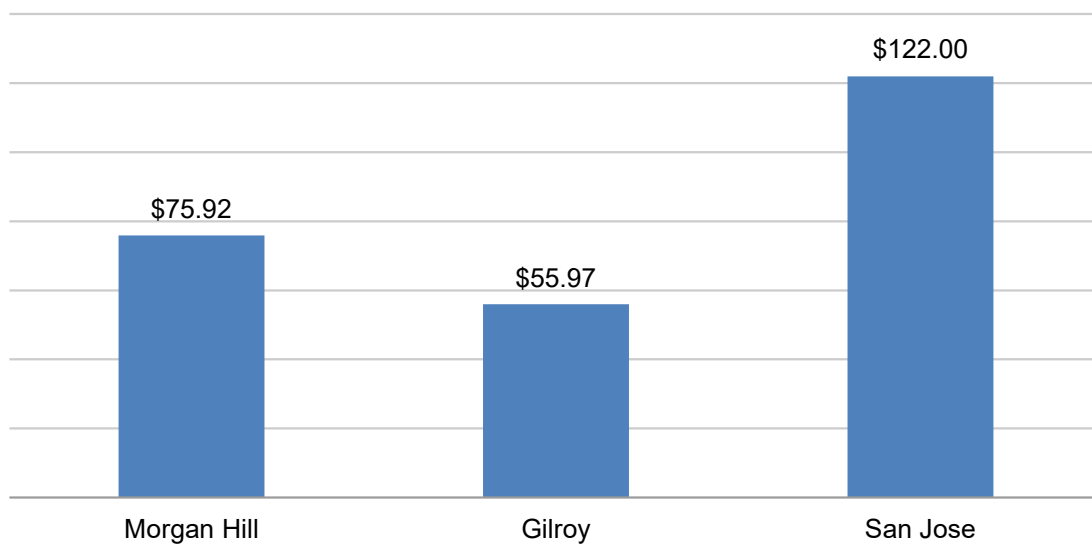
All figures are for Q4 2015, except South San Jose (Q2 2015) and City of San Jose (Q3 2015).

\* Rents are monthly, NNN.

Sources: Colliers 2015; CoStar 2015; Strategic Economics, 2015.



Figure 6. Revenue per Available Room (RevPAR)



Note: Morgan Hill RevPAR estimate is for 2014. RevPAR estimates for Gilroy and San Jose are projections for 2013 performed in that year.

Sources: For Morgan Hill: HA&A Hotel Market Research, 2014; For Gilroy: Economic Development Strategic Plan, YTD 2013; For San Jose: "In Focus: Silicon Valley, California - from Dot-com Bust to Boom", HVS, 2013 projected.



Figure 7. Detailed Comparison of Development Fees and Permits by City

|                                           | Morgan Hill             |                    |                  | Gilroy                  |                    |                  | San Jose                |                    |                  |
|-------------------------------------------|-------------------------|--------------------|------------------|-------------------------|--------------------|------------------|-------------------------|--------------------|------------------|
|                                           | R&D/High<br>Tech Manuf. | Hotel              | Auto<br>Dealer   | R&D/High<br>Tech Manuf. | Hotel              | Auto<br>Dealer   | R&D/High<br>Tech Manuf. | Hotel              | Auto<br>Dealer   |
| <b>Development Impact Fees</b>            |                         |                    |                  |                         |                    |                  |                         |                    |                  |
| Sewer Impact Fee                          | \$425,970               | \$584,289          | \$260,315        | \$3,658                 | \$3,658            | \$3,658          |                         |                    |                  |
| Water Impact Fee                          | \$60,168                | \$30,084           | \$50,140         | \$6,731                 | \$6,731            | \$6,731          |                         |                    |                  |
| Storm Drain Impact Fee                    | \$178,392               | \$122,508          | \$204,180        | \$6,768                 | \$4,584            | \$7,640          |                         |                    |                  |
| Traffic Impact Fee                        | \$354,120               | \$160,716          | \$239,712        | \$698,850               | \$1,463,250        | \$585,300        |                         |                    |                  |
| Police Impact Fee                         | \$13,644                | \$4,872            | \$8,120          |                         |                    |                  |                         |                    |                  |
| Fire Impact Fee                           | \$9,060                 | \$4,530            | \$7,550          |                         |                    |                  |                         |                    |                  |
| Public Facilities Impact Fee              | \$9,234                 | \$3,297            | \$5,495          | \$182,250               | \$343,250          | \$137,300        |                         |                    |                  |
| School Fee                                | \$76,500                | \$63,750           | \$25,500         | \$81,000                | \$67,500           | \$27,000         |                         |                    |                  |
| Burrowing Owl Mitigation                  | \$8,160                 | \$4,080            | \$6,800          |                         |                    |                  |                         |                    |                  |
| Street Tree Impact Fee                    |                         |                    |                  | \$103                   | \$103              | \$103            |                         |                    |                  |
| <b>Total Development Impact Fees</b>      | <b>\$1,135,248</b>      | <b>\$978,126</b>   | <b>\$807,812</b> | <b>\$979,360</b>        | <b>\$1,889,076</b> | <b>\$767,732</b> | <b>\$342,000</b>        | <b>\$1,166,000</b> | <b>\$289,240</b> |
| <b>Other Permits and Fees</b>             |                         |                    |                  |                         |                    |                  |                         |                    |                  |
| Advance Planning                          |                         |                    |                  | \$18,600                | \$18,450           | \$18,315         |                         |                    |                  |
| Planning                                  |                         |                    |                  |                         |                    |                  |                         |                    |                  |
| Planning Permits - Allowed Use            | \$6,000                 | \$6,000            | \$6,000          |                         |                    |                  |                         |                    |                  |
| Planning Permits - Conditional Use/Rezone | \$12,000                | \$12,000           | \$12,000         |                         |                    |                  |                         |                    |                  |
| Environmental (Estimated)                 | \$25,000                | \$30,000           | \$25,000         |                         |                    |                  |                         |                    |                  |
| HCP Fees (Vacant Land, New Const.)        | \$35,000                | \$15,000           | \$35,000         |                         |                    |                  |                         |                    |                  |
| Building Permit                           | \$85,000                | \$102,000          | \$40,000         | \$75,065                | \$68,806           | \$20,430         | \$25,428                | \$24,618           | \$15,887         |
| Building Division Plan Review Fee         | \$81,000                | \$96,000           | \$38,000         | \$56,298                | \$51,604           | \$15,323         | \$49,405                | \$56,900           | \$27,725         |
| Electrical Permit                         |                         |                    |                  | \$25,247                | \$14,422           | \$8,447          | \$6,798                 | \$6,901            | \$5,047          |
| Energy Fee                                |                         |                    |                  | \$5,630                 | \$5,160            | \$1,532          |                         |                    |                  |
| Fire Inspection and Other Fire Fees       | \$1,050                 | \$1,525            | \$1,050          | \$390                   | \$260              | \$130            | \$4,378                 | \$3,734            | \$1,803          |
| Mechanical Permit                         |                         |                    |                  | \$25,247                | \$14,422           | \$8,447          | \$4,532                 | \$4,429            | \$3,090          |
| Permit Processing                         |                         |                    |                  |                         |                    |                  | \$6,400                 | \$6,400            | \$2,880          |
| Plan Check                                |                         |                    |                  | \$1,500                 | \$1,100            | \$700            |                         |                    |                  |
| Plumbing Permit                           |                         |                    |                  | \$7,607                 | \$3,594            | \$1,727          | \$2,781                 | \$13,081           | \$1,864          |
| Strong Motion Instrumentation             | \$4,000                 | \$4,700            | \$1,800          | \$5,909                 | \$5,397            | \$1,436          | \$8,400                 | \$7,000            | \$1,680          |
| State Revolving Fees                      |                         |                    |                  | \$846                   | \$772              | \$207            |                         |                    |                  |
| Engineering Plan Check & Inspection Fees  |                         |                    |                  | \$27,300                | \$27,300           | \$27,300         |                         |                    |                  |
| <b>Total Other Permits and Fees</b>       | <b>\$249,050</b>        | <b>\$267,225</b>   | <b>\$158,850</b> | <b>\$249,639</b>        | <b>\$211,288</b>   | <b>\$103,994</b> | <b>\$108,122</b>        | <b>\$123,063</b>   | <b>\$59,976</b>  |
| <b>Grand Total</b>                        | <b>\$1,384,298</b>      | <b>\$1,245,351</b> | <b>\$966,662</b> | <b>\$1,228,999</b>      | <b>\$2,100,363</b> | <b>\$871,726</b> | <b>\$450,122</b>        | <b>\$1,289,063</b> | <b>\$349,216</b> |

Sources: Cities of Morgan Hill, Gilroy, and San Jose.

\* These fees not itemized \*

**Via email**

June 3, 2020

Edith Ramirez  
Economic Development Director  
City of Morgan Hill  
17575 Peak Avenue  
Morgan Hill, CA 95037

**RE: Evergreen Village – Impact Fee Freeze Agreement**

Dear Edith:

We are all adjusting to the new reality as we navigate the COVID-19 pandemic together. As I know you are aware, the retail industry has been hit extremely hard. Most tenants are paying reduced or no rent, doing their best to survive until the respective states and cities reopen their respective economies. Some of the “essential” businesses have been allowed to stay open, but many were forced to close. Unfortunately, there will be many businesses that never reopen.

This has predictably affected new developments, as most tenants have put a “pause” on their expansion plans, and many have killed deals in the pipeline. Those that are moving forward are doing so typically at a slower pace and encountering delays with many cities whose staffs are working remotely. Financing has also become much more difficult, causing tenants to delay the start of construction. As a result, much of the development world is on hold until the world establishes the new normal.

As it relates specifically to Evergreen Village, our users have experienced delays and financing concerns. One user, America’s Tire, has terminated their escrow altogether and will not be moving forward. We currently have users committed for approximately 10 of the 20 acres and have received interest from a major medical user for the balance of 10 acres. However, the medical user has put us on hold until we all emerge from the COVID-19 pandemic. Nonetheless, Evergreen remains optimistic that once our economy reopens and things settle down, we will be able to move forward in completing the development.

Our current Impact Fee Freeze Agreement expires June 30, 2021. I think it would be in both of our best interests to extend the Impact Fee Freeze Agreement, as it is critical in helping us secure users for the balance of the development. We would respectfully ask the City Council to approve an extension of the agreement for an additional 18 months to December 31, 2022.

Phoenix | Los Angeles | Denver | Salt Lake City

*evgre.com*

Development | Services | Investments



Evergreen

Please let me know if this might be possible, and the best way to accomplish an extension.

Yours truly,



Rogg Collins  
Principal  
Evergreen Devco, Inc.

cc: Laura Ortiz, Evergreen Devco, Inc. (via email)  
Zach Lauterbach, Evergreen Devco, Inc. (via email)  
Gary Hansen, Cushman & Wakefield (via email)

Attachment: Impact Fee Freeze Agreement Letter, 6-3-20 (2762 : Amend the Impact Fee Freeze Program)

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Development | Services | Investments



Evergreen





## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Anthony Eulo, Program Administrator  
APPROVED BY: City Manager

## **CONSIDER CITY POSITION ON AB 2959 PROVIDING CLARITY ON CONTROL AUTHORITY OF ORGANIC WASTE MATERIALS**

### **RECOMMENDATION(S)**

Direct staff to submit letter in support of AB 2959 to the appropriate representatives.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Protecting the Environment and Preserving  
Open Space and Agricultural Land

### **REPORT NARRATIVE:**

The purpose of this item is to provide the City Council with an opportunity to support State legislation that is important to the City's waste management system.

Assembly Bill (AB) 2959 (Attachment 1) is a bill that will help preserve the contractual obligations negotiated through our solid waste franchise as we implement Senate Bill (SB) 1383 – the law that requires the City to expand organic waste diversion programs. In 2018, AB 3036 (Cooley) passed into law. The bill was done at the behest of the California Farm Bureau to ensure that food processing byproducts, that were not discarded and were traditionally sent to animal feed, were not subject to local franchise agreements. Unfortunately, due to vagaries in the Health and Safety Code, several renderers around the State have been telling jurisdictions that the bill also applies to retail and wholesale restaurants and grocery stores. This interpretation is inconsistent with the original intent of the law and clearly infringes on our local control and franchise agreement.

The City's franchised waste management company, Recology, has asked the City to formally support the bill. This bill is important to the industry and locals because:

- The bill clarifies the provisions within AB 3036 and offers a legislative fix for which industrial generators of food scraps may send their food byproducts to animal feed, while also clearly stating that grocery stores and restaurants **are not** industrial generators and **are not** exempt from local franchise agreements.
- As such, it protects franchise agreements and the franchise fees paid on the materials covered by those agreements.

- AB 2959 also ensures food generated by restaurants and grocery stores — which is part of the regulated SB 1383 waste stream — will be collected and reported on in compliance with the law.
- Keeping this food waste stream within franchise agreements also ensures that rates are not impacted by a loss of organics materials to non-franchise haulers and processors.

Staff recommends that the City support AB 2959 and notify our State legislators and the bill's author of our support (Attachment 2).

**COMMUNITY ENGAGEMENT: N/A**

While it is important that State law be consistent in order for the City to successfully implement the significant and growing requirements to divert organic materials away from landfills, the topic of this bill is a rather arcane and specific corner of the law that does not lend itself to community engagement.

**ALTERNATIVE ACTIONS:**

The Council could decline to support the bill.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

None.

**FISCAL AND RESOURCE IMPACT:**

No fiscal impact at this time, tracking legislation is an activity included in the annual workplan of the City.

**CEQA (California Environmental Quality Act):**

Not a Project - Supporting legislation is an administrative activity that will not have a direct physical impact on the environment and is, therefore, not a project as defined by the CEQA Guidelines.

**LINKS/ATTACHMENTS:**

1. AB 2959 - Bill Text
2. AB 2959 letter of support

AMENDED IN ASSEMBLY MAY 5, 2020

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

## ASSEMBLY BILL

**No. 2959**

**Introduced by Assembly Member Calderon**

February 21, 2020

An act to amend Section 40059.4 of the Public Resources Code, relating to solid waste.

### LEGISLATIVE COUNSEL’S DIGEST

AB 2959, as amended, Calderon. Solid waste: byproducts from the processing of food or beverages.

The California Integrated Waste Management Act of 1989, administered by the Department of Resources Recycling and Recovery, generally regulates the disposal, management, and recycling of solid waste. The act authorizes each county, city, district, or other local governmental agency to determine, among other things, whether solid waste handling services are provided for by means of a nonexclusive, partially exclusive, or wholly exclusive franchise, contract, license, permit, or otherwise. ~~Existing law prohibits a county, city, district, or local governmental agency from subjecting the hauling of certain byproducts from the processing of food or beverages to an exclusive franchise, contract, license, or permit if the byproducts meet certain conditions, including that the byproducts originate from agricultural or industrial sources. Existing law defines “industrial source” for these purposes to include, The act prohibits those local governmental entities from exercising that authority with regard to the hauling of byproducts from the processing of food or beverages if certain conditions are met, including the condition that the byproducts originate from, among others, entities required to be registered for the manufacture, packing,~~

or holding of any processed food in this state and certain entities exempt from that registration.

~~This bill would provide that these provisions do not limit the authority of a county, city, district, or local government agency to establish reasonable requirements for the purpose of verifying compliance with the conditions for byproducts. The bill would reauthorize a county, city, district, or local government to subject the hauling of byproducts from the processing of food or beverages to an exclusive franchise, contract, license, or permit, reauthorize those local governmental entities to exercise that authority if those byproducts originate from a supermarket, grocer, restaurant, or other retail food establishment.~~

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

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

- 1 SECTION 1. Section 40059.4 of the Public Resources Code
- 2 is amended to read:
- 3 40059.4. (a) For purposes of this section, “industrial source”
- 4 means any of the following:
- 5 (1) An entity required to be registered pursuant to Section
- 6 110460 of the Health and Safety Code, except for supermarkets,
- 7 grocers, restaurants, and other retail food establishments.
- 8 (2) An entity exempted from registration pursuant to Section
- 9 110480 of the Health and Safety Code, except for supermarkets,
- 10 grocers, restaurants, and other retail food establishments.
- 11 (3) A beer manufacturer, as defined in Section 23012 of the
- 12 Business and Professions Code.
- 13 (4) A distilled spirits manufacturer, as defined in Section 23015
- 14 of the Business and Professions Code.
- 15 (b) A county, city, district, or local governmental agency shall
- 16 not subject the hauling of byproducts from the processing of food
- 17 or beverages to an exclusive solid waste franchise, contract, license,
- 18 or permit, if those byproducts meet all of the following conditions:
- 19 (1) The byproducts originate from agricultural or industrial
- 20 sources.
- 21 (2) The byproducts do not include animal, including fish,
- 22 processing byproducts.
- 23 (3) The byproducts are source separated by the generator of the
- 24 byproducts.

- 1 (4) The byproducts are not discarded.
- 2 (5) The byproducts are used as animal feed.
- 3 ~~(e) This section does not limit the authority of a county, city,~~
- 4 ~~district, or local government agency to establish reasonable~~
- 5 ~~requirements for the purpose of verifying compliance with the~~
- 6 ~~conditions set forth in subdivision (b).~~

O

June 19, 2020

The Honorable Ian Calderon  
California State Assembly  
P.O. Box 942849  
Sacramento, CA 94249-0057

**RE: AB 2959 – Support**

Dear Assemblymember Calderon:

On behalf of the City of Morgan Hill, I would like to express our strong support for your bill, AB 2959, which will clarify important provisions of the law with regard to organic waste management and control.

As you know, the requirements of SB 1383 will soon be pushing both jurisdictions and organic waste generators into new territories as we work together in meeting the significant SB 1383 mandates. As the City progresses in this implementation, it will be vital that all local grocery stores and restaurants understand that they are clearly impacted by the guidance and regulations adopted by the City and that they need to quickly take advantage of the services offered by our franchise waste hauler.

We appreciate that your office has recognized the lack of clarity left in AB 3036's wake and has taken the initiative to properly and decisively resolve this issue for all Californians. The absence of clarity in this issue could hamper our efforts to successfully comply with State law and, ultimately, compromise our efforts to address climate change. We thank you for authoring AB 2959 and urge your colleagues in the Legislature to support, and Governor Newsom to sign, the bill.

Sincerely,

Rich Constantine  
Mayor

cc: Assemblymember Robert Rivas  
Senator Bill Monning  
Seth Miller, Regional Public Affairs Manager, League of California Cities  
Meg Desmond, League of California Cities

Attachment: AB 2959 letter of support [Revision 1] (2766 : City Position on AB 2959 Solid Waste Control)



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Leslie Little, Assistant City Manager for Community Development  
APPROVED BY: City Manager

## **PROVIDE DIRECTION REGARDING 2020 CALIFORNIA LEGISLATIVE UPDATE - HOUSING, LAND USE AND BALLOT MEASURES**

### **RECOMMENDATION(S)**

Review League of California Cities positions if available and determine Bills of interest; provide positions or amendment suggestions.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Supporting Our Youth  
Seniors  
and Entire Community  
Advancing Regional Initiatives

### **GUIDING DOCUMENTS**

General Plan/Housing Element

### **REPORT NARRATIVE:**

The purpose of this report is to determine bills of interest and identify those of concern to Morgan Hill and direct appropriate action.

Amid the COVID-19 Pandemic, the State of California 2020 Legislative season is still quite active, even with abbreviated schedules due to several weeks of Shelter-in-Place closures. Hearings are held with “triple” referral in order to meet the normal legislative timelines. Specifically, the regular process for review and debate of bills has been streamlined in a way that measures are heard in one committee, asking for input from other normal referral committees, and action is taken all at one time. The last day for bills to pass out of committee is June 26. The key remaining dates for this session are:

- 6/15 Budget Bill Deadline
- 6/19 Last day for fiscal committee
- 7/2 Summer recess
- 7/13 Reconvene
- 8/7 Last day for Policy Committee
- 8/17 Floor sessions begin
- 8/31 Recess
- 9/30 Governor Vetos or signs

This report addresses key Housing and Land Use measures that are still active in



committee and provides a brief summary of the three (3) initiatives which have qualified for the November 2020 ballot for information only.

The three ballot initiatives are:

### **1. California Schools and Local Communities Funding Act of 2020 (Split-Roll)**

The California Schools and Local Communities Funding Act of 2020, also known as the “Split Roll Initiative”, qualified for the November 2020 ballot. This measure would increase funding for K-12 public schools, community colleges, and local governments by requiring that certain commercial and industrial real property be taxed based on current market value. There are several exemptions from this change, including:

- a. Residential properties;
- b. Agricultural properties; and
- c. Owners of commercial and industrial properties with combined value of \$3 million or less.

The measure would require commercial and industrial properties, as well as vacant land not intended for housing, commercial agriculture, or protected open space to be taxed based on their market value. A property’s market value is what it could be sold for today. The measure would shift to market value assessment over a number of years beginning in 2022-23. Notably, commercial properties would still be taxed at one percent of their value. *(Under existing law, these properties are protected by Proposition 13. Under Proposition 13, all real property has established base year values, restricted rates of increase on assessment no greater than two percent each year and a one percent limit on property taxes on the current assessed value.)*

### **2. The Family Home Protection and Fairness in Property Tax Act of 2020**

The measure would make the following changes:

- a. This measure would allow those over 55 years old, severely disabled, displaced by a natural disaster, or moving from contaminated housing to take their base year property value with them when moving to a home of equal or lesser value and would give them a property tax break when moving to a replacement dwelling of greater value.
- b. This measure would narrow the tax breaks on inherited properties. This measure would amend the law to clarify when commercial property has a “change in ownership” in order to reassess the commercial property.

### **3. The Rental Affordability Act (Rent Control)**

The “Rental Affordability Act” would expand local governments’ authority to enact rent control on residential properties. Expands authority to cities to further apply rent control to all units 15 years and older, only excluding single family homes owned by a landlord with no more than 2 properties. Provides city ability to limit rents to new renters. Requires cities to allow landlord to increase rent up to 15% over 3 years after new renter moves in.

(Brief summaries are provided herein. Full summaries and descriptions as well as arguments for and against the measures are linked below).

## **HOUSING/LAND USE MEASURES**

Five (5) notable bills that are considered the “Senate 2020 Housing Production Package”:

□ SB 995 (Atkins), would expand the streamlined judicial review provisions of the Jobs and Economic Improvement Through Environmental Leadership Act of 2011 (AB 900) to a project with at least 15% of its units affordable to lower income households and a minimum investment of \$15 million, and extend AB 900 provisions until 2025. □ SB 1085 (Skinner), would grant a density bonus to a project with at least 20% of its units affordable to moderate income households and increases the density bonus from 35% to 40% for projects that include the maximum amount of very low-income households under density bonus law. □ SB 1120 (Atkins), would require ministerial approval of either or both of the following: a housing development of up to two units (duplexes); and the subdivision of a parcel into two equal parts (urban lot split). The bill would also extend the life of subdivision maps by one year, up to a total of four years. □ SB 1385 (Caballero), would enact the “Neighborhood Homes Act,” which establishes a housing development project as an authorized use on a parcel currently zoned for office or retail commercial use, as specified in a local agency’s zoning code or general plan and SB 902 (Wiener) authorizing a city to allow up to 10 units per parcel on any residential parcel in a transit rich, job rich area or on an urban infill parcel.

### **AB 725 (Wicks) Housing Element. Moderate-income and Above Moderate-income Housing.**

This measure would require incorporated areas within a metropolitan jurisdiction, at least 25% of the jurisdiction's share of the regional housing need for both the moderate-income and above moderate-income housing categories must be allocated to sites with zoning that allows at least two units of housing, but no more than 35 units of housing per acre.

League Position: Pending (passed Committee and in Senate)

### **AB 1279 (Bloom) Housing Developments. High-resource Areas.**

This measure would require HCD to designate areas in this state as high-resource areas by January 1, 2021, and every 5 years thereafter. In any area designated as a high-resource area, this measure would require cities, at the request of a developer, to allow up to fourplexes in single-family zones and up to 100 units per acre in commercial zones. These projects shall receive ministerial approval (use by right) and are therefore exempt from CEQA.

League Position: Pending (passed Assembly and in Senate)

**AB 1851 (Wicks) Faith-based Organizations. Housing Developments. Parking Requirements.**

This measure would, upon the request of a developer of a housing development project, require a local agency to ministerially approve a request to that local agency to reduce or eliminate any parking requirements that would otherwise be imposed by that local agency on the development if the housing development project qualifies as a faith-based organization affiliated housing development project. This measure would prohibit a local agency from requiring the replacement of religious-use parking spaces proposed to be eliminated by a faith-based organization's housing project or from requiring the curing of any preexisting deficit of religious-use parking as a condition of approval of a faith-based organization affiliated housing development project.

League Position: Pending (Ordered to Senate)

**AB 2345 (Gonzalez) Planning and Zoning. Density Bonus.**

This measure would greatly expand Density Bonus law and allow developers to receive up to five concessions and incentives from local governments and up to 50% more density.

League Position: Pending (Ordered to Senate)

**AB 3040 (Chiu) Local Planning. Regional Housing Need.**

This measure would create a voluntary program to incentivize local governments to allow four units per parcel, by-right, in exchange for additional credit towards the city or county's share of the regional housing need allocation for each site identified under these provisions. The measure would prohibit the cumulative credit received by a city or county from exceeding more than 25% of the total units needed to meet its regional housing needs allocation.

League Position: Support in concept. (Ordered to Senate)

**AB 3107 (Bloom) Planning and Zoning. Housing Developments.**

This measure would require, notwithstanding any inconsistent provision of a city's or county's general plan, specific plan, zoning ordinance, or regulation, a housing development in which at least 20 percent of the units have an affordable housing cost or affordable rent for lower income households shall be an allowable use on a site designated in any element of the general plan for commercial uses.

League Position: Pending (Ordered to Senate)

**SB 899 (Wiener) Housing Development. Nonprofit Hospitals or Religious Institutions.**

This measure would require that a housing development project be a use by right upon the request of a nonprofit hospital, nonprofit diagnostic or treatment center, nonprofit rehabilitation facility, nonprofit nursing home, or religious institution that partners with a qualified developer on any land owned in fee simple by the applicant if the development satisfies specified criteria.

League Position: Pending (Appr. Suspense – Hearing for Suspense file 6/18)

**SB 902 (Wiener) Neighborhood Multifamily Project. Use by Right.**

This measure would also allow a local government to pass an ordinance, notwithstanding any local restrictions on adopting zoning ordinances enacted by the jurisdiction, including restrictions enacted by a local voter initiative, that limit the legislative body's ability to adopt zoning ordinances, to zone any parcel for up to 10 units of residential density per parcel, at a height specified by the local government in the ordinance, and not be subject to CEQA.

League Position: Watch (Appr. Suspense – Hearing for Suspense file 6/18)

**SB 1085 (Skinner) Density Bonus Law. Housing for Lower-income Students.**

This measure would require a city or county to grant one incentive or concession for a project that will contain a specified percentage of units for lower income students in a student housing development, grant a density bonus to a project with at least 20% of its units affordable to moderate income households and increase the density bonus from 35% to 40% for projects that include the maximum amount of very low-income households.

League Position: Oppose unless amended (Appr. Suspense – Hearing for Suspense file 6/18)

**SB 1120 (Atkins) Subdivisions. Tentative Maps.**

This measure would build off state Accessory Dwelling Unit (ADU) law that allows for at least three units per parcel to further encourage development in single-family neighborhoods by creating a ministerial approval process for duplexes and lot splits that meet local zoning, environmental and tenant displacement standards.

League Position: Pending (Appr. Suspense – Hearing for Suspense file 6/18)

**SB 1138 (Wiener) Housing Element. Emergency Shelters. Zoning of Sites.**

This measure would revise the requirements of the housing element, as described above, in connection with identifying zones or zoning designations that allow residential use, including mixed use, where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit. This would also, for the 6th and each subsequent revision of the housing element, require that a local government that fails to adopt a housing element that the Department of Housing and Community Development has found to be in substantial compliance with state law within 120 days of the statutory deadline to complete the rezoning no later than one year (instead of three years under current law) from the statutory deadline for the adoption of the housing element.

League Position: Pending (Appr. Suspense – Hearing on Suspense file 6/18)

**SB 1299 (Portantino) Housing Development. Incentives. Rezoning of Idle Retail Sites.**

This measure would, upon appropriation by the Legislature, require HCD to administer a program to provide incentives in the form of grants allocated as provided to local governments that rezone idle sites used for a big box retailer or a commercial shopping center to instead allow the development of workforce housing.

League Position: Support (Appr. Suspense – Hearing on Suspense file 6/18)

**SB 1385 (Caballero) Local Planning. Housing in Commercial Zones.**

This measure, the Neighborhood Homes Act, would deem a housing development project, as defined, an authorized use on a neighborhood lot that is zoned for office or retail commercial use under a local agency's zoning code or general plan. The measure would require the density for a housing development under these provisions to meet or exceed the density deemed appropriate to accommodate housing for lower income households according to the type of local jurisdiction, including a density of at least 20 units per acre for a suburban jurisdiction.

League Position: Watch (Appr. Suspense – Hearing Suspense file 6/18)

**HOMELESSNESS**

**ACA 10 (Bonta) Personal Rights. Right to Housing.**

This measure would declare that the fundamental human right to housing exists in this state. The measure would declare that this right is exclusively enforceable by a public right of action. The measure would specify that it is the shared obligation of state and local jurisdictions to respect, protect, and fulfill this right through progressively implemented measures, consistent with available resources, within an aggressive but reasonable time frame.

League Position: Pending (no action since May)

**AB 2405 (Burke) Housing. Homelessness. Children and Families.**

This measure would require local jurisdictions to, on or before January 1, 2022, establish and submit to the Department of Housing and Community Development an actionable plan to house their homeless populations based on their latest point-in-time count.

League Position: Watch (Passed Assembly - in Senate)

**AB 3269 (Chiu) State and Local Homelessness Plans.**

This measure, upon appropriation by the Legislature, would require the Homeless Coordinating and Financing Council to conduct, or contract with an entity to conduct, a statewide needs and gaps analysis to identify, among other things, state programs that provide housing or services to persons experiencing homelessness and funding required to move persons experiencing homelessness into permanent housing. This

measure would also state the intent of the Legislature that each state and local agency aim to reduce homelessness within its jurisdiction by 90% by December 31, 2028.

League Position: Pending (Passed Assembly – to Senate)

**AB 3300 (Santiago) Homelessness Grant Funds.**

This measure would appropriate, commencing with the 2020–21 fiscal year and every fiscal year thereafter, without regard to fiscal year, \$2 billion from the General Fund to the Department of Housing and Community Development for the purpose of providing local jurisdictions and other specified entities with ongoing grant funds to sustain or expand efforts to address their immediate and long-term homelessness challenges. The measure would require \$1.1 billion to be distributed to counties and continuums of care, \$800 million to be distributed to cities with a population of at least 300,000, and \$100 million to nonprofit housing developers for specified purposes relating to the provision of housing. The measure would require the method of allocation to be based on a formula that considers specified data.

League Position: Pending (Assembly 3<sup>rd</sup> Reading)

**MITIGATION FEES/DEVELOPMENT FEES**

**AB 1484 (Grayson) Mitigation Fee Act.**

This measure would prohibit a local agency from imposing a housing impact requirement adopted by the local agency on a housing development project unless specified requirements are satisfied by the local agency, including that the housing impact requirement be roughly proportional in both nature and extent to the impact created by the housing development project.

League Position: Oppose (Passed Assembly – in Senate 3<sup>rd</sup> Committee)

**MISCELLANEOUS**

**SB 795 (Beall) Affordable Housing and Community Development Investment Program.**

This measure would invest \$2 billion annually for 5 years into the immediate construction of affordable housing units and programs that address and prevent homelessness. Additionally, this measure creates two new programs administered by the Office of Business and Economic Development Office (GoBiz) to help local governments with their economic recovery and natural disaster preparedness.

Of the \$2 billion, \$1.15 billion shall be used to construct affordable housing, spur economic development and create jobs through infrastructure and employment programs. Funds will be distributed as follows: 1) Multi-family Housing Program—\$500 million (25%); 2) Infill Incentive Grant Program-- \$300 (15%) million; 3) Local Housing Trust Fund Matching Grant Program- \$200 million (10%); 4) Cal Home Program \$75 million (3.75%); 5) Joe Serna, Jr. Farmworker Housing Grant Fund--\$75 million (3.75%)

League Position: Support (Appr. Suspense – Hearing on Suspense file 6/18)

**COMMUNITY ENGAGEMENT: Inform**

This report is intended to inform the City Council and the community.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

None of these bills have been acted upon by the City Council. Councilmember Martinez Beltran and Asst. City Manager Little are members of the League of California Cities Housing, Community and Economic Development Policy Board and participated in the discussion of the qualified statewide initiatives and several pending housing bills, offering specific amendments to SB 1085, leading to a League position of “oppose unless amended.

**FISCAL AND RESOURCE IMPACT:**

Various measures in the legislature that have qualified for the November 2020 ballot may have significant fiscal impacts to the City of Morgan Hill’s budget; some positive and some negative but are unknown and not quantifiable at this time. Each bill requires specific analysis, but those with the greatest impact include the split roll initiative. Future proposed constitutional amendment (ACA 10) proposed by Assm. Rob Bonta regarding homelessness obligations of cities may also impose serious local financial obligations upon localities. Several other bills will act as unfunded mandates to Development Services Fund (206), requiring the City to create new review procedures and align codes with State initiatives.

**CEQA (California Environmental Quality Act):**

Proposals for legislation to be enacted by the State Legislature are not considered a “project” under CEQA.





## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Edith Ramirez, Economic Development Director  
APPROVED BY: City Manager

## **AUTHORIZE STAFF TO PREPARE HIGH SPEED RAIL EIR/EIS COMMENT LETTER**

### **RECOMMENDATION(S)**

Authorize the City Manager to submit a Comment Letter to the California High Speed Rail Authority for the San Jose to Merced Project section EIR/EIS.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

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

#### **2020-2021 Strategic Priorities**

Economic Development  
Financial Sustainability  
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

### **REPORT NARRATIVE:**

CHSRA is the State Agency responsible for planning, designing, and constructing the California High Speed Rail system that will connect the San Francisco Bay Area to Los Angeles (eventually from Sacramento to San Diego) with a train system. The approximately 90-mile segment that contains Morgan Hill is the San Jose to Merced portion of the overall project.

Over the past few years, the CHSRA has been preparing the environmental review for the San Jose to Merced segment in compliance with the National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA) policies and procedures. The Authority has identified three possible alignments through Morgan Hill.

1. Viaduct West of Highway 101 - Elevated
2. Embankment Adjacent to UPRR Tracks - on a berm with grade separations
3. Viaduct West of Highway 101 - Elevated

#### 4. Blended, At-grade within UPRR Right-of-Way - No Grade Separations

CHSRA has identified Alignment 4, the blended, at-grade within UPRR right-of-way as the preferred alignment. However, the Draft EIR/EIS analysis will review all alternatives.

High-Speed Rail project Draft Environmental Impact Report/Study (EIR/EIS) was released on April 24, 2020. The comment period deadline to submit a response for the EIR/EIS was extended from the original 45-days period to 60-days, with a submittal deadline date of June 23, 2020.

David J. Powers & Associates alongside technical subconsultants has reviewed the technical reports and is assisting the City with a response to the Draft EIR. The issues addressed will incorporate the initial analysis of project impacts and mitigations identified at the June 3, 2020 Council meeting (Exhibit 1).

#### **COMMUNITY ENGAGEMENT: Inform**

The Draft EIR/EIS and many of the associated documents were made available to the public on April 24, 2020. The public can visit [High Speed Rail Authority Website](#) for more information.

The CHSRA will receive public comment on the EIR from April 24<sup>th</sup> through June 23<sup>rd</sup>.

The City of Morgan Hill hosted a virtual community townhall meeting on June 4, 2020 dedicated to the HSR project and received community feedback.

CHSRA has been holding community open houses (virtual meetings) in San Jose, Morgan Hill, and Gilroy to present updates on the project and get input on the San Jose to Merced Project Segment. The City of Morgan Hill has a [project web page](#) that provides basic information on the project and links to the HSR website for additional information.

Comments can be submitted at the open houses or

Email: [mailto:san.jose\\_merced@hsr.ca.gov](mailto:san.jose_merced@hsr.ca.gov) or

Mail: Northern California Regional Office California High-Speed Rail Authority

100 Paseo De San Antonio, Suite 300

San Jose, CA 95113

[HSR EIR/EIS factsheet.](#)

#### **ALTERNATIVE ACTIONS:**

The Council may choose to provide different direction to staff on the Draft Comment Letter for the HSR EIR/EIS.

#### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

On April 15, 2020, the City Council authorized the City Manager to execute and administer a consulting agreement with DJP&A to respond to CHSRA's EIR/EIS associated with the San Jose to Merced Project segment for an amount not to exceed

\$104,772. On June 3, 2020, the City Council reviewed the impacts of the HSR project and initial mitigations recommendations.

**FISCAL AND RESOURCE IMPACT:**

There is no direct fiscal impact to receiving this update report. HSR EIR/EIS review and comment is an activity included in the City staff's workplan.

**CEQA (California Environmental Quality Act):**

Not a Project.

By the definition provided in the CEQA Guidelines Section 15378, this item does not qualify as a "project" and is therefore exempt. This report is providing a high-level summary of the review of an environmental impact report.

**LINKS/ATTACHMENTS:**

1. June 3, 2020 Staff Report (web link)
2. June 4, 2020 Town Hall Meeting (web link)
3. City of Morgan Hill Comment Letter on High Speed Rail Environmental Impact Report (web link)



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Monica Delgado, Budget Manager  
APPROVED BY: City Manager

## **ADOPT THE FISCAL YEAR (FY) 2020-21 AND 2021-22 OPERATING BUDGET, FY 2020-21 THROUGH 2025-26 CAPITAL IMPROVEMENT BUDGET, AND FY 2020-21 APPROPRIATIONS LIMIT**

### **RECOMMENDATION(S)**

1. Open/Close Public Hearing.
2. Adopt resolution to:
  - a. Adopt the FY 2020-21 and 2021-22 Operating Budget;
  - b. Adopt the FY 2020-21 through 2025-26 Capital Improvement Program Budget; and
  - c. Adopt the FY 2020-21 Appropriations Limit and Appropriations Limit Adjustment Factors.

### **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  
Strom Drainage Master Plan

**REPORT NARRATIVE:**

The purpose of this public hearing is for the City Council and City staff to receive public comment, discuss, and adopt a two-year Budget for FY 2020-21 and FY 2021-22 (Attachment 1).

The total Recommended Budget for FY 2020-21 and FY 2021-22 is approximately \$158.6 million and \$139.7 million, respectively. Excluding the City's FY 2020-21 and FY 2021-22 Capital Improvement Program (CIP) Budget, the total operating budget for FY 2020-21 and FY 2021-22 is approximately \$109.9 million and \$111.3 million, respectively. The total six-year budget for capital improvements is \$190.8 million. These figures incorporate the City Council directed changes identified at the Budget Workshop on May 15, 2020, and other changes as outlined below.

The budget materials can be found at the following link:

- [Recommended Budget](#) (Attachment 4)
- [FY 2020-21 and 2021-22 Budget Detail](#) (Attachment 3)

**Council Directed Changes Since May 15, 2020**

- Economic Development budget to remain as recommended in April 2020
- Included \$45,000 to support the Public Business Improvement District (PBID) formation with funds from the prior PBID

**Other Changes**

- Park Place Afterschool Program hours to remain whole through additional funding from EAH Housing in the amount of \$11,000. However, staffing ratio is going down, which results in less oversight and limited help with homework.
- Stormwater management responsibilities, increase in part-time temporary staffing of \$13,000 and \$30,000, offset by matching fee revenue of \$21,000 and \$44,000, for FY 2020-21 and 2021-22, respectively.
- Since the budget workshop on May 15, 2020, additional revenue reductions have been included in the recommended budget, in FY 2020-21 of \$0.7 million and in FY 2021-22 \$0.2 million. Most of this is attributed to the ongoing closure of the Centennial Recreation Center (CRC) and recreation swim at the Aquatics Center for the duration of the season. Additional expenditure reductions in the General Fund are also included in the recommended budget in FY 2020-21 of \$0.2 million and in FY 2021-22 \$0.2 million, mostly related to staffing changes.

**Personnel**

In addition to the two positions that are unfunded through attrition, the Assistant City Manager for Development Services and Community Services Supervisor Position; and the two positions that are unfunded through the hiring freeze, Municipal Services Assistant and Accounting Assistant II, there is one additional vacant position that is being unfunded in the recommended budget, Engineering Technician. The Engineering Division is recommending a reorganization that would integrate the Capital

Improvement Program and Land Development Engineering processes and allow for the consolidated Division to shift resources to support changing levels of need between the two. This results in an overall decrease of 5.0 Full Time Equivalent (FTE) positions at the end of FY 2020-21. This is in addition to the 4.5 FTEs that were eliminated at the beginning of FY 2019-20.

### **Fiscal Policy Change**

Section 2 Policy A. 4 of our Reserves and Designations section states:

4. Similarly, if reserves do – or are projected to – fall below the long-term goal of 25% at any time, then policy action must be taken no later than the next budget year such that structural budget balance is projected to be regained within three years of the 25% floor being pierced. Once structural budget balance is regained, steady progress toward the 25% long-term goal for reserves must continue.

Staff is recommending to change “next budget year,” to “next fiscal year,” to clarify when action must be taken if the General Fund reserve level were to fall below the long-term goal of 25%.

### **Next Steps**

Staff will closely monitor the economic recovery and financial impacts associated with the ongoing pandemic. Departments will maintain focus on cost containment and the City will continue to actively pursue State and Federal funding. Staff will continue to monitor budgetary impacts and update the City Council and Community, monthly.

### **COMMUNITY ENGAGEMENT: Involve**

- On April 17, 2020, staff distributed the City Manager’s Recommended Budget to the City Council and the Community and made it available for public review on the City’s website.
- The Recommended Budget was presented to the City Council at a regular City Council meeting on April 22, 2020 (see weblink)
- The Council held a Budget Workshop on May 15, 2020 (see weblink).
- A Public Hearing, Council consideration, and adoption of the City’s FY 2020-21 and FY 2021-22 Recommended Operating Budget and Capital Improvement Program Budget is set for June 17, 2020.

### **ALTERNATIVE ACTIONS:**

Not Applicable.

### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

On January 24th and 25th, 2020, City Council held its annual goal setting workshop establishing priorities for the development of the Recommended Operating and Capital Budgets.

On May 12, 2020, the Planning Commission adopted a Resolution (attached) finding the proposed Capital Improvement Program consistent with the General Plan.

On May 19, 2020, the Parks and Recreation Commission reviewed the Capital Improvement Program at its regular meeting.

**FISCAL AND RESOURCE IMPACT:**

The total FY 20-21 and FY 21-22 Recommended Operating and CIP budget is approximately \$158.6 million and \$139.7 million, respectively. The total CIP for the six-year plan is \$190.8 million.

**CEQA (California Environmental Quality Act):**

Not a Project.

**LINKS/ATTACHMENTS:**

1. FY 20-21 and 21-22 Budget Adoption Resolution with Attachments A and B 06.17.2020
2. Budget Adoption Resolution Attachment - Budget Summary
3. Planning Commission Resolution for CIP
4. FY 2020-21 and 2021-22 Budget Detail (web link)
5. Recommended Budget (web link)
6. April 22, 2020 City Council Staff Report (web link)
7. May 15, 2020 Budget Workshop (web link)



## RESOLUTION NO.

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING THE FISCAL YEARS 2020-21 and 2021-22 OPERATING BUDGET, FISCAL YEARS 2020-21 THROUGH 2025-26 CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET, FISCAL YEAR 2020-21 APPROPRIATIONS LIMIT AND APPROPRIATIONS LIMIT ADJUSTMENT FACTORS

WHEREAS, the City of Morgan Hill Budget for the 2020-21 and 2021-22 fiscal years was prepared by City staff and reviewed by the City Manager;

WHEREAS, the City of Morgan Hill Budget for the 2020-21 and 2021-22 fiscal years was distributed to the City Council on April 17, 2020, introduced to the City Council on April 22, 2020, was reviewed at a budget workshop on May 15, 2020 and was further reviewed at a public hearing on June 17, 2020;

WHEREAS, the City of Morgan Hill Budget anticipates total expenditures of \$158,604,560 in FY 2020-21 and \$139,715,335 in FY 2021-22;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the City of Morgan Hill's 2020-21 fiscal year General Fund appropriations limit is \$126,676,756 as shown on Schedule A;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the appropriations for the 2020-21 fiscal year, as shown on Schedule B, which are subject to the appropriations limit as set forth in Article XIIIB of the California Constitution, do not exceed the limit as stated above;

WHEREAS, the annual adjustment factors that were selected to calculate the 2020-21 fiscal year limit were: 1) California Per Capita Personal Income adjustment factor of 3.73 percent; and 2) City Population Growth factor of 1.55 percent;

WHEREAS, modifications and amendments to the Adopted 2020-21 and 2021-22 City of Morgan Hill Budget can only be made in accordance with Fiscal Policy 4 in the Adopted Budget document;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill finds that the Capital Improvement Program is in conformity with the General Plan; and

BE IT FURTHER RESOLVED that the City Council of the City of Morgan Hill does hereby approve and adopt the City of Morgan Hill Fiscal Years 2020-21 and 2021-22 Recommended Operating, Fiscal Years 2020-21 through 2025-26 Recommended Capital Improvement Program Budget, Appropriations Limit for Fiscal Year 2020-21, and Appropriations Limit Adjustment Factors for Fiscal Year 2020-21.

City of Morgan Hill  
 Resolution No.  
 Page 2 of 4

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 17<sup>th</sup> Day of June, 2020 by the following vote.

**AYES:**            **COUNCIL MEMBERS:**  
**NOES:**          **COUNCIL MEMBERS:**  
**ABSENT:**       **COUNCIL MEMBERS:**  
**ABSTAIN:**      **COUNCIL MEMBERS:**

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
**IRMA TORREZ, CITY CLERK**

\_\_\_\_\_  
**RICH CONSTANTINE, MAYOR**

**• 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. \_\_\_\_\_ adopted by the City Council at a Regular Meeting held on June 17, 2020.

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

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

**SCHEDULE A**

**CITY OF MORGAN HILL  
SPENDING LIMIT CALCULATION  
FISCAL YEAR 2020-21**

**APPROPRIATIONS SUBJECT TO LIMIT**

|                                           |                            |
|-------------------------------------------|----------------------------|
| Fiscal Year 2020-21 General Fund Revenues | \$39,631,603               |
| Less Non Proceeds of Tax                  | <u>12,065,705</u>          |
| Total appropriations subject to limits    | <u><u>\$27,565,898</u></u> |

**APPROPRIATIONS LIMIT**

|                                                         |                           |
|---------------------------------------------------------|---------------------------|
| Fiscal year 2019-20 appropriations limit                | \$120,257,626             |
| Plus Change Factor:                                     |                           |
| A. Cost of living adjustment - CPI                      | 1.0373                    |
| B. Population Adjustment                                | 1.0155                    |
| Total Change Factor                                     | 1.0534                    |
| Increase in appropriations limit                        | <u>6,419,130</u>          |
| <b>FISCAL YEAR 2020-21 APPROPRIATIONS LIMIT</b>         | <u><b>126,676,756</b></u> |
| Remaining appropriations capacity                       | 99,110,858                |
| Available capacity as a percent of appropriations limit | <u><u>78%</u></u>         |

**NOTES**

- A. Cost of living adjustment is based on percentage change in California per capita income.  
B. Population adjustment is based on the greater of annual population change for the City of Morgan Hill or Santa Clara County.

City of Morgan Hill  
Resolution No.  
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**SCHEDULE B**

**CITY OF MORGAN HILL  
SPENDING LIMIT CALCULATION  
FISCAL YEAR 2020-21**

| <b>REVENUE SOURCE</b>                      | <b>PROCEEDS<br/>OF TAX</b> | <b>NON PROCEEDS<br/>OF TAX</b> | <b>TOTALS</b>        |
|--------------------------------------------|----------------------------|--------------------------------|----------------------|
| Property Tax                               | \$ 13,678,488              |                                | \$ 13,678,488        |
| Sales Tax                                  | 8,027,793                  |                                | 8,027,793            |
| Transient Occupancy Tax                    | 1,819,000                  |                                | 1,819,000            |
| Franchise Revenue                          | 2,351,000                  |                                | 2,351,000            |
| Property Transfer Tax                      | 436,000                    |                                | 436,000              |
| Public Safety Sales Tax                    | 343,075                    |                                | 343,075              |
| Business License / Other Permits           | 185,444                    |                                | 185,444              |
| Motor Vehicle in Lieu                      | 25,392                     |                                | 25,392               |
| Transfer from Fund 202 Street Fund Gax Tax | 699,706                    |                                | 699,706              |
| Fines and Penalties                        |                            | 91,724                         | 91,724               |
| Use of Money and Property                  |                            | 1,331,823                      | 1,331,823            |
| Other Revenue / Other Agencies             |                            | 759,314                        | 759,314              |
| Police and Fire Fees                       |                            | 777,463                        | 777,463              |
| Current Service Charges General Govt.      |                            | 7,321,506                      | 7,321,506            |
| Transfers                                  |                            | 1,783,875                      | 1,783,875            |
| Total                                      | <u>\$ 27,565,898</u>       | <u>\$ 12,065,705</u>           | <u>\$ 39,631,603</u> |
| Percentage of Total                        | <u>70%</u>                 | <u>30%</u>                     | <u>100.00%</u>       |

## Budget Detail

| Fund                                                                 | Division                                                 | 20-21<br>Recommended | 21-22<br>Recommended |
|----------------------------------------------------------------------|----------------------------------------------------------|----------------------|----------------------|
|                                                                      | 1100 - City Council Total                                | 240,845              | 247,825              |
|                                                                      | 1500 - City Attorney Total                               | 717,003              | 744,604              |
|                                                                      | 1900 - Transfers Total                                   | 1,834,702            | 1,033,681            |
|                                                                      | 2100 - City Manager Total                                | 504,772              | 521,259              |
|                                                                      | 2140 - Membership Services and Recreation Programs Total | 5,675,308            | 5,994,778            |
|                                                                      | 2150 - Facility Services Total                           | 1,236,340            | 1,302,741            |
|                                                                      | 2180 - Community Services Total                          | 609,833              | 632,063              |
|                                                                      | 2200 - Human Resources Total                             | 674,376              | 815,179              |
|                                                                      | 2410 - Council Svs & Records Management Total            | 616,687              | 639,624              |
|                                                                      | 2420 - Elections Total                                   | 186,470              | 27,928               |
|                                                                      | 2510 - Finance Total                                     | 1,458,078            | 1,531,992            |
|                                                                      | 2700 - Code Compliance Total                             | 160,480              | 172,364              |
|                                                                      | 3205 - PD Administration Total                           | 1,353,644            | 1,409,485            |
|                                                                      | 3210 - PD Field Operations Total                         | 8,536,170            | 9,107,012            |
|                                                                      | 3225 - PD Support Services Total                         | 2,370,492            | 2,481,217            |
|                                                                      | 3230 - PD Emergency Services Total                       | 194,391              | 198,297              |
|                                                                      | 3245 - PD Special Operations Total                       | 3,452,364            | 3,664,134            |
|                                                                      | 3510 - Fire Administration Total                         | 7,062,540            | 7,382,310            |
|                                                                      | 5140 - Cable Television Total                            | 23,157               | 24,020               |
|                                                                      | 5460 - Downtown Maintenance Total                        | 266,277              | 274,828              |
|                                                                      | 5800 - Environmental Services Total                      | 314,681              | 324,961              |
|                                                                      | 6100 - Street Maintenance Total                          | 2,403,615            | 2,362,566            |
|                                                                      | 6110 - Congestion Management Total                       | 335,903              | 350,147              |
|                                                                      | 8010 - Economic Development Total                        | 641,153              | 438,089              |
|                                                                      | 8030 - Park Maintenance Total                            | 1,103,136            | 1,118,109            |
|                                                                      | 8270 - Dispatch Services Total                           | 1,790,831            | 1,890,002            |
| 10 - GENERAL FUND TOTAL                                              |                                                          | 43,763,247           | 44,689,214           |
|                                                                      | 6100 - Street Maintenance Total                          | 703,934              | 704,068              |
| 202 - STREET FUND TOTAL                                              |                                                          | 703,934              | 704,068              |
|                                                                      | 3250 - Supplemental Law Enforcement Total                | 107,069              | 107,245              |
| 205 - SUPPLEMENTAL LAW ENFORCEMENT FUND TOTAL                        |                                                          | 107,069              | 107,245              |
|                                                                      | 5120 - Planning Total                                    | 1,556,709            | 1,897,703            |
|                                                                      | 5130 - Building Total                                    | 2,091,895            | 2,208,460            |
|                                                                      | 5410 - Engineering Total                                 | 1,099,134            | 1,186,956            |
| 206 - COMMUNITY DEVELOPMENT FUND TOTAL                               |                                                          | 4,747,738            | 5,293,119            |
|                                                                      | 5170 - Long Range Planning Total                         | 1,173,013            | 657,933              |
| 207 - LONG RANGE PLANNING TOTAL                                      |                                                          | 1,173,013            | 657,933              |
|                                                                      | 8000 - CDBG Programs & Projects Total                    | 5,365                | 5,499                |
| 215 - CDBG FUND TOTAL                                                |                                                          | 5,365                | 5,499                |
|                                                                      | 8351 - Lighting And Landscape District Total             | 168,662              | 166,627              |
| 229 - LIGHTING & LANDSCAPE FUND TOTAL                                |                                                          | 168,662              | 166,627              |
|                                                                      | 8353 - Community Facilities District Total               | 36,417               | 41,967               |
| 230 - COMMUNITY FACILITIES DISTRICT TOTAL                            |                                                          | 36,417               | 41,967               |
|                                                                      | 5805 - Burrowing Owl Total                               | 189                  | 194                  |
|                                                                      | 5810 - Stormwater Pollution Prevention Total             | 420,330              | 449,800              |
| 232 - ENVIROMENTAL PROGRAMS FUND TOTAL                               |                                                          | 420,519              | 449,994              |
|                                                                      | 8250 - Mobile Home Park Rent Total                       | 438                  | 449                  |
| 234 - MOBILE HOME PARK RENT FUND TOTAL                               |                                                          | 438                  | 449                  |
|                                                                      | 7100 - Housing Mitigation Total                          | 2,433,683            | 854,881              |
| 236 - HOUSING MITIGATION FUND TOTAL                                  |                                                          | 2,433,683            | 854,881              |
|                                                                      | 2610 - Employee Assistance Total                         | 28,506               | 28,531               |
| 240 - EMPLOYEE ASSISTANCE FUND TOTAL                                 |                                                          | 28,506               | 28,531               |
|                                                                      | 7205 - Debt Service Total                                | 6,936,625            | 6,939,408            |
| 250 - CITY OF MORGAN HILL AS THE SUCCESSOR AGENCY OF THE MHRDA TOTAL |                                                          | 6,936,625            | 6,939,408            |
|                                                                      | 7220 - Housing Total                                     | 969,782              | 989,610              |
| 255 - HOUSING SUCCESSOR AGENCY TOTAL                                 |                                                          | 969,782              | 989,610              |
|                                                                      | 8051 - Park Development Total                            | 1,943,768            | 2,175,934            |

## Budget Detail

|                                                           |            |            |
|-----------------------------------------------------------|------------|------------|
| 301 - PARK IMPACT FUND TOTAL                              | 1,943,768  | 2,175,934  |
| 8030 - Park Maintenance Total                             | 650,000    | 650,000    |
| 302 - PARK MAINTENANCE FUND TOTAL                         | 650,000    | 650,000    |
| 8052 - Local Drainage Total                               | 7,029,861  | 2,250,040  |
| 303 - DRAINAGE IMPACT FUND TOTAL                          | 7,029,861  | 2,250,040  |
| 8060 - Local Drainage-Non AB1600 Total                    | 502,814    | 152,884    |
| 304 - DRAINAGE-NON AB1600 FUND TOTAL                      | 502,814    | 152,884    |
| 8063 - Agricultural Preservation and Open Space Total     | 96,735     | 96,991     |
| 306 - AGRICULTURAL PRESERVATION AND OPEN SPACE FUND TOTAL | 96,735     | 96,991     |
| 8050 - Streets CIP Total                                  | 2,514,818  | 3,345,188  |
| 308 - STREET CIP TOTAL                                    | 2,514,818  | 3,345,188  |
| 8053 - Traffic Mitigation Total                           | 15,399,296 | 1,199,606  |
| 309 - TRAFFIC IMPACT FUND TOTAL                           | 15,399,296 | 1,199,606  |
| 8085 - Fire Mitigation Total                              | 113,293    | 223,375    |
| 313 - FIRE IMPACT FUND TOTAL                              | 113,293    | 223,375    |
| 8080 - Public Safety Facilities Impact                    | 231,007    | 231,805    |
| 315 - PUBLIC SAFETY FACILITIES IMPACT                     | 231,007    | 231,805    |
| 8049 - Public Facilities-Non AB1600 Total                 | 7,588      | 7,777      |
| 346 - PUBLIC FACILITIES (NON AB1600) TOTAL                | 7,588      | 7,777      |
| 8056 - Public Facilities Total                            | 27,274     | 27,331     |
| 347 - PUBLIC FACILITIES IMPACT FUND TOTAL                 | 27,274     | 27,331     |
| 8059 - Library Total                                      | 250,885    | 216,704    |
| 348 - LIBRARY IMPACT FUND TOTAL                           | 250,885    | 216,704    |
| 8057 - Undergrounding Total                               | 1,107      | 1,135      |
| 350 - UNDERGROUNDING FUND TOTAL                           | 1,107      | 1,135      |
| 8068 - School Pedestrian & Traffic Safety Total           | 171,545    | 171,709    |
| 355 - SCHOOL PEDESTRIAN & TRAFFIC SAFETY FUND TOTAL       | 171,545    | 171,709    |
| 8065 - Com/Rec Center Impact Total                        | 80,501     | 1,060,513  |
| 360 - COMMUNITY REC. CENTERS IMPACT FUND TOTAL            | 80,501     | 1,060,513  |
| 8051 - Park Development Total                             | 100,000    | 500,000    |
| 375 - QUIMBY FEE                                          | 100,000    | 500,000    |
| 8370 - Civic Center Debt Service Total                    | 307,813    | 304,947    |
| 420 - CIVIC CENTER DEBT TOTAL                             | 307,813    | 304,947    |
| 3260 - Police Facility Bond Debt Service Total            | 388,040    | 389,497    |
| 441 - POLICE FACILITY BOND DEBT SERVICE TOTAL             | 388,040    | 389,497    |
| 5900 - Sewer Operations Total                             | 13,138,249 | 13,829,626 |
| 640 - SEWER OPERATIONS FUND TOTAL                         | 13,138,249 | 13,829,626 |
| 8140 - Sewer Capital Expansion Total                      | 6,699,350  | 9,436,063  |
| 641 - SEWER IMPACT FUND TOTAL                             | 6,699,350  | 9,436,063  |
| 8145 - Sewer Rate Stabilization Total                     | 1,111      | 1,138      |
| 642 - SEWER RATE STABILIZATION FUND TOTAL                 | 1,111      | 1,138      |
| 8170 - Sewer System Replace. Total                        | 14,634,985 | 6,552,469  |
| 643 - SEWER SYSTEM REPLACEMENT FUND TOTAL                 | 14,634,985 | 6,552,469  |
| 5710 - Water Operations Total                             | 14,557,469 | 14,967,958 |
| 5750 - Utility Billing Total                              | 855,576    | 906,151    |
| 5760 - Water Conservation Total                           | 153,048    | 157,393    |
| 650 - WATER OPERATIONS FUND TOTAL                         | 15,566,094 | 16,031,501 |
| 8110 - Water Capital Expansion Total                      | 829,694    | 2,092,741  |
| 651 - WATER IMPACT FUND TOTAL                             | 829,694    | 2,092,741  |
| 8125 - Water Rate Stabilization Total                     | 362        | 371        |
| 652 - WATER RATE STABILIZATION FUND TOTAL                 | 362        | 371        |
| 8120 - Water System Replacement Total                     | 3,793,023  | 5,066,194  |
| 653 - WATER SYSTEM REPLACEMENT FUND TOTAL                 | 3,793,023  | 5,066,194  |
| 2520 - Information Services Total                         | 1,243,870  | 1,285,714  |
| 2530 - GIS Total                                          | 257,934    | 273,023    |
| 5145 - Communications and Engagement Total                | 376,419    | 345,962    |
| 730 - INFORMATION SERVICES FUND TOTAL                     | 1,878,222  | 1,904,700  |
| 2115 - Community & Cultural Center Total                  | 570,275    | 591,286    |
| 2120 - Aquatics Center Total                              | 839,321    | 808,101    |

## Budget Detail

|                                                                                              |                    |                    |
|----------------------------------------------------------------------------------------------|--------------------|--------------------|
| 2125 - Centennial Recreation Center Total                                                    | 836,867            | 806,504            |
| 3225 - PD Support Services Total                                                             | 357,030            | 374,387            |
| 5150 - Building Maintenance - Civic Center Campus (Council Chamber Building, Villas, and Ext | 531,500            | 594,467            |
| 5715 - Building Maintenance - Corporation Yard Total                                         | 309,816            | 217,106            |
| <b>740 - BUILDING MAINTENANCE FUND TOTAL</b>                                                 | <b>3,444,808</b>   | <b>3,391,851</b>   |
| 8500 - Equipment Replacement Total                                                           | 457,000            | 290,000            |
| <b>741 - BUILDING REPLACEMENT FUND TOTAL</b>                                                 | <b>457,000</b>     | <b>290,000</b>     |
| 8280 - Capital Project Implementation Total                                                  | 1,647,055          | 1,705,630          |
| <b>745 - PROJECT IMPLEMENTATION FUND TOTAL</b>                                               | <b>1,647,055</b>   | <b>1,705,630</b>   |
| 8230 - Unemployment Insurance Total                                                          | 75,000             | 20,000             |
| <b>760 - UNEMPLOYMENT INSURANCE FUND TOTAL</b>                                               | <b>75,000</b>      | <b>20,000</b>      |
| 8220 - Workers' Comp Total                                                                   | 860,730            | 876,876            |
| <b>770 - WORKER'S COMP FUND TOTAL</b>                                                        | <b>860,730</b>     | <b>876,876</b>     |
| 8500 - Equipment Replacement Total                                                           | 639,750            | 962,250            |
| <b>790 - EQUIPMENT REPLACEMENT FUND TOTAL</b>                                                | <b>639,750</b>     | <b>962,250</b>     |
| 2610 - Employee Assistance Total                                                             | 625,000            | 625,000            |
| <b>791 - EMPLOYEE BENEFITS FUND TOTAL</b>                                                    | <b>625,000</b>     | <b>625,000</b>     |
| 8210 - General Liability Insurance Total                                                     | 1,457,651          | 1,490,241          |
| <b>795 - GENERAL LIAB. INSURANCE FUND TOTAL</b>                                              | <b>1,457,651</b>   | <b>1,490,241</b>   |
| 8330 - Downtown MH PBID Total                                                                | 45,000             | -                  |
| <b>830 - DOWNTOWN MH PBID TOTAL</b>                                                          | <b>45,000</b>      | <b>-</b>           |
| 8357 - Morgan Hill Bus Ranch 1998 Total                                                      | 735,947            | 739,252            |
| <b>843 - MH BUSINESS RANCH 1998 AD FUND TOTAL</b>                                            | <b>735,947</b>     | <b>739,252</b>     |
| 8361 - Madrone Bus Park Exempt Total                                                         | 676,018            | 677,817            |
| <b>845 - MADRONE BP (TAX EXEMPT) FUND TOTAL</b>                                              | <b>676,018</b>     | <b>677,817</b>     |
| 8362 - Madrone Bus Park Taxable Total                                                        | 88,167             | 87,629             |
| <b>846 - MADRONE BP (TAXABLE) FUND TOTAL</b>                                                 | <b>88,167</b>      | <b>87,629</b>      |
| <b>TOTAL ALL FUNDS</b>                                                                       | <b>158,604,560</b> | <b>139,715,335</b> |



**RESOLUTION NO. 20-05**

**A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING ACCEPTANCE OF THE CITY'S CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2020/21 THROUGH 2025/26 AND FINDING THE PROGRAM YEARS 2020/21 AND 2021/22 CONSISTENT WITH THE GENERAL PLAN**

**WHEREAS**, such request was considered by the Planning Commission at their regular meeting on May 12, 2020 at which time the Planning Commission recommended acceptance of the Capital Improvement Program for Fiscal Years 2020/21 through 2025/26 after finding the Program Fiscal Years 2020/21 and 2021/22 consistent with the General Plan;

**NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:**

**SECTION 1.** The proposed Fiscal Years 2020/21 and 2021/22 Capital Improvement Program is consistent with the General Plan, in that the infrastructure improvements shown in the Program will support the goals, policies and programs of the General Plan, enabling orderly development of the City.

**SECTION 2.** The proposed Capital Improvement Program is found to be Exempt from the California Environmental Quality Act pursuant to Section 15262 of the CEQA Guidelines.

**SECTION 3.** The Planning Commission hereby recommends acceptance of the proposed Capital Improvement Program for Fiscal Years 2021/22 through 2025/26.

**PASSED AND ADOPTED THIS 12th DAY OF MAY 12, 2020, AT A REGULAR MEETING OF THE MORGAN HILL PLANNING COMMISSION BY THE FOLLOWING VOTE:**

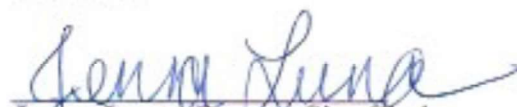
|              |                       |                                                                           |
|--------------|-----------------------|---------------------------------------------------------------------------|
| <b>AYES:</b> | <b>COMMISSIONERS:</b> | <b>MUNOZ-MORRIS, HABIB, MULLER, TANDA, GONZALEZ-ESCOTO, KUMAR, DOWNEY</b> |
|--------------|-----------------------|---------------------------------------------------------------------------|

|              |                       |             |
|--------------|-----------------------|-------------|
| <b>NOES:</b> | <b>COMMISSIONERS:</b> | <b>NONE</b> |
|--------------|-----------------------|-------------|

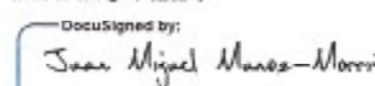
|                 |                       |             |
|-----------------|-----------------------|-------------|
| <b>ABSTAIN:</b> | <b>COMMISSIONERS:</b> | <b>NONE</b> |
|-----------------|-----------------------|-------------|

|                |                       |             |
|----------------|-----------------------|-------------|
| <b>ABSENT:</b> | <b>COMMISSIONERS:</b> | <b>NONE</b> |
|----------------|-----------------------|-------------|

**ATTEST:**

  
Jenna Luna, Deputy City Clerk

**APPROVED:**

DocuSigned by:  
  
6093407A6A2040C  
Juan Miguel Munoz-Morris, Chair

Attachment: Planning Commission Resolution for CIP (2773 : FY 2020-21 and 2021-22 Public Hearing to Adopt the Budget)





## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

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

## **DISCUSS POTENTIAL NEXT STEPS FOR NOVEMBER 2020 REVENUE MEASURE INITIATIVES AND OTHER FUNDING APPROACHES**

### **RECOMMENDATION(S)**

1. Receive report regarding potential revenue initiatives;
2. Direct staff to pursue and establish a new citywide Community Facilities District (CFD) for new residential developments;
3. Direct staff to research the feasibility of a Special Fire District for the City of Morgan Hill and any applicable requirements; and
4. Direct staff to:
  - a. Not pursue a revenue measure for November 3, 2020 ballot.  
OR;
  - b. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, based on October 2019 polling results data.  
OR;
  - c. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, and conduct a community polling immediately.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Maintaining Infrastructure  
Supporting Our Youth  
Seniors  
and Entire Community  
Preserving and Cultivating Public Trust

#### **2020-2021 Strategic Priorities**

Financial Sustainability  
Infrastructure

### **POLICY CONSIDERATION:**

The COVID-19 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. While we were focused on addressing the existing unfunded needs and enhancing existing services, our focus has now shifted to be strategic in maintaining existing services. The City's leadership team continues to be strategic in its recommendations to adjust the expenditures to align with the reduced revenues, at the same time thinking strategically of ways to address the long-term fiscal sustainability challenge. While adjusting expenditures down to align with revenues is the immediate response/solution, it does

and can have immediate and long-term impacts on the level of services received by the community. To ensure we can maintain service levels, the other side of the equation, the revenues, must also be reviewed and adjusted, which require a broader policy level discussion and support from the City Council and the community to institute.

The purpose of this report is for the City Council to consider mechanisms which address the fiscal impacts through the follow policy level questions:

1. Should the City pursue and establish a new citywide Community Facilities District (CFD) and require all new developments to annex into the CFD which would levy annual assessments to offset increase in demand on services brought on by new developments?
2. Should the City consider the feasibility of a Special Fire District for the City of Morgan Hill or annex into any existing Fire District?
3. Should the City place one or more of the revenue initiatives presented tonight on the November 3, 2020 ballot to begin addressing the fiscal sustainability challenge?

## **REPORT NARRATIVE:**

### **Background**

The General Fund (GF) is the City's most visible fund, and one that Council has most discretion over. It accounts for key City services that residents depend upon for basic needs including police, fire, recreation, infrastructure maintenance, municipal governance, and administrative services (which support all these services). Recreation is the only one of the services supported primarily by user fees, and all the others depend on general tax revenues like property, sales, and transient occupancy taxes (TOT) to fund these services.

Even though the greater economy fared well coming out of the great recession of 2008, cities across the state face unprecedented challenges in providing key services as costs of providing the services continue to outpace the revenues at the local level. Changing consumer patterns, such as the increase in online sales causing loss of sales tax and reductions in gas tax due to fuel efficient vehicles, are eroding the tax base systems which were setup, and appropriate, decades ago. Despite the over ten years of national economic recovery, CalPERS's investment returns have fallen short of target, putting more pressure on employers to backfill the losses. Morgan Hill is impacted even more significantly within the Silicon Valley area, where costs to provide basic services have soared due to the growth of the tech sector. While the cities to the north have grown rich with massive construction of new tech industry centers, Morgan Hill has not seen its share in the growth in the tech sector and yet is significantly impacted by the traffic and housing issues caused by it. All of the above, coupled with the State's impacts on local control (abolishment of Redevelopment Agency, decades of increased requirements to provide basic services, and more recently SB330) and the backlog of deferred maintenance, are real fiscal sustainability concerns to be addressed.

Amidst the existing unfunded needs and fiscal challenges, the COVID-19 pandemic has wreaked havoc on the global and local economy, further impacting the fiscal outlook negatively, and a lot sooner than previously expected. The state and County shelter-in-place orders brought the economies to a screeching halt. Although we are seeing

relaxations in the revised orders, the return to normalcy is expected to be a long time away. The current estimated major revenue loss over three fiscal years is approximately \$18 million. Through the recommended Fiscal Year (FY) 2020-21 and 2021-22 operating budget presented on April 22<sup>nd</sup> and additional adjustments presented to the City Council at the budget workshop on May 15<sup>th</sup>, staff has presented expenditure adjustments which help address the fiscal impacts in the near-term, but it's clear even with these adjustments the fiscal outlook may not be sustainable, therefore additional actions will be required.

At the May 15<sup>th</sup> budget workshop several City Council member(s) expressed the need to review and pursue revenue measures and consider placing initiative(s) on the November 2020 ballot, since the need for such revenues is now more than ever. Therefore, staff have brought this report back to provide an overview of municipal tax revenues for City Council review.

### **Potential Options**

The attached (Attachment 1) provides an overview of municipal tax types, requirements, prior Morgan Hill relevant measure results, and a matrix of the most common local municipal revenue options for General Law Cities in California. The City of Morgan Hill currently has in place three of the eight major local municipal revenue options. These local municipal revenue options are in addition to the existing State and County allocations received by the City of sales and property taxes. Any local enacted taxes or assessments are received directly by the City, in other words not shared amongst other taxing agencies, and invested directly back to the benefit of the City.

For this report's purpose, staff will cover the most feasible options for Morgan Hill to include: Community Facilities District (CFD), Special District for Fire services, and potential November 2020 ballot initiatives to include local transactions and use tax, and/or utility user's tax.

### ***New Community Facilities District (CFD)***

In 1978, California passed proposition 13, which limited the ability of local municipal agencies to increase property taxes based on a property's assessed value. In 1982, the Mello-Roos Community Facilities Act of 1982 was created to provide an alternative method of financing needed improvements and services. The services and improvements that CFDs can finance include streets, water/wastewater systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities. A CFD is created by a sponsoring local government agency and a proposed district includes all properties that benefit from the improvements to be constructed or the services to be provided. A CFD cannot be formed without a two-thirds majority vote of residents living within the proposed boundaries. Or, if there are fewer than 12 residents, the vote is instead conducted of current landowners. In many cases, that may be a single owner or developer. Once approved, a Special Tax assessment is placed against each property in the CFD.

Type of Tax: Special Tax, requiring 2/3<sup>rd</sup> Voter Approval

Formation and Administration: Formed by local governing body by declaring intent and formal voting, levied by the City, collected, and remitted by the County (Much like the City's existing Landscape and Lighting District (LAD))

Volatility: Low

Benefits: Can be levied on existing and/or new developments

Restrictions: State, federal and local government properties are exempt. Used to pay for new or improved capital/services or an increased level of services that existed at the time the district was formed.

Potential Rate: \_\_\_\$500 per parcel\_. The assessment cannot be directly based on the value of the property and must be proportionate by the characteristics such as type and use of property, square footage of structure and lot size.

Amount for Morgan Hill: \_\_\_\$150,000\_\_\_ after Year 1, \_\_\_\$800,000\_\_\_ after Year 5, \_\_\_\$1.6 million\_\_\_ by Year 10

In October 2019, City staff retained a professional research firm to poll the community for a possible revenue measure in March 2020 due to other potential competing regional measures in November 2020. The survey (Attachment 2) evaluated the potential support for a quarter-percent (.25) increase to the sales tax and the creation of a citywide CFD to include existing property owners and new property owners.

The CFD tested was an annual assessment of \$75 for existing property owners and \$500 for new property owners. The polling firm also tested a lower rate of \$60 for existing and \$475 for new. The proposed CFD had different rates for commercial properties and vacant land. Support for the CFD polled initially at 38%, at 49% in an interim test and at 51% once informed. A CFD requires a super-majority or 2/3 support to pass, so the polling results did not support the passage of a CFD to include all properties, existing and new, within the City. However, staff believe if the CFD is formed with the new development only context, it can prove to be an appropriate tool to finance additional level of services which the new development will need/require of the City as a result of development occurring in that district, provided the developer or the landowners of new developments vote in favor of such district formation. There are a few California cities, such as Milpitas and Stockton, which have enacted such CFDs successfully.

Therefore, staff recommends City Council direct staff to explore and work with potential developer(s) to institute such a CFD.

### ***Special District (Fire)***

Another alternative is for the City to consider forming an independent Special District for Fire services within the City limits OR annex into an existing District, like the South Santa Clara County Fire District. Special Districts are local government agencies that provide public infrastructure and essential services, including but not limited to, water fire protection, recreation, and parks, and refuse collection. Local Agency Formation Commissions (LAFCoS) are responsible for overseeing the formation of new special districts and other public agencies, as well as changes in agency boundaries. Special Districts are funded via special tax assessments levied on properties receiving the benefit within the boundary.

While formation of a Special District can be an extensive effort, there are several advantages. Special Districts tailor specific services to citizen needs, such as public safety, ensures there is a direct linkage of costs to the benefits, and lastly provide direct accountability to the voters and/or rate payers.

***Potential November 3, 2020 Ballot Initiatives (Local Transactions and Use Tax and/or Utility User's Tax)***

*Local Transactions (Sales) and Use Tax (TUT)* - Under the California Sales and Use Tax Law, the sale of tangible personal property is subject to sales or use tax unless exempt or otherwise excluded. When the sales tax applies, the use tax does not apply, and the opposite is true. The sales tax is imposed on all retailers for the privilege of selling tangible personal property in the state of California and is measured by the retailer's gross receipts. Use tax is imposed on the purchaser of tangible personal property from any retailer not required to pay sales tax to the state, for storage, use, or other consumption in this state and is measured by the sales price of the property purchased. However, if an out-of-state retailer is engaged in business in this state, it is required to register with the California Department of Taxation and Fee Administration (CDTFA) and collect the use tax from the purchaser at the time of making the sale.

Under California law, transactions and use taxes may be approved locally and added to the combined state and local sales and use tax rate. The base statewide sales and use tax, currently at 7.25%, includes portions that go to the state general fund, to several specific state funds including some for local allocation and use, and to the cities and counties essentially based on the location of the purchase. In addition to the base sales tax rate, are district tax rates of 1.75%, which include various VTA measures to fund transportation and a County of Santa Clara retail TUT, for a total current Morgan Hill sales tax rate of 9%. Other cities, such as San Jose, Campbell, and Los Gatos, have enacted their own additional local TUT ranging from .125% to .25%. Per California Law, the combined district tax rate cannot increase more than 2%, without legislative approval. Since the existing County of Santa Clara and various VTA measures make up 1.75%, the remaining capacity available for Morgan Hill is .25%.

Type of Tax: General Tax, requiring 50% +1 majority approval

Administration: CDTFA is tasked with collecting and remitting the local TUT to the City

Volatility: High (Economy Dependent)

Benefits: Sales tax dollars generated are invested back into the City

Potential Rate: 0.25%

Amount for Morgan Hill: about \$2.3 million/annually

*Utility User Tax (UUT)* – is a tax imposed by a City on the consumption of utility services, including but not limited to, electricity, gas, water, sewer, telephone, sanitation, and cable television. Tax is generally levied by the City on the consumer of the utility services, collected by the utility company as part of its billing, and remitted to the City.

Prior Councils have considered revenue measures such as placing a Utility Users Tax (UUT) on the ballot, most recently in 2008, and the measure was supported by 35% of voters.

Type of Tax: General Tax, requiring 50% +1 majority approval

Administration: Levied by cities, collected, and remitted by Utility companies

Volatility: Medium (Economy dependent, may trigger reduction in service, but probably not elimination)

Restrictions: State and federal government agencies, and gas and water used by utility companies to generate electricity are exempt from utility user taxes.

Potential Rate: 5% (Most California UUT rates are between 4-5%)

Amount for Morgan Hill: about \$3.7 million/annually

Other Potential Measures – include Transient Occupancy Tax (TOT), Business Tax, parcel tax, and general obligation bond. The City's existing TOT is 11% and was last increased in April 2019. The City's business tax generates approximately \$200,000 a year. Both TOT and business tax are general tax, requiring simple majority approval. The City does not have any existing parcel tax or general obligation bond, which requiring two-thirds approval.

### **Next Steps**

Should the City Council decide to place a revenue measure(s) on the November 2020 ballot, there are couple options to do so:

1. Council could utilize the October 2019 polling data considering the community support is relatively similar now, at least for the TUT.
2. Direct staff to engage a polling firm to survey the current community support for TUT and/or UUT.

it is important to note, if a revenue measure is placed on the November 2020 ballot, it is critical that the City Council and the community take up the education, advocacy, and campaigning of such measure(s). The City, including staff, cannot engage in any campaign activities, other than providing factual valid information regarding the measure.

### **COMMUNITY ENGAGEMENT: Inform, Involve, and Collaborate**

This staff report and presentation continues to inform the community about the fiscal needs of the City and the potential revenue options available for consideration by the City Council and the community.

### **ALTERNATIVE ACTIONS:**

Council could direct staff to pursue all, none, or some of the recommendations.

### **FISCAL AND RESOURCE IMPACT:**

The cost to conduct a polling for November 2020 revenue measure(s) is estimated at \$35,000. Cost of polling is not included in the current or recommended budget. If a budget amendment is needed, staff will return to the City Council after reviewing year end actual expenditures compared to appropriations.

Election cost for a potential ballot measure is estimated at \$56,520/each. This cost is also not included in the current, nor the recommended budget. Should the City Council elect to proceed with placing a measure on the ballot, staff will return to Council with the appropriate resolution and budgetary action items necessary to place the measure on the November 2020 ballot. The deadline for the City Council to adopt a resolution to place a measure on the November 2020 ballot is August 5, 2020, which is due to the Registrar of Voters on August 7, 2020.

**Resource:**

The anticipated staff work with a revenue measure is significant. Gratefully, the work of staff to educate the public is reduced by the members of the Engage Morgan Hill Community Advisory Group who are committed to doing much of the heavy lifting around public education and advocacy. In addition, City Council support, public education and campaigning will also be critical.

**CEQA (California Environmental Quality Act):**

Not a Project: The creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment.

**LINKS/ATTACHMENTS:**

1. Municipal Tax Revenue Info. Matrix
2. October 2019 Polling Data

## City of Morgan Hill - General Information on Tax Types, Requirements, and Past Election Results

|                         | General Tax                                                                                                                                                                                                              | Special Tax                                                                                                                                                                                                                                           |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of Revenue          | Unrestricted                                                                                                                                                                                                             | Specific Purpose                                                                                                                                                                                                                                      |
| Governing Body Approval | Two-thirds                                                                                                                                                                                                               | Majority                                                                                                                                                                                                                                              |
| Voter Approval          | Majority                                                                                                                                                                                                                 | Two-thirds                                                                                                                                                                                                                                            |
| Other Rules             | A general tax election must be consolidated with a regularly scheduled general election of members of the governing body, unless an emergency is declared by unanimous vote (among those present) of the governing body. | Special tax funds must be deposited in a separate account. The taxing agency must publish an annual report including: 1) the tax rate; 2) the amounts of revenues collected and expended; and 3) the status of any project funded by the special tax. |

| Past Relevant Elections in Morgan Hill | Type                                              | Result                         |
|----------------------------------------|---------------------------------------------------|--------------------------------|
| Nov-82                                 | Police and Fire Special Tax (Measure Q)           | Defeated                       |
| Nov-87                                 | Reduce UUT from 5% to 2.5% - for 12 months        | Passed                         |
| Jun-91                                 | Fire Benefit Assessment                           | Defeated                       |
| Jun-92                                 | Increase UUT to 9%                                | Defeated                       |
| Nov-92                                 | Implement new UUT (previous had sunset provision) | Defeated                       |
| Nov-94                                 | Establish UUT 3.5%                                | Defeated                       |
| Nov-02                                 | Validate/Re-enacting current TOT                  | Passed                         |
| Nov-08                                 | Establish UUT 2.5%                                | Defeated 64.78% No, 35.22% Yes |



|                                                                                                             | Sales<br>(Transaction & Use Tax)                                                | Utility User's Tax                                                                                                                                                                                          | Transient<br>Occupancy Tax                                               | Business License Tax<br>(Business License Tax)                                                                                                                       | Parcel Tax                                                                                                                                             | Community Facilities District<br>(Mello-Roos)                                                                                                                                                                                                                                                       | General Obligation Bond                                                                                                                                                                        | Documentary<br>Transfer Tax<br>(Property transfer tax)                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>General (GT) or Special Tax (ST)</b>                                                                     | Either<br>GT = Majority<br>ST = Two-thirds                                      | Either<br>GT = Majority<br>ST = Two-thirds                                                                                                                                                                  | Either<br>GT = Majority<br>ST = Two-thirds                               | Either<br>GT = Majority<br>ST = Two-thirds                                                                                                                           | Either<br>Two-thirds                                                                                                                                   | Special<br>Two-thirds (in district)                                                                                                                                                                                                                                                                 | Either<br>Two-thirds                                                                                                                                                                           | General<br>Majority                                                                                                                                                     |
| <b>Voter Approval</b>                                                                                       | Collection and allocation by<br>CDTFA                                           | Levied by Cities, collected and<br>remitted by Utility                                                                                                                                                      | Levied by Cities, collected and<br>remitted by hotels/motels/Airbnb      | Levied by Cities, remitted by<br>businesses within City                                                                                                              | Levied by Cities, collected and<br>remitted by County                                                                                                  | Citywide has to go on ballot<br>by County                                                                                                                                                                                                                                                           | City in conjunction with Trustee                                                                                                                                                               | Levied by Cities, collected and remitted by<br>County                                                                                                                   |
| <b>Administration</b>                                                                                       | All sales and use transactions<br>within City limits                            | Applied on consumption of utility<br>services including electricity, gas,<br>water, sewer, telephone,<br>sanitation and cable TV.                                                                           | Applied to overnight stays.                                              | Tax that is based on a<br>characteristic of a business such<br>as classification, # of employees,<br>and/or gross revenues, either as a<br>percentage or a flat rate | Special non ad valorem tax. Tax<br>that is based on flat per parcel<br>rate or a rate that varies<br>depending on size and or # of<br>units on parcel. | Special non ad valorem tax imposed to<br>finance public capital facilities and<br>services.                                                                                                                                                                                                         | Levies an Ad valorem tax on all taxable<br>property within jurisdiction.                                                                                                                       | Excise tax imposed on documents<br>exchanged in transfer of interest in real<br>estate                                                                                  |
| <b>Application</b>                                                                                          |                                                                                 |                                                                                                                                                                                                             |                                                                          |                                                                                                                                                                      |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                |                                                                                                                                                                         |
| <b>Volatility</b>                                                                                           | High<br>(Economy Dependent)                                                     | Medium<br>(Economy Dependent, may<br>trigger reduction in service, but<br>probably not elimination)                                                                                                         | High<br>(Economy Dependent)                                              | Medium<br>(Depending on Structure)                                                                                                                                   | Low                                                                                                                                                    | Low                                                                                                                                                                                                                                                                                                 | Varies<br>(Issuer pledges agency's General Funds<br>and "full faith and credit" as security)                                                                                                   | Medium                                                                                                                                                                  |
| <b>Benefits</b>                                                                                             | Sales tax dollars generated within<br>City, invested back into City.            | -                                                                                                                                                                                                           | Paid by out of town visitors.                                            | -                                                                                                                                                                    | -                                                                                                                                                      | Can be levied on existing and new<br>development.                                                                                                                                                                                                                                                   | Pay-as-you-go. Payments are synchronized<br>with enjoyment of benefit or useful life of<br>asset.                                                                                              | -                                                                                                                                                                       |
| <b>Restrictions</b>                                                                                         | -                                                                               | State and Federal Government<br>are exempt, plus gas and water<br>used by utility companies to<br>generate electricity are exempt.<br>Further limits the application to<br>charges that are subject to FET. | Applied to stays for nights up to<br>30 days.                            | Can include exemptions for<br>specific business classifications<br>(Veterans/Non-Profit etc)                                                                         | -                                                                                                                                                      | Used to pay for new or improved<br>capital/services or an increase in level of<br>services that existed at the time the<br>district was formed.<br>\$\$ Availability into the future as<br>imposed on future developments.<br><b>Exemptions:</b> State, federal and local<br>government properties. | Acquisition or improvement of real<br>property only.                                                                                                                                           | Exemptions: Government owned<br>property, non profits, bankruptcy reorg.,<br>foreclosure, and dissolution or marriage.<br><br><b>General Law cities cannot impose.</b>  |
| <b>Potential Rate</b>                                                                                       | 0.25% additional                                                                | 5%                                                                                                                                                                                                          | 2% increase<br>(current rate 11%)                                        | Varies based on structure<br>(Current is fixed flat rate ranging<br>from \$ 20 up to \$60/annually plus<br>per employee ranging \$3-\$6)                             | \$10 to \$200 per unit or parcel<br>Can be based on classification (SF,<br>duplex, apartment etc)                                                      | \$10 to \$200 per unit or parcel                                                                                                                                                                                                                                                                    | -                                                                                                                                                                                              | -                                                                                                                                                                       |
| <b>Amount for Morgan Hill</b>                                                                               | \$2.3 million/Annually                                                          | \$3.7 million/Annually                                                                                                                                                                                      | \$500,000/Annually                                                       | To Be Determined<br>(Currently tax generates<br>approximately \$200K/Annually)                                                                                       | \$2.4 million/Annually<br>(Assumes \$200 per parcel)                                                                                                   | \$144,000 in year 1<br>\$1 million by year 5<br>\$2 million by year 10<br>(Assumes \$12 existing, \$200 new<br>occupancy)                                                                                                                                                                           | Every \$10 million issued = \$800,000 in<br>annual debt service<br>(Assumes 2% issuance cost, @ 6% Int.,<br>30 year term, with debt reserve)                                                   | State set General Law Cities rate at .55<br>for every \$1,000 in value. Charter Cities<br>can impose own rates.<br><br>The City of Morgan Hill is a General<br>Law City |
| <b>MH Relevance</b>                                                                                         |                                                                                 | Defeated in MH, in 1992, 1994,<br>and 2008                                                                                                                                                                  | Passed in 2002 and 2018                                                  | Current ordinance and fixed rates<br>established long time ago                                                                                                       | -                                                                                                                                                      | Currently have LLD and CFD                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                |                                                                                                                                                                         |
| <b>Recent Passing Rates in CA</b><br><b>Data from CaliforniaCityFinance.com</b><br><b>(Michael Coleman)</b> | 52 of the 58 general purposes<br>sales tax measures passed in<br>November 2018. | 2 of 5 passed in November 2018,<br>both were extension. 3 were new<br>and failed.                                                                                                                           | 28 of the 31 general purpose TOT<br>measures passed in November<br>2018. | 7 business license tax measures<br>and all passed including a per-<br>employee tax in Mountain View,<br>in November 2018.                                            | 22 of the 41 non-school special<br>tax (2/3) measures passed in<br>November 2018.<br>School parcel taxes fared better<br>with 10 out of 13 passing.    | None at Citywide level.                                                                                                                                                                                                                                                                             | 5 of 11 non-school GO bond measures<br>passed, totaling \$1.3 billion, in November<br>2018. Includes Campbell for \$50 million<br>for PD/Lib/EOC facilities. San Jose \$450<br>million failed. | 5 of the 6 Prop transfer tax measures<br>passed in November 2018 (All Charter<br>Cities)                                                                                |
| <b>Other Cities in the County</b>                                                                           | San Jose - 0.25%<br>Campbell - 0.25%<br>Los Gatos - 0.125%                      | Cupertino, Los Altos, Mountain<br>View, Palo Alto, Gilroy, Sunnyvale<br>and Los Altos Hills.                                                                                                                | All except Monte Sereno and Los<br>Altos Hills.                          | All except Palo Alto have a<br>business license tax.                                                                                                                 | All cities in County have some<br>sort of special assessment tied to<br>parcels (CFDs, schools and other<br>districts).                                | Majority have some form of CFD/Special<br>Assessment.                                                                                                                                                                                                                                               |                                                                                                                                                                                                | San Jose, Palo Alto and Mountain View<br>(Charter Cities)                                                                                                               |



## **CITY OF MORGAN HILL**

### 2019 Revenue Measure Survey

#### Topline Report

n=557

22 minutes

March 2020 & November 2020 Likely Voters

October 15, 2019

**[www.godberesearch.com](http://www.godberesearch.com)**

Northern California and Corporate Offices  
1575 Bayshore Highway, Suite 102  
Burlingame, CA 94010

Nevada  
59 Damonte Ranch Parkway, Suite B309  
Reno, NV 89521

Pacific Northwest  
601 108<sup>th</sup> Avenue NE, Suite 1900  
Bellevue, WA 98004

## METHODOLOGY

### Sample Universe:

- 19,461 Likely November 2020 Voters
- 14,741 Likely March 2020 Voters

### Sample Size:

- n=557 Likely November 2020 Voters
- n=442 Likely March 2020 Voters

### Data Collection Methodology:

- n=62 Landline
- n=141 Cell
- n=300 Online from text invitation
- n=54 Online from email invitation

### Margin of Error:

- Likely November 2020 Voters  $\pm$  4.09%
- Likely March 2020 Voters  $\pm$  4.59%

Interview Dates: October 2 to 13, 2019

## MORGAN HILL CLIMATE

|                                                                                                                                                                                                            |                                 | Likely March 2020 Voter |       |                  | Likely November 2020 Voter |       |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|-------|------------------|----------------------------|-------|------------------|
|                                                                                                                                                                                                            |                                 | Column N %              | Count | $\Sigma$ or Mean | Column N %                 | Count | $\Sigma$ or Mean |
| 1. Would you say that things in Morgan Hill are generally headed in the right direction, or would you say that they are off on the wrong direction?                                                        | Right direction                 | 46.8%                   | 197   |                  | 51.2%                      | 285   |                  |
|                                                                                                                                                                                                            | Wrong direction                 | 35.7%                   | 151   |                  | 33.2%                      | 185   |                  |
|                                                                                                                                                                                                            | DK/NA                           | 17.5%                   | 74    |                  | 15.6%                      | 87    |                  |
| 2. How would you rate the overall job being done by Morgan Hill City government in providing services to the City's residents? Would you say the City is doing an excellent, good, only fair, or poor job? | Excellent job                   | 8.4%                    | 35    |                  | 8.7%                       | 48    |                  |
|                                                                                                                                                                                                            | Good job                        | 51.1%                   | 216   |                  | 52.1%                      | 290   |                  |
|                                                                                                                                                                                                            | Only fair job                   | 25.1%                   | 106   |                  | 24.0%                      | 134   |                  |
|                                                                                                                                                                                                            | Poor job                        | 10.7%                   | 45    |                  | 10.1%                      | 56    |                  |
|                                                                                                                                                                                                            | DK/NA                           | 4.7%                    | 20    |                  | 5.1%                       | 28    |                  |
|                                                                                                                                                                                                            | Total Excel + Good              | 59.5%                   |       |                  | 60.8%                      |       |                  |
|                                                                                                                                                                                                            | Total Only fair + Poor          | 35.8%                   |       |                  | 34.2%                      |       |                  |
|                                                                                                                                                                                                            | Ratio (Ex + Good)/(Fair + Poor) | 1.7                     |       |                  | 1.8                        |       |                  |
| 3. Do you have a favorable or unfavorable opinion of the job the City of Morgan Hill is doing to effectively manage and spend taxpayer dollars and public funds?                                           | Very favorable                  | 11.6%                   | 49    |                  | 11.0%                      | 61    |                  |
|                                                                                                                                                                                                            | Somewhat favorable              | 44.2%                   | 186   |                  | 45.5%                      | 253   |                  |
|                                                                                                                                                                                                            | Somewhat unfavorable            | 21.1%                   | 89    |                  | 18.9%                      | 106   |                  |
|                                                                                                                                                                                                            | Very unfavorable                | 10.4%                   | 44    |                  | 10.3%                      | 57    |                  |
|                                                                                                                                                                                                            | DK/NA                           | 12.7%                   | 54    |                  | 14.3%                      | 80    |                  |
|                                                                                                                                                                                                            | Total Favorable                 | 55.8%                   |       |                  | 56.5%                      |       |                  |
|                                                                                                                                                                                                            | Total Unfavorable               | 31.5%                   |       |                  | 29.2%                      |       |                  |
|                                                                                                                                                                                                            | Ratio                           | 1.8                     |       |                  | 1.9                        |       |                  |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)

## UNIFORMED BALLOT TESTS

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| <p>4. To preserve essential city services, including:</p> <ul style="list-style-type: none"> <li>• <del>9</del>-1-1 emergency response times,</li> <li>• neighborhood police patrols,</li> <li>• fixing potholes,</li> <li>• fire prevention and protection services,</li> </ul> <p>shall Morgan Hill's measure, creating an essential services levy, with an annual rate of \$75 per existing residence and \$500 per newly purchased residence, with alternative rates for non-residential – see voter guide for tax rate information – providing \$1.6 million dollars annually, until repealed by voters, with annual inflation adjustments, independent citizen oversight, and no funds for Sacramento, be adopted?</p> | Definitely Yes | 12.8%                   | 27    |           | 12.4%                      | 34    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably Yes   | 25.4%                   | 54    |           | 26.4%                      | 73    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably No    | 22.3%                   | 48    |           | 20.7%                      | 57    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Definitely No  | 30.5%                   | 65    |           | 28.2%                      | 78    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | DK/NA          | 8.9%                    | 19    |           | 12.3%                      | 34    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total Yes      | 38.2%                   |       |           | 38.8%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total No       | 52.9%                   |       |           | 48.9%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                         |       |           |                            |       |           |
| <p>5. To preserve essential city services, including:</p> <ul style="list-style-type: none"> <li>• <del>9</del>-1-1 emergency response times,</li> <li>• neighborhood police patrols,</li> <li>• crime prevention and investigation,</li> <li>• fire prevention and protection services, and</li> <li>• fixing potholes and maintaining city streets,</li> </ul> <p>shall Morgan Hill's measure, enacting a one-quarter cent sales tax, providing \$2.5 million dollars annually, until repealed by voters, with independent citizen oversight, and no funds for Sacramento, be adopted?</p>                                                                                                                                 | Definitely Yes | 22.0%                   | 46    |           | 23.2%                      | 65    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably Yes   | 36.7%                   | 77    |           | 34.8%                      | 97    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably No    | 12.8%                   | 27    |           | 13.7%                      | 38    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Definitely No  | 23.9%                   | 50    |           | 19.9%                      | 56    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | DK/NA          | 4.6%                    | 10    |           | 8.4%                       | 24    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total Yes      | 58.7%                   |       |           | 58.0%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total No       | 36.7%                   |       |           | 33.6%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                         |       |           |                            |       |           |

## FEATURES OF THE MEASURE

|                                                                                        |                      | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|----------------------------------------------------------------------------------------|----------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                        |                      | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 6A. Preserve 9-1-1 emergency response times                                            | Much More Likely     | 41.3%                   | 174   | 71.7%     | 40.2%                      | 224   | 72.1%     |
|                                                                                        | Somewhat More Likely | 30.5%                   | 128   |           | 31.9%                      | 178   |           |
|                                                                                        | No Effect            | 17.9%                   | 75    |           | 18.8%                      | 105   |           |
|                                                                                        | Somewhat Less Likely | 3.3%                    | 14    |           | 3.3%                       | 18    |           |
|                                                                                        | Much Less Likely     | 5.1%                    | 22    |           | 3.9%                       | 22    |           |
|                                                                                        | DK/NA/[Not sure]     | 2.0%                    | 9     |           | 1.9%                       | 11    |           |
| 6B. Preserve neighborhood police patrols                                               | Much More Likely     | 34.9%                   | 147   | 68.5%     | 37.4%                      | 208   | 70.1%     |
|                                                                                        | Somewhat More Likely | 33.6%                   | 142   |           | 32.7%                      | 182   |           |
|                                                                                        | No Effect            | 19.3%                   | 81    |           | 17.6%                      | 98    |           |
|                                                                                        | Somewhat Less Likely | 5.4%                    | 23    |           | 5.9%                       | 33    |           |
|                                                                                        | Much Less Likely     | 5.7%                    | 24    |           | 5.2%                       | 29    |           |
|                                                                                        | DK/NA/[Not sure]     | 1.1%                    | 5     |           | 1.2%                       | 7     |           |
| 6C. Preserve crime prevention and investigation                                        | Much More Likely     | 33.3%                   | 141   | 66.5%     | 35.5%                      | 198   | 69.2%     |
|                                                                                        | Somewhat More Likely | 33.1%                   | 140   |           | 33.7%                      | 188   |           |
|                                                                                        | No Effect            | 21.2%                   | 89    |           | 19.8%                      | 111   |           |
|                                                                                        | Somewhat Less Likely | 4.5%                    | 19    |           | 4.2%                       | 23    |           |
|                                                                                        | Much Less Likely     | 6.0%                    | 25    |           | 5.1%                       | 29    |           |
|                                                                                        | DK/NA/[Not sure]     | 1.8%                    | 8     |           | 1.6%                       | 9     |           |
| 6D. Preserve fire prevention and protection services                                   | Much More Likely     | 36.8%                   | 155   | 69.3%     | 37.0%                      | 206   | 70.8%     |
|                                                                                        | Somewhat More Likely | 32.4%                   | 137   |           | 33.7%                      | 188   |           |
|                                                                                        | No Effect            | 21.0%                   | 89    |           | 19.3%                      | 108   |           |
|                                                                                        | Somewhat Less Likely | 3.7%                    | 16    |           | 4.1%                       | 23    |           |
|                                                                                        | Much Less Likely     | 4.8%                    | 20    |           | 4.5%                       | 25    |           |
|                                                                                        | DK/NA/[Not sure]     | 1.2%                    | 5     |           | 1.3%                       | 7     |           |
| 6E. Fix potholes and maintain city streets                                             | Much More Likely     | 41.0%                   | 173   | 73.6%     | 43.5%                      | 242   | 75.8%     |
|                                                                                        | Somewhat More Likely | 32.7%                   | 138   |           | 32.3%                      | 180   |           |
|                                                                                        | No Effect            | 15.8%                   | 67    |           | 15.7%                      | 87    |           |
|                                                                                        | Somewhat Less Likely | 3.3%                    | 14    |           | 3.1%                       | 17    |           |
|                                                                                        | Much Less Likely     | 6.1%                    | 26    |           | 4.6%                       | 26    |           |
|                                                                                        | DK/NA/[Not sure]     | 1.2%                    | 5     |           | 0.9%                       | 5     |           |
| 6F. Maintain youth violence prevention and gang intervention programs                  | Much More Likely     | 33.5%                   | 141   | 60.8%     | 33.7%                      | 188   | 61.6%     |
|                                                                                        | Somewhat More Likely | 27.3%                   | 115   |           | 27.9%                      | 155   |           |
|                                                                                        | No Effect            | 23.0%                   | 97    |           | 23.1%                      | 129   |           |
|                                                                                        | Somewhat Less Likely | 6.4%                    | 27    |           | 6.5%                       | 36    |           |
|                                                                                        | Much Less Likely     | 8.2%                    | 35    |           | 7.6%                       | 42    |           |
|                                                                                        | DK/NA/[Not sure]     | 1.5%                    | 7     |           | 1.2%                       | 7     |           |
| 6G. Provide programs that help families and youth make healthy and responsible choices | Much More Likely     | 20.3%                   | 86    | 42.6%     | 21.0%                      | 117   | 46.5%     |
|                                                                                        | Somewhat More Likely | 22.3%                   | 94    |           | 25.5%                      | 142   |           |
|                                                                                        | No Effect            | 32.1%                   | 135   |           | 29.4%                      | 164   |           |
|                                                                                        | Somewhat Less Likely | 9.2%                    | 39    |           | 8.7%                       | 48    |           |
|                                                                                        | Much Less Likely     | 12.6%                   | 53    |           | 12.6%                      | 70    |           |
|                                                                                        | DK/NA/[Not sure]     | 3.4%                    | 14    |           | 2.9%                       | 16    |           |
| 6H. Provide programs to help keep kids off the streets                                 | Much More Likely     | 27.8%                   | 117   | 58.7%     | 28.6%                      | 159   | 60.4%     |
|                                                                                        | Somewhat More Likely | 30.9%                   | 130   |           | 31.8%                      | 177   |           |
|                                                                                        | No Effect            | 25.4%                   | 107   |           | 25.2%                      | 141   |           |
|                                                                                        | Somewhat Less Likely | 7.1%                    | 30    |           | 6.7%                       | 37    |           |
|                                                                                        | Much Less Likely     | 6.6%                    | 28    |           | 6.0%                       | 33    |           |
|                                                                                        | DK/NA/[Not sure]     | 2.2%                    | 9     |           | 1.7%                       | 9     |           |
| 6I. Maintain youth violence and drug intervention programs                             | Much More Likely     | 30.0%                   | 127   | 61.4%     | 30.9%                      | 172   | 61.7%     |
|                                                                                        | Somewhat More Likely | 31.4%                   | 133   |           | 30.8%                      | 171   |           |
|                                                                                        | No Effect            | 22.8%                   | 96    |           | 22.8%                      | 127   |           |
|                                                                                        | Somewhat Less Likely | 6.6%                    | 28    |           | 6.3%                       | 35    |           |
|                                                                                        | Much Less Likely     | 6.8%                    | 29    |           | 7.4%                       | 41    |           |
|                                                                                        | DK/NA/[Not sure]     | 2.3%                    | 10    |           | 1.8%                       | 10    |           |
| 6J. Provide firefighter staffing at the 3rd fire station                               | Much More Likely     | 33.0%                   | 139   | 66.8%     | 32.4%                      | 180   | 65.2%     |
|                                                                                        | Somewhat More Likely | 33.8%                   | 142   |           | 32.8%                      | 182   |           |
|                                                                                        | No Effect            | 21.8%                   | 92    |           | 23.6%                      | 131   |           |
|                                                                                        | Somewhat Less Likely | 3.6%                    | 15    |           | 3.8%                       | 21    |           |
|                                                                                        | Much Less Likely     | 5.1%                    | 22    |           | 4.9%                       | 27    |           |
|                                                                                        | DK/NA/[Not sure]     | 2.7%                    | 11    |           | 2.6%                       | 14    |           |
| 6K. Enhance safety at our public schools                                               | Much More Likely     | 40.6%                   | 171   | 62.7%     | 42.1%                      | 234   | 66.4%     |
|                                                                                        | Somewhat More Likely | 22.1%                   | 93    |           | 24.3%                      | 136   |           |
|                                                                                        | No Effect            | 24.7%                   | 104   |           | 21.3%                      | 119   |           |
|                                                                                        | Somewhat Less Likely | 3.5%                    | 15    |           | 3.9%                       | 22    |           |
|                                                                                        | Much Less Likely     | 6.6%                    | 28    |           | 6.5%                       | 36    |           |
|                                                                                        | DK/NA/[Not sure]     | 2.5%                    | 10    |           | 1.9%                       | 11    |           |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)

|                                                      |                      | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|------------------------------------------------------|----------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                      |                      | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 6L. Maintain neighborhood parks                      | Much More Likely     | 20.9%                   | 44    | 55.1%     | 20.8%                      | 58    | 57.5%     |
|                                                      | Somewhat More Likely | 34.2%                   | 73    |           | 36.7%                      | 102   |           |
|                                                      | No Effect            | 29.1%                   | 62    |           | 28.1%                      | 78    |           |
|                                                      | Somewhat Less Likely | 4.8%                    | 10    |           | 4.5%                       | 12    |           |
|                                                      | Much Less Likely     | 9.5%                    | 20    |           | 8.8%                       | 24    |           |
|                                                      | DK/NA/[Not sure]     | 1.4%                    | 3     |           | 1.1%                       | 3     |           |
| 6M. Provide adequate parks and recreation facilities | Much More Likely     | 23.2%                   | 49    | 56.5%     | 24.0%                      | 66    | 58.2%     |
|                                                      | Somewhat More Likely | 33.4%                   | 71    |           | 34.2%                      | 95    |           |
|                                                      | No Effect            | 26.0%                   | 55    |           | 25.2%                      | 70    |           |
|                                                      | Somewhat Less Likely | 7.9%                    | 17    |           | 7.8%                       | 22    |           |
|                                                      | Much Less Likely     | 7.2%                    | 15    |           | 7.1%                       | 20    |           |
|                                                      | DK/NA/[Not sure]     | 2.4%                    | 5     |           | 1.8%                       | 5     |           |
| 6N. Maintain public facilities and buildings         | Much More Likely     | 17.0%                   | 36    | 47.4%     | 18.4%                      | 51    | 51.5%     |
|                                                      | Somewhat More Likely | 30.3%                   | 65    |           | 33.1%                      | 92    |           |
|                                                      | No Effect            | 29.3%                   | 62    |           | 27.9%                      | 77    |           |
|                                                      | Somewhat Less Likely | 10.7%                   | 23    |           | 8.8%                       | 24    |           |
|                                                      | Much Less Likely     | 10.6%                   | 22    |           | 10.2%                      | 28    |           |
|                                                      | DK/NA/[Not sure]     | 2.1%                    | 4     |           | 1.6%                       | 4     |           |

## FEATURES OF THE MEASURE – RANKED BY INTENSITY SCORE

|                                                                                        | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|----------------------------------------------------------------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                        | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 6A. Preserve 9-1-1 emergency response times                                            |                         |       | 1.02      |                            |       | 1.03      |
| 6E. Fix potholes and maintain city streets                                             |                         |       | 1.00      |                            |       | 1.08      |
| 6D. Preserve fire prevention and protection services                                   |                         |       | 0.94      |                            |       | 0.96      |
| 6K. Enhance safety at our public schools                                               |                         |       | 0.89      |                            |       | 0.93      |
| 6J. Provide firefighter staffing at the 3rd fire station                               |                         |       | 0.88      |                            |       | 0.86      |
| 6B. Preserve neighborhood police patrols                                               |                         |       | 0.88      |                            |       | 0.92      |
| 6C. Preserve crime prevention and investigation                                        |                         |       | 0.85      |                            |       | 0.92      |
| 6I. Maintain youth violence and drug intervention programs                             |                         |       | 0.73      |                            |       | 0.73      |
| 6F. Maintain youth violence prevention and gang intervention programs                  |                         |       | 0.73      |                            |       | 0.75      |
| 6H. Provide programs to help keep kids off the streets                                 |                         |       | 0.68      |                            |       | 0.72      |
| 6M. Provide adequate parks and recreation facilities                                   |                         |       | 0.59      |                            |       | 0.61      |
| 6L. Maintain neighborhood parks                                                        |                         |       | 0.53      |                            |       | 0.57      |
| 6N. Maintain public facilities and buildings                                           |                         |       | 0.33      |                            |       | 0.41      |
| 6G. Provide programs that help families and youth make healthy and responsible choices |                         |       | 0.30      |                            |       | 0.35      |

## INFORMATIONAL STATEMENTS

|                                                                                                                                                                                                                                                    |                                  | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                                    |                                  | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 7A. By law, all funds from this measure must stay in Morgan Hill to maintain local services. None of it can be taken by Sacramento                                                                                                                 | Much More Likely to Vote Yes     | 54.1%                   | 228   | 72.5%     | 54.6%                      | 304   | 72.4%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 18.4%                   | 78    |           | 17.8%                      | 99    |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 25.5%                   | 107   |           | 25.7%                      | 143   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 2.0%                    | 9     |           | 1.9%                       | 11    |           |
| 7B. Maintaining the current level of police service, including neighborhood patrols and crime prevention programs, fire protection, and 9-1-1 emergency response services is necessary to keep Morgan Hill a safe place to live and raise a family | Much More Likely to Vote Yes     | 40.5%                   | 171   | 69.5%     | 43.4%                      | 242   | 71.4%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 29.0%                   | 122   |           | 28.0%                      | 156   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 29.0%                   | 122   |           | 27.3%                      | 152   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 1.5%                    | 6     |           | 1.3%                       | 7     |           |
| 7C. Maintaining the current level of police service, including neighborhood patrols and crime prevention programs, is vital to protecting Morgan Hill's quality of life                                                                            | Much More Likely to Vote Yes     | 39.6%                   | 167   | 69.2%     | 42.1%                      | 235   | 70.6%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 29.6%                   | 125   |           | 28.5%                      | 159   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 28.9%                   | 122   |           | 27.8%                      | 155   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 1.8%                    | 8     |           | 1.6%                       | 9     |           |
| 7D. This measure requires independent citizen oversight, mandatory financial audits, and yearly reports to the community to ensure the funds are spent in a fiscally prudent manner                                                                | Much More Likely to Vote Yes     | 39.2%                   | 165   | 62.2%     | 38.0%                      | 212   | 63.4%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 23.0%                   | 97    |           | 25.5%                      | 142   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 34.1%                   | 144   |           | 32.9%                      | 183   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 3.7%                    | 16    |           | 3.7%                       | 21    |           |
| 7E. Morgan Hill has the lowest per capita tax rate in Santa Clara County, this measure will help pay for essential services similar to other cities                                                                                                | Much More Likely to Vote Yes     | 29.6%                   | 125   | 52.5%     | 30.4%                      | 170   | 54.8%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 22.9%                   | 97    |           | 24.3%                      | 136   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 39.7%                   | 167   |           | 38.0%                      | 212   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 7.8%                    | 33    |           | 7.2%                       | 40    |           |
| 7F. The measure will maintain rapid response to workplace violence and increased police presence at large public events in Morgan Hill                                                                                                             | Much More Likely to Vote Yes     | 39.6%                   | 167   | 68.2%     | 42.3%                      | 236   | 71.1%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 28.5%                   | 120   |           | 28.7%                      | 160   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 29.3%                   | 124   |           | 27.0%                      | 150   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 2.5%                    | 11    |           | 1.9%                       | 11    |           |
| 7G. This measure will maintain police patrols and keep our neighborhoods safe                                                                                                                                                                      | Much More Likely to Vote Yes     | 39.6%                   | 167   | 67.8%     | 42.3%                      | 235   | 70.3%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 28.2%                   | 119   |           | 28.1%                      | 156   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 29.4%                   | 124   |           | 27.1%                      | 151   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 2.8%                    | 12    |           | 2.6%                       | 14    |           |
| 7H. The measure will continue to prevent and reduce youth violence in Morgan Hill                                                                                                                                                                  | Much More Likely to Vote Yes     | 32.8%                   | 138   | 57.2%     | 34.7%                      | 193   | 60.7%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 24.3%                   | 103   |           | 26.0%                      | 145   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 38.4%                   | 162   |           | 35.9%                      | 200   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 4.4%                    | 19    |           | 3.4%                       | 19    |           |
| 7I. The measure will maintain a stable source of funds to protect critical police and fire services                                                                                                                                                | Much More Likely to Vote Yes     | 40.1%                   | 169   | 70.9%     | 42.2%                      | 235   | 73.1%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 30.8%                   | 130   |           | 31.0%                      | 172   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 25.8%                   | 109   |           | 23.7%                      | 132   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 3.4%                    | 14    |           | 3.2%                       | 18    |           |
| 7J. The City has a track record of being fiscally responsible, and would not ask voters for this funding unless it is critical to keeping seniors, adults, teens and children safe                                                                 | Much More Likely to Vote Yes     | 31.4%                   | 132   | 54.6%     | 32.5%                      | 181   | 56.8%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 23.2%                   | 98    |           | 24.3%                      | 135   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 41.5%                   | 175   |           | 39.5%                      | 220   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 3.9%                    | 17    |           | 3.7%                       | 21    |           |
| 7K. The measure will fund youth after-school and summer programs designed to keep teens off the street and out of trouble                                                                                                                          | Much More Likely to Vote Yes     | 31.8%                   | 134   | 57.2%     | 32.0%                      | 178   | 58.9%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 25.4%                   | 107   |           | 26.9%                      | 150   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 39.6%                   | 167   |           | 37.6%                      | 209   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 3.2%                    | 13    |           | 3.4%                       | 19    |           |
| 7L. New State legislation threatens the residential growth control measure adopted by Morgan Hill voters, this measure will replace the developer contributions eliminated by the State legislation                                                | Much More Likely to Vote Yes     | 28.2%                   | 119   | 46.1%     | 30.1%                      | 168   | 49.5%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 17.8%                   | 75    |           | 19.4%                      | 108   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 36.8%                   | 155   |           | 34.2%                      | 190   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 17.1%                   | 72    |           | 16.4%                      | 91    |           |
| 7M. The City's unfunded road maintenance backlog is \$20 million dollars, this measure will help provide needed road repairs                                                                                                                       | Much More Likely to Vote Yes     | 36.7%                   | 155   | 63.9%     | 38.6%                      | 215   | 66.1%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 27.2%                   | 115   |           | 27.5%                      | 153   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 32.2%                   | 136   |           | 30.4%                      | 169   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 3.9%                    | 17    |           | 3.5%                       | 20    |           |
| 7N. Morgan Hill has significant street and road repair and maintenance needs. It is fiscally responsible to maintain our streets, roads, and fix potholes now, so our roads don't deteriorate further and become more costly to fix in the future  | Much More Likely to Vote Yes     | 41.1%                   | 173   | 68.4%     | 42.7%                      | 238   | 70.0%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 27.4%                   | 115   |           | 27.3%                      | 152   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 29.3%                   | 123   |           | 28.2%                      | 157   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 2.3%                    | 10    |           | 1.8%                       | 10    |           |
| 7O. Maintaining strong public safety services and providing well-maintained streets is vital to protecting Morgan Hill's quality of life                                                                                                           | Much More Likely to Vote Yes     | 37.5%                   | 158   | 64.6%     | 40.2%                      | 224   | 67.5%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 27.1%                   | 114   |           | 27.4%                      | 153   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 33.1%                   | 140   |           | 30.2%                      | 168   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 2.2%                    | 9     |           | 2.3%                       | 13    |           |
| 7P. Well maintained city streets and roads, are important to maintaining Morgan Hill's quality of life                                                                                                                                             | Much More Likely to Vote Yes     | 39.8%                   | 168   | 65.8%     | 39.9%                      | 222   | 68.5%     |
|                                                                                                                                                                                                                                                    | Somewhat More Likely to Vote Yes | 26.1%                   | 110   |           | 28.6%                      | 159   |           |
|                                                                                                                                                                                                                                                    | No Effect                        | 31.8%                   | 134   |           | 29.3%                      | 163   |           |
|                                                                                                                                                                                                                                                    | DK/NA/[Not sure]                 | 2.4%                    | 10    |           | 2.2%                       | 12    |           |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)

|                                                                                        |                                  | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|----------------------------------------------------------------------------------------|----------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                        |                                  | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 7Q. Well maintained city streets and roads, help protect property values               | Much More Likely to Vote Yes     | 38.3%                   | 161   | 64.6%     | 39.7%                      | 221   | 65.4%     |
|                                                                                        | Somewhat More Likely to Vote Yes | 26.3%                   | 111   |           | 25.8%                      | 144   |           |
|                                                                                        | No Effect                        | 32.8%                   | 138   |           | 32.0%                      | 178   |           |
|                                                                                        | DK/NA/[Not sure]                 | 2.6%                    | 11    |           | 2.6%                       | 14    |           |
| 7R. Businesses will pay their fair share, so homeowners don't shoulder the entire cost | Much More Likely to Vote Yes     | 46.6%                   | 197   | 68.5%     | 49.1%                      | 273   | 71.1%     |
|                                                                                        | Somewhat More Likely to Vote Yes | 21.9%                   | 92    |           | 22.1%                      | 123   |           |
|                                                                                        | No Effect                        | 28.9%                   | 122   |           | 25.4%                      | 141   |           |
|                                                                                        | DK/NA/[Not sure]                 | 2.6%                    | 11    |           | 3.5%                       | 19    |           |
| 7S. The measure will maintain programs to help reduce homelessness                     | Much More Likely to Vote Yes     | 34.4%                   | 145   | 59.2%     | 36.7%                      | 204   | 61.3%     |
|                                                                                        | Somewhat More Likely to Vote Yes | 24.8%                   | 105   |           | 24.7%                      | 137   |           |
|                                                                                        | No Effect                        | 35.9%                   | 151   |           | 34.4%                      | 192   |           |
|                                                                                        | DK/NA/[Not sure]                 | 4.9%                    | 21    |           | 4.2%                       | 23    |           |

## INFORMATIONAL STATEMENTS – RANKED BY INTENSITY SCORE

|                                                                                                                                                                                                                                                    | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                                    | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 7A. By law, all funds from this measure must stay in Morgan Hill to maintain local services. None of it can be taken by Sacramento                                                                                                                 |                         |       | 1.29      |                            |       | 1.29      |
| 7R. Businesses will pay their fair share, so homeowners don't shoulder the entire cost                                                                                                                                                             |                         |       | 1.18      |                            |       | 1.25      |
| 7I. The measure will maintain a stable source of funds to protect critical police and fire services                                                                                                                                                |                         |       | 1.15      |                            |       | 1.19      |
| 7N. Morgan Hill has significant street and road repair and maintenance needs. It is fiscally responsible to maintain our streets, roads, and fix potholes now, so our roads don't deteriorate further and become more costly to fix in the future  |                         |       | 1.12      |                            |       | 1.15      |
| 7B. Maintaining the current level of police service, including neighborhood patrols and crime prevention programs, fire protection, and 9-1-1 emergency response services is necessary to keep Morgan Hill a safe place to live and raise a family |                         |       | 1.12      |                            |       | 1.16      |
| 7C. Maintaining the current level of police service, including neighborhood patrols and crime prevention programs, is vital to protecting Morgan Hill's quality of life                                                                            |                         |       | 1.11      |                            |       | 1.15      |
| 7F. The measure will maintain rapid response to workplace violence and increased police presence at large public events in Morgan Hill                                                                                                             |                         |       | 1.11      |                            |       | 1.16      |
| 7G. This measure will maintain police patrols and keep our neighborhoods safe                                                                                                                                                                      |                         |       | 1.10      |                            |       | 1.16      |
| 7P. Well maintained city streets and roads, are important to maintaining Morgan Hill's quality of life                                                                                                                                             |                         |       | 1.08      |                            |       | 1.11      |
| 7Q. Well maintained city streets and roads, help protect property values                                                                                                                                                                           |                         |       | 1.06      |                            |       | 1.08      |
| 7D. This measure requires independent citizen oversight, mandatory financial audits, and yearly reports to the community to ensure the funds are spent in a fiscally prudent manner                                                                |                         |       | 1.05      |                            |       | 1.05      |
| 7M. The City's unfunded road maintenance backlog is \$20 million dollars, this measure will help provide needed road repairs                                                                                                                       |                         |       | 1.05      |                            |       | 1.08      |
| 7O. Maintaining strong public safety services and providing well-maintained streets is vital to protecting Morgan Hill's quality of life                                                                                                           |                         |       | 1.04      |                            |       | 1.10      |
| 7S. The measure will maintain programs to help reduce homelessness                                                                                                                                                                                 |                         |       | 0.98      |                            |       | 1.02      |
| 7H. The measure will continue to prevent and reduce youth violence in Morgan Hill                                                                                                                                                                  |                         |       | 0.94      |                            |       | 0.99      |
| 7K. The measure will fund youth after-school and summer programs designed to keep teens off the street and out of trouble                                                                                                                          |                         |       | 0.92      |                            |       | 0.94      |
| 7L. New State legislation threatens the residential growth control measure adopted by Morgan Hill voters, this measure will replace the developer contributions eliminated by the State legislation                                                |                         |       | 0.90      |                            |       | 0.95      |
| 7J. The City has a track record of being fiscally responsible, and would not ask voters for this funding unless it is critical to keeping seniors, adults, teens and children safe                                                                 |                         |       | 0.90      |                            |       | 0.93      |
| 7E. Morgan Hill has the lowest per capita tax rate in Santa Clara County, this measure will help pay for essential services similar to other cities                                                                                                |                         |       | 0.89      |                            |       | 0.92      |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)



## INTERIM BALLOT TESTS

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| <p>8. To preserve essential city services, including:</p> <ul style="list-style-type: none"> <li>• <del>9</del>-1-1 emergency response times,</li> <li>• neighborhood police patrols,</li> <li>• fixing potholes,</li> <li>• fire prevention and protection services,</li> </ul> <p>shall Morgan Hill's measure, creating an essential services levy, with an annual rate of \$75 per existing residence and \$500 per newly purchased residence, with alternative rates for non-residential – see voter guide for tax rate information – providing \$1.6 million dollars annually, until repealed by voters, with annual inflation adjustments, independent citizen oversight, and no funds for Sacramento, be adopted?</p> | Definitely Yes | 19.2%                   | 41    |           | 18.8%                      | 52    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably Yes   | 29.9%                   | 64    |           | 32.2%                      | 89    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably No    | 18.4%                   | 39    |           | 18.8%                      | 52    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Definitely No  | 26.9%                   | 57    |           | 24.7%                      | 68    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | DK/NA          | 5.6%                    | 12    |           | 5.6%                       | 16    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total Yes      | 49.1%                   |       |           | 51.0%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total No       | 45.3%                   |       |           | 43.4%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                         |       |           |                            |       |           |
| <p>9. To preserve essential city services, including:</p> <ul style="list-style-type: none"> <li>• <del>9</del>-1-1 emergency response times,</li> <li>• neighborhood police patrols,</li> <li>• crime prevention and investigation,</li> <li>• fire prevention and protection services, and</li> <li>• fixing potholes and maintaining city streets,</li> </ul> <p>shall Morgan Hill's measure, enacting a one-quarter cent sales tax, providing \$2.5 million dollars annually, until repealed by voters, with independent citizen oversight, and no funds for Sacramento, be adopted?</p>                                                                                                                                 | Definitely Yes | 30.3%                   | 63    |           | 31.1%                      | 87    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably Yes   | 34.9%                   | 73    |           | 35.2%                      | 99    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Probably No    | 16.2%                   | 34    |           | 16.5%                      | 46    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Definitely No  | 16.5%                   | 35    |           | 15.6%                      | 44    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | DK/NA          | 2.1%                    | 4     |           | 1.6%                       | 5     |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total Yes      | 65.1%                   |       |           | 66.3%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Total No       | 32.8%                   |       |           | 32.1%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                         |       |           |                            |       |           |

## CRITICAL STATEMENTS

|                                                                                                                                                                                                                                    |                                 | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                    |                                 | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 10A. We already pay enough taxes! The City should live within its means and instead focus on what's really at stake for Morgan Hill - maintaining the character of our neighborhoods and community in the face of excessive growth | Much More Likely to Vote No     | 38.6%                   | 163   | 60.8%     | 38.7%                      | 216   | 61.3%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 22.2%                   | 94    |           | 22.5%                      | 126   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 33.5%                   | 141   |           | 33.2%                      | 185   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 5.7%                    | 24    |           | 5.5%                       | 31    |           |
| 10B. There are no guarantees on how funds will be spent and we cannot trust local politicians to do what they say with our hard-earned tax dollars. The City has plenty of money, our tax dollars are just wasted                  | Much More Likely to Vote No     | 34.9%                   | 147   | 56.2%     | 35.1%                      | 195   | 58.0%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 21.3%                   | 90    |           | 23.0%                      | 128   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 36.5%                   | 154   |           | 34.2%                      | 190   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 7.4%                    | 31    |           | 7.8%                       | 43    |           |
| 10C. If the City had done a better job controlling growth, we would not need to increase the sales tax                                                                                                                             | Much More Likely to Vote No     | 35.1%                   | 148   | 54.3%     | 35.8%                      | 199   | 57.2%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 19.2%                   | 81    |           | 21.4%                      | 119   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 39.4%                   | 166   |           | 37.1%                      | 207   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 6.4%                    | 27    |           | 5.7%                       | 32    |           |
| 10D. City administrators and employees are already overpaid. Why should we pay more to support inflated salaries and benefits?                                                                                                     | Much More Likely to Vote No     | 26.5%                   | 112   | 47.2%     | 29.4%                      | 164   | 51.2%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 20.7%                   | 87    |           | 21.8%                      | 121   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 43.5%                   | 183   |           | 40.3%                      | 224   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 9.3%                    | 39    |           | 8.6%                       | 48    |           |
| 10E. This tax will continue to make our City less competitive, less business friendly, and less consumer friendly                                                                                                                  | Much More Likely to Vote No     | 20.9%                   | 88    | 38.3%     | 23.0%                      | 128   | 41.6%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 17.4%                   | 73    |           | 18.5%                      | 103   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 51.7%                   | 218   |           | 49.2%                      | 274   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 10.0%                   | 42    |           | 9.2%                       | 52    |           |
| 10F. The City has a structural fiscal deficit in a booming economy, meaning our City leaders are spending more than they are taking in                                                                                             | Much More Likely to Vote No     | 31.9%                   | 134   | 56.1%     | 31.9%                      | 178   | 58.0%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 24.2%                   | 102   |           | 26.0%                      | 145   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 35.0%                   | 147   |           | 33.3%                      | 185   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 8.9%                    | 38    |           | 8.8%                       | 49    |           |
| 10G. This tax measure is a 'blank check' that lets politicians make promises now without delivering later                                                                                                                          | Much More Likely to Vote No     | 36.7%                   | 155   | 57.1%     | 38.6%                      | 215   | 61.1%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 20.3%                   | 86    |           | 22.4%                      | 125   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 35.6%                   | 150   |           | 31.5%                      | 176   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 7.4%                    | 31    |           | 7.4%                       | 41    |           |
| 10H. If new development paid its fair share, we would not need this measure                                                                                                                                                        | Much More Likely to Vote No     | 35.6%                   | 150   | 61.7%     | 34.7%                      | 193   | 62.1%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 26.1%                   | 110   |           | 27.5%                      | 153   |           |
|                                                                                                                                                                                                                                    | No Effect                       | 31.4%                   | 133   |           | 30.9%                      | 172   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 6.9%                    | 29    |           | 6.9%                       | 39    |           |
| 10I. If this measure passes, the sales tax in Morgan Hill will be 9.25 percent, one of the highest in the county                                                                                                                   | Much More Likely to Vote No     | 41.8%                   | 87    | 62.8%     | 40.9%                      | 115   | 64.1%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 21.0%                   | 44    |           | 23.2%                      | 65    |           |
|                                                                                                                                                                                                                                    | No Effect                       | 32.2%                   | 67    |           | 31.2%                      | 87    |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 4.9%                    | 10    |           | 4.6%                       | 13    |           |
| 10J. Increasing sales tax will drive businesses and shoppers out of Morgan Hill and hurt the local economy                                                                                                                         | Much More Likely to Vote No     | 26.6%                   | 56    | 42.2%     | 25.0%                      | 70    | 44.3%     |
|                                                                                                                                                                                                                                    | Somewhat More Likely to Vote No | 15.6%                   | 33    |           | 19.3%                      | 54    |           |
|                                                                                                                                                                                                                                    | No Effect                       | 50.5%                   | 105   |           | 48.4%                      | 135   |           |
|                                                                                                                                                                                                                                    | DK/NA/[Not sure]                | 7.3%                    | 15    |           | 7.3%                       | 20    |           |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)

## CRITICAL STATEMENTS – RANKED BY INTENSITY SCORE

|                                                                                                                                                                                                                                    | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                    | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 10I. If this measure passes, the sales tax in Morgan Hill will be 9.25 percent, one of the highest in the county                                                                                                                   |                         |       | 1.10      |                            |       | 1.10      |
| 10A. We already pay enough taxes! The City should live within its means and instead focus on what's really at stake for Morgan Hill - maintaining the character of our neighborhoods and community in the face of excessive growth |                         |       | 1.05      |                            |       | 1.06      |
| 10H. If new development paid its fair share, we would not need this measure                                                                                                                                                        |                         |       | 1.04      |                            |       | 1.04      |
| 10G. This tax measure is a 'blank check' that lets politicians make promises now without delivering later                                                                                                                          |                         |       | 1.01      |                            |       | 1.08      |
| 10B. There are no guarantees on how funds will be spent and we cannot trust local politicians to do what they say with our hard-earned tax dollars. The City has plenty of money, our tax dollars are just wasted                  |                         |       | 0.98      |                            |       | 1.01      |
| 10F. The City has a structural fiscal deficit in a booming economy, meaning our City leaders are spending more than they are taking in                                                                                             |                         |       | 0.97      |                            |       | 0.99      |
| 10C. If the City had done a better job controlling growth, we would not need to increase the sales tax                                                                                                                             |                         |       | 0.95      |                            |       | 0.99      |
| 10D. City administrators and employees are already overpaid. Why should we pay more to support inflated salaries and benefits?                                                                                                     |                         |       | 0.81      |                            |       | 0.88      |
| 10J. Increasing sales tax will drive businesses and shoppers out of Morgan Hill and hurt the local economy                                                                                                                         |                         |       | 0.74      |                            |       | 0.75      |
| 10E. This tax will continue to make our City less competitive, less business friendly, and less consumer friendly                                                                                                                  |                         |       | 0.66      |                            |       | 0.71      |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)

## INFORMED BALLOT TESTS

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                            | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                            | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| 11. To preserve essential city services, including:<br>•9-1-1 emergency response times,<br>•neighborhood police patrols,<br>•fixing potholes,<br>•fire prevention and protection services,<br>shall Morgan Hill's measure, creating an essential services levy, with an annual rate of \$75 per existing residence and \$500 per newly purchased residence, with alternative rates for non-residential – see voter guide for tax rate information – providing \$1.6 million dollars annually, until repealed by voters, with annual inflation adjustments, independent citizen oversight, and no funds for Sacramento, be adopted? | Definitely Yes             | 13.6%                   | 29    |           | 15.1%                      | 42    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably Yes               | 29.8%                   | 63    |           | 30.7%                      | 85    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably No                | 21.6%                   | 46    |           | 20.4%                      | 56    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Definitely No              | 29.5%                   | 63    |           | 27.8%                      | 77    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | DK/NA                      | 5.5%                    | 12    |           | 6.0%                       | 17    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total Yes                  | 43.4%                   |       |           | 45.8%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total No                   | 51.1%                   |       |           | 48.2%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Average Interim & Informed | 46.2%                   |       |           | 48.4%                      |       |           |
| 12. CFD Ballot Test - \$60 Existing, \$475 New                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Definitely Yes             | 17.4%                   | 37    |           | 18.5%                      | 51    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably Yes               | 29.6%                   | 63    |           | 30.8%                      | 85    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably No                | 18.9%                   | 40    |           | 18.8%                      | 52    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Definitely No              | 29.1%                   | 62    |           | 26.7%                      | 74    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | DK/NA                      | 5.0%                    | 11    |           | 5.3%                       | 15    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total Yes                  | 47.0%                   |       |           | 49.3%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total No                   | 48.0%                   |       |           | 45.5%                      |       |           |
| 13. CFD Ballot Test - 8 Years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Definitely Yes             | 22.6%                   | 48    |           | 23.0%                      | 64    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably Yes               | 26.9%                   | 57    |           | 29.7%                      | 82    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably No                | 16.2%                   | 34    |           | 15.4%                      | 43    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Definitely No              | 27.8%                   | 59    |           | 25.0%                      | 69    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | DK/NA                      | 6.5%                    | 14    |           | 6.9%                       | 19    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total Yes                  | 49.5%                   |       |           | 52.6%                      |       |           |
| 14. To preserve essential city services, including:<br>•9-1-1 emergency response times,<br>•neighborhood police patrols,<br>•crime prevention and investigation,<br>•fire prevention and protection services, and<br>•fixing potholes and maintaining city streets,<br>shall Morgan Hill's measure, enacting a one-quarter cent sales tax, providing \$2.5 million dollars annually, until repealed by voters, with independent citizen oversight, and no funds for Sacramento, be adopted?                                                                                                                                        | Definitely Yes             | 23.1%                   | 48    |           | 23.2%                      | 65    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably Yes               | 28.8%                   | 60    |           | 30.8%                      | 86    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably No                | 20.9%                   | 44    |           | 21.2%                      | 59    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Definitely No              | 22.0%                   | 46    |           | 19.9%                      | 56    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | DK/NA                      | 5.2%                    | 11    |           | 5.0%                       | 14    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total Yes                  | 51.9%                   |       |           | 53.9%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total No                   | 42.9%                   |       |           | 41.0%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Average Interim & Informed | 58.5%                   |       |           | 60.1%                      |       |           |
| 15. Sales Tax Ballot Test - 8 Years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Definitely Yes             | 26.3%                   | 55    |           | 26.5%                      | 74    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably Yes               | 27.2%                   | 57    |           | 30.0%                      | 84    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Probably No                | 19.2%                   | 40    |           | 17.3%                      | 48    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Definitely No              | 20.9%                   | 44    |           | 18.8%                      | 53    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | DK/NA                      | 6.4%                    | 13    |           | 7.3%                       | 21    |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total Yes                  | 53.5%                   |       |           | 56.5%                      |       |           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Total No                   | 40.1%                   |       |           | 36.2%                      |       |           |

## DEMOGRAPHICS

|                                                                |                                | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|----------------------------------------------------------------|--------------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                                                |                                | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| A. Do any children under the age of 18 live in your household? | Yes                            | 33.7%                   | 142   |           | 36.9%                      | 206   |           |
|                                                                | No                             | 64.1%                   | 270   |           | 61.2%                      | 341   |           |
|                                                                | DK/NA                          | 2.2%                    | 9     |           | 1.9%                       | 11    |           |
| B. Gender                                                      | Male                           | 46.0%                   | 194   |           | 46.6%                      | 260   |           |
|                                                                | Female                         | 53.4%                   | 225   |           | 53.0%                      | 295   |           |
|                                                                | Unknown                        | 0.6%                    | 2     |           | 0.4%                       | 2     |           |
| C. Age                                                         | 18-29                          | 7.3%                    | 31    |           | 11.6%                      | 65    |           |
|                                                                | 30-39                          | 11.5%                   | 49    |           | 13.7%                      | 77    |           |
|                                                                | 40-49                          | 16.2%                   | 68    |           | 17.8%                      | 99    |           |
|                                                                | 50-69                          | 43.7%                   | 184   |           | 40.0%                      | 223   |           |
|                                                                | 70+                            | 21.1%                   | 89    |           | 16.8%                      | 94    |           |
|                                                                | Not coded                      | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
| D. Broad Ethnic Groupings                                      | East and South Asian           | 8.3%                    | 35    |           | 9.1%                       | 51    |           |
|                                                                | European                       | 59.9%                   | 253   |           | 57.2%                      | 318   |           |
|                                                                | Hispanic and Portuguese        | 19.9%                   | 84    |           | 21.3%                      | 119   |           |
|                                                                | Likely African-American        | 0.6%                    | 2     |           | 0.5%                       | 3     |           |
|                                                                | Other                          | 3.2%                    | 14    |           | 3.6%                       | 20    |           |
|                                                                | Unknown                        | 8.2%                    | 35    |           | 8.3%                       | 46    |           |
| E. Education                                                   | Less than HS Diploma - Likely  | 3.7%                    | 16    |           | 3.8%                       | 21    |           |
|                                                                | HS Diploma - Extremely Likely  | 9.5%                    | 40    |           | 8.0%                       | 45    |           |
|                                                                | HS Diploma - Likely            | 5.1%                    | 22    |           | 4.6%                       | 26    |           |
|                                                                | Some College - Likely          | 10.9%                   | 46    |           | 13.0%                      | 73    |           |
|                                                                | Some College -Extremely Likely | 2.4%                    | 10    |           | 1.8%                       | 10    |           |
|                                                                | Bach Degree - Extremely Likely | 17.3%                   | 73    |           | 15.3%                      | 85    |           |
|                                                                | Bach Degree - Likely           | 8.0%                    | 34    |           | 7.9%                       | 44    |           |
|                                                                | Grad Degree - Extremely Likely | 9.5%                    | 40    |           | 8.9%                       | 50    |           |
|                                                                | Grad Degree - Likely           | 5.8%                    | 25    |           | 5.4%                       | 30    |           |
|                                                                | Missing                        | 27.8%                   | 117   |           | 31.2%                      | 174   |           |
| F. Marital Status                                              | Single or Unknown              | 42.5%                   | 179   |           | 46.4%                      | 258   |           |
|                                                                | Married                        | 46.3%                   | 195   |           | 42.2%                      | 235   |           |
|                                                                | Non-Traditional                | 11.2%                   | 47    |           | 11.4%                      | 63    |           |
| G. Veteran                                                     | Yes                            | 3.1%                    | 13    |           | 3.2%                       | 18    |           |
|                                                                | No                             | 96.9%                   | 409   |           | 96.8%                      | 539   |           |
| H. Homeownership Status                                        | Owner                          | 67.6%                   | 285   |           | 65.1%                      | 363   |           |
|                                                                | Renter                         | 20.5%                   | 86    |           | 23.3%                      | 130   |           |
|                                                                | Unknown                        | 11.9%                   | 50    |           | 11.5%                      | 64    |           |
| I. Estimated Income Range                                      | \$1,000-\$14,999               | 1.1%                    | 5     |           | 0.9%                       | 5     |           |
|                                                                | \$15,000-\$24,999              | 2.5%                    | 11    |           | 2.0%                       | 11    |           |
|                                                                | \$25,000-\$34,999              | 2.9%                    | 12    |           | 2.5%                       | 14    |           |
|                                                                | \$35,000-\$49,999              | 3.2%                    | 14    |           | 2.7%                       | 15    |           |
|                                                                | \$50,000-\$74,999              | 6.8%                    | 29    |           | 6.7%                       | 37    |           |
|                                                                | \$75,000-\$99,999              | 10.4%                   | 44    |           | 11.3%                      | 63    |           |
|                                                                | \$100,000-\$124,999            | 14.0%                   | 59    |           | 13.1%                      | 73    |           |
|                                                                | \$125,000-\$149,999            | 16.2%                   | 68    |           | 18.0%                      | 100   |           |
|                                                                | \$150,000-\$174,999            | 16.4%                   | 69    |           | 15.8%                      | 88    |           |
|                                                                | \$175,000-\$199,999            | 10.1%                   | 43    |           | 9.5%                       | 53    |           |
|                                                                | \$200,000-\$249,999            | 7.2%                    | 31    |           | 6.9%                       | 39    |           |
|                                                                | \$250,000 and up               | 8.4%                    | 35    |           | 10.0%                      | 56    |           |
|                                                                | Unknown                        | 0.8%                    | 3     |           | 0.6%                       | 3     |           |
| J. Estimated Home Value Range                                  | \$0K to \$19K                  | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                                                | \$20K to \$49K                 | 0.6%                    | 3     |           | 0.5%                       | 3     |           |
|                                                                | \$50K to \$99K                 | 0.2%                    | 1     |           | 0.2%                       | 1     |           |
|                                                                | \$100K to \$149K               | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                                                | \$150K to \$174K               | 0.5%                    | 2     |           | 0.4%                       | 2     |           |
|                                                                | \$175K to \$199K               | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                                                | \$200K to \$249K               | 0.4%                    | 2     |           | 0.3%                       | 2     |           |
|                                                                | \$250K to \$299K               | 0.2%                    | 1     |           | 0.1%                       | 1     |           |
|                                                                | \$300K to \$399K               | 1.3%                    | 6     |           | 1.0%                       | 6     |           |
|                                                                | \$400K to \$499K               | 4.4%                    | 19    |           | 3.3%                       | 19    |           |
|                                                                | \$500K to \$749K               | 19.3%                   | 81    |           | 18.7%                      | 104   |           |
|                                                                | \$750K to \$999K               | 41.0%                   | 173   |           | 42.6%                      | 238   |           |
|                                                                | \$1000K to 1M and over         | 31.2%                   | 131   |           | 32.1%                      | 179   |           |
|                                                                | Unknown                        | 0.9%                    | 4     |           | 0.7%                       | 4     |           |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)

|                                 |                        | Likely March 2020 Voter |       |           | Likely November 2020 Voter |       |           |
|---------------------------------|------------------------|-------------------------|-------|-----------|----------------------------|-------|-----------|
|                                 |                        | Column N %              | Count | Σ or Mean | Column N %                 | Count | Σ or Mean |
| K. Individual Party             | American Independent   | 3.1%                    | 13    |           | 3.6%                       | 20    |           |
|                                 | Democratic             | 45.3%                   | 191   |           | 42.8%                      | 238   |           |
|                                 | Green                  | 0.1%                    | 1     |           | 0.1%                       | 1     |           |
|                                 | Libertarian            | 0.9%                    | 4     |           | 0.7%                       | 4     |           |
|                                 | Natural Law            | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                 | Non-Partisan           | 21.3%                   | 90    |           | 25.3%                      | 141   |           |
|                                 | Other                  | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                 | Peace and Freedom      | 0.1%                    | 1     |           | 0.1%                       | 1     |           |
|                                 | Reform                 | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                 | Republican             | 29.2%                   | 123   |           | 27.4%                      | 153   |           |
|                                 | Unknown                | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                 | No data                | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
| L. Household Party Tyoe         | Dem                    | 30.0%                   | 126   |           | 28.0%                      | 156   |           |
|                                 | Dem&Ind                | 17.3%                   | 73    |           | 18.3%                      | 102   |           |
|                                 | Dem&Rep                | 8.6%                    | 36    |           | 7.8%                       | 44    |           |
|                                 | Dem&Rep&Ind            | 2.8%                    | 12    |           | 2.9%                       | 16    |           |
|                                 | Ind                    | 13.2%                   | 56    |           | 15.7%                      | 88    |           |
|                                 | Rep                    | 17.9%                   | 76    |           | 16.5%                      | 92    |           |
|                                 | Rep&Ind                | 10.3%                   | 43    |           | 10.8%                      | 60    |           |
|                                 | No data                | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
| M. Household Gender Composition | Mixed Gender Household | 67.9%                   | 286   |           | 64.6%                      | 360   |           |
|                                 | Female Only Household  | 19.3%                   | 81    |           | 21.4%                      | 119   |           |
|                                 | Male Only Household    | 12.2%                   | 52    |           | 13.2%                      | 74    |           |
|                                 | Cannot Determine       | 0.6%                    | 2     |           | 0.8%                       | 4     |           |
|                                 | No data                | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
| N. Registration Date            | 2017 to present        | 45.9%                   | 194   |           | 49.2%                      | 274   |           |
|                                 | 2013-2016              | 19.6%                   | 83    |           | 21.4%                      | 119   |           |
|                                 | 2009-2012              | 8.5%                    | 36    |           | 7.8%                       | 43    |           |
|                                 | 2005-2008              | 5.1%                    | 22    |           | 5.5%                       | 31    |           |
|                                 | 2001-2004              | 6.5%                    | 28    |           | 5.2%                       | 29    |           |
|                                 | 1997-2000              | 4.4%                    | 18    |           | 3.4%                       | 19    |           |
|                                 | 1993-1996              | 2.9%                    | 12    |           | 2.2%                       | 12    |           |
|                                 | 1981-1992              | 4.3%                    | 18    |           | 3.3%                       | 19    |           |
|                                 | 1980 or before         | 2.8%                    | 12    |           | 2.1%                       | 12    |           |
| O. Voting Frequency             | Not coded              | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
|                                 | 0                      | 0.4%                    | 2     |           | 0.3%                       | 2     |           |
|                                 | 1                      | 2.5%                    | 11    |           | 10.5%                      | 59    |           |
|                                 | 2                      | 3.5%                    | 15    |           | 11.6%                      | 65    |           |
|                                 | 3                      | 10.4%                   | 44    |           | 12.5%                      | 69    |           |
|                                 | 4                      | 15.8%                   | 66    |           | 14.1%                      | 79    |           |
|                                 | 5                      | 13.1%                   | 55    |           | 9.9%                       | 55    |           |
|                                 | 6                      | 13.0%                   | 55    |           | 9.8%                       | 55    |           |
|                                 | 7                      | 14.3%                   | 60    |           | 10.9%                      | 60    |           |
| P. Voting History               | 8                      | 27.0%                   | 114   |           | 20.4%                      | 114   |           |
|                                 | see detailed crosstabs |                         |       |           |                            |       |           |
| Q. Household Voter Count        | 1                      | 23.0%                   | 97    |           | 25.7%                      | 143   |           |
|                                 | 2                      | 52.9%                   | 223   |           | 53.8%                      | 299   |           |
|                                 | 3                      | 17.5%                   | 74    |           | 15.5%                      | 86    |           |
|                                 | 4                      | 6.3%                    | 27    |           | 4.9%                       | 27    |           |
|                                 | 5                      | 0.3%                    | 1     |           | 0.2%                       | 1     |           |
|                                 | No data                | 0.0%                    | 0     |           | 0.0%                       | 0     |           |
| R. Permanent Absentee Voter     | Military               | 0.5%                    | 2     |           | 0.4%                       | 2     |           |
|                                 | Permanent US           | 89.1%                   | 376   |           | 86.5%                      | 482   |           |
|                                 | Unknown                | 10.4%                   | 44    |           | 13.1%                      | 73    |           |
| S. Likely March 2020 Voter      | Yes                    | 100.0%                  | 422   |           | 75.7%                      | 422   |           |
|                                 | No                     | 0.0%                    | 0     |           | 24.3%                      | 135   |           |
| T. Likely November 2020 Voter   | Yes                    | 100.0%                  | 422   |           | 100.0%                     | 557   |           |
|                                 | No                     | 0.0%                    | 0     |           | 0.0%                       | 0     |           |

Attachment: October 2019 Polling Data (2751 : Revenue Measure 2020)



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

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

## **APPROVE HALE AVENUE EXTENSION PROJECT FUNDING AGREEMENT**

### **RECOMMENDATION(S)**

Authorize the City Manager to enter into a funding agreement with the Santa Clara Valley Transportation Authority (VTA) to fund the City's construction of the Hale Avenue Extension Project.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Maintaining Infrastructure  
Advancing Regional Initiatives

#### **2020-2021 Strategic Priorities**

Transportation

### **GUIDING DOCUMENTS**

Bikeways  
Trails  
Parks and Recreation Masterplan  
Vision Zero

### **REPORT NARRATIVE:**

The Hale Avenue Extension Project is a long-term significant transportation project of the City of Morgan Hill, designed to provide an arterial street for the west side of the community in alignment with the City's goal of providing complete streets. The limits of the Hale Avenue Extension project are Main Avenue at the north end and Spring Avenue at the south end (Attachment 1). The project has been designed as a two-lane roadway with a median, bike lanes, and pedestrian walkway in conformance with the City's multi-modal arterial standard. This reach of roadway has been a planned arterial in the City's General Plan since 1969.

Significant outreach on the project occurred with the Community in 2008 through 2012 when the project was intended to be funded by the City's then Redevelopment Agency. However, due to the loss of redevelopment, the project was put on hold for approximately 5 years. In 2016, the County's Measure B initiative through the VTA provided a means for funding of the project. At this time, the project was reinitiated with Measure B as the primary funding source for construction.

In 2017, the City certified the Environmental Impact Report (EIR) for the project. This report provided the community another significant opportunity to provide input on the project. With the EIR, the Official Plan Line was also established. The Plan Line

includes both the City's section of the project, between Main and Spring (Phase 1) and the County's section of the project, from DeWitt to Edmundson (Phase 2). The Plan allowed the City to obtain all of the right of way required for Phase 1 through an acquisition process that was conducted from 2017 through 2019.

Construction of the roadway is intended to commence this Fall and will be constructed in coordination with Valley Water's Upper Llagas Creek Flood Control Project. The two projects have various overlapping components near the intersection of Hale and Main Avenues and the Flood Control Project will need to complete work in that area prior to the Hale Avenue construction. Several joint infrastructure elements will be constructed by Valley Water but funded by the City as part of the Hale Avenue Project through a cost share agreement that will be brought to the City Council in the near future.

Before the Council tonight is the approval of a funding agreement (Attachment 2) with the VTA, which will provide the City \$16.5 million to construct the Hale Avenue Extension Project through Morgan Hill. The funding has come from the Expressway Program within Measure B, which consists of 20 projects throughout the County that are to be constructed over the life of the funding (30 years) with an estimated \$750 million for all of the projects. At this time, it is estimated there will be a significant shortfall and not all projects will receive funding from the Expressways Program. Out of the 20 projects, the Hale Avenue Extension Project was ranked fourth and awarded funding in the first round of funding allocations. Receiving funding for the City in the initial round is critical, as many of the projects in the northern urban portion of the County are estimated to cost hundreds of millions of dollars and could quickly take a decade worth of funding, pushing Morgan Hill's project back for many years.

The Hale Avenue Project is intended to accomplish several goals for the City, including:

- Create a two-lane multi-modal arterial street in line with the "Complete Streets" approach to roadway planning identified in the Morgan Hill General Plan
- Provide a continuous direct north/south route for the west side of the City, reducing through traffic on neighborhood streets
- Provide an alternate north/south road option on the west side of US Hwy 101 to relieve congestion on Monterey Road
- Provide a Class 1 Bike and Pedestrian facility separating bicyclists from the roadway
- Reduce energy consumption by providing an efficient multi-modal roadway configuration within the City of Morgan Hill

Details on impacts relating to traffic were outlined in a traffic study that was conducted in 2010, again in 2018 as part of the Environmental Impact Report and verified again in the 2019 Cut Through Traffic Study. In all cases the studies identify reduction in traffic on residential streets and a shifting of traffic to the arterial Hale Avenue roadway. The Hale Avenue specific studies are available on the City's Hale Avenue Project webpage (Attachment 3) and the Cut through Traffic Study is available on the City's Traffic and Transportation Management Page (Attachment 4).

## **COMMUNITY ENGAGEMENT: Consult**



Significant engagement has occurred over the last decade as it relates to the Hale Avenue Extension Project. Projects of this size require long term decisions be made for the future of Morgan Hill. The City's General Plan Updates and the Environmental Impact Report for this project both included significant engagement that set the framework for developing a funding strategy and the planning documents. City staff recently held a Town Hall meeting on Thursday, June 11 to specifically discuss the Hale Avenue Extension. The City's Hale Avenue Project webpage (Attachment 3) provides significant project background on the history of the project and its intended purpose.

### **ALTERNATIVE ACTIONS:**

The City Council could elect to not accept the grant funding. This would result in the project going unfunded and result in several potential issues, including:

- The project falling to the bottom of the Measure B County Expressways Program funding list and the project being held up for many years or decades
- The potential loss of PG&E property near Main Avenue currently in the eminent domain process, which in turn could result in significant delays to the Valley Water Flood Control Project that requires joint use of the property
- The City will be required to maintain the property owned by the City as a future roadway and to perform ongoing maintenance to the unimproved property, while it is unable to be used by the public

Should the Council wish to elect to not accept the funding, City staff will work to identify options for the Council, but is currently unable to identify short term options that would not cause significant fiscal hardship for the City due to previously spent Traffic Impact Funds on the acquisition of the property for this project.

### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

- In 1969 the City Council added the Hale Avenue Extension Project to the City's General Plan
- The Hale Extension Project is first programmed into the Capital Improvement Program in 2010/11 fiscal year
- The Council included the Roadway in the General Plan Circulation Element in February 2010
- City Council meeting on community engagement and moving forward in February 2011
- City Council community meeting for intersection design in August 2011
- Public Meeting on Draft EIR was held on June 8, 2016
- The City Council approved design contract with Mark Thomas on January 18, 2017
- The City Council certified the EIR and adopted a Plan Line on August 23, 2017
- The City Council approved Tran property purchase on December 6, 2017
- The City Council approved Giancola property purchase on December 6, 2017
- The City Council approved Howard property purchase on January 17, 2018
- The City Council approved a first amendment with Mark Thomas for design on April 18, 2018
- The City Council adopted the Fiscal Year 2018-19 through 2023-24 Capital Improvement Program Budget, including the Hale Avenue Extension Project

- The City Council approved Kerr property purchase on July 18, 2018
- The City Council approved a property conveyance with the County on August 22, 2018
- The City Council adopted a resolution of necessity to acquire property from PG&E on September 5, 2018
- The City Council approved Garcia property purchase on October 3, 2018
- The City Council adopted a relocation plan for the project on October 17, 2018
- The City Council approved Betpolice property purchase on February 20, 2019
- The City Council approved a second amendment with Mark Thomas on April 17, 2019
- The City Council approved a third amendment with Mark Thomas on December 18, 2019

#### **FISCAL AND RESOURCE IMPACT:**

Acceptance of this funding would provide \$16.5 million in funds for use on the construction of Hale Avenue. The project's construction estimate is \$16.5 million, however, the City has available Traffic Impact Funds (309) and Storm Drain Impact Funds (303) allocated towards project completion should bids come in slightly higher. Should bids for the project come in lower, the City would be able to utilize funding for some of the costs already incurred by the City (demolition of buildings, etc.).

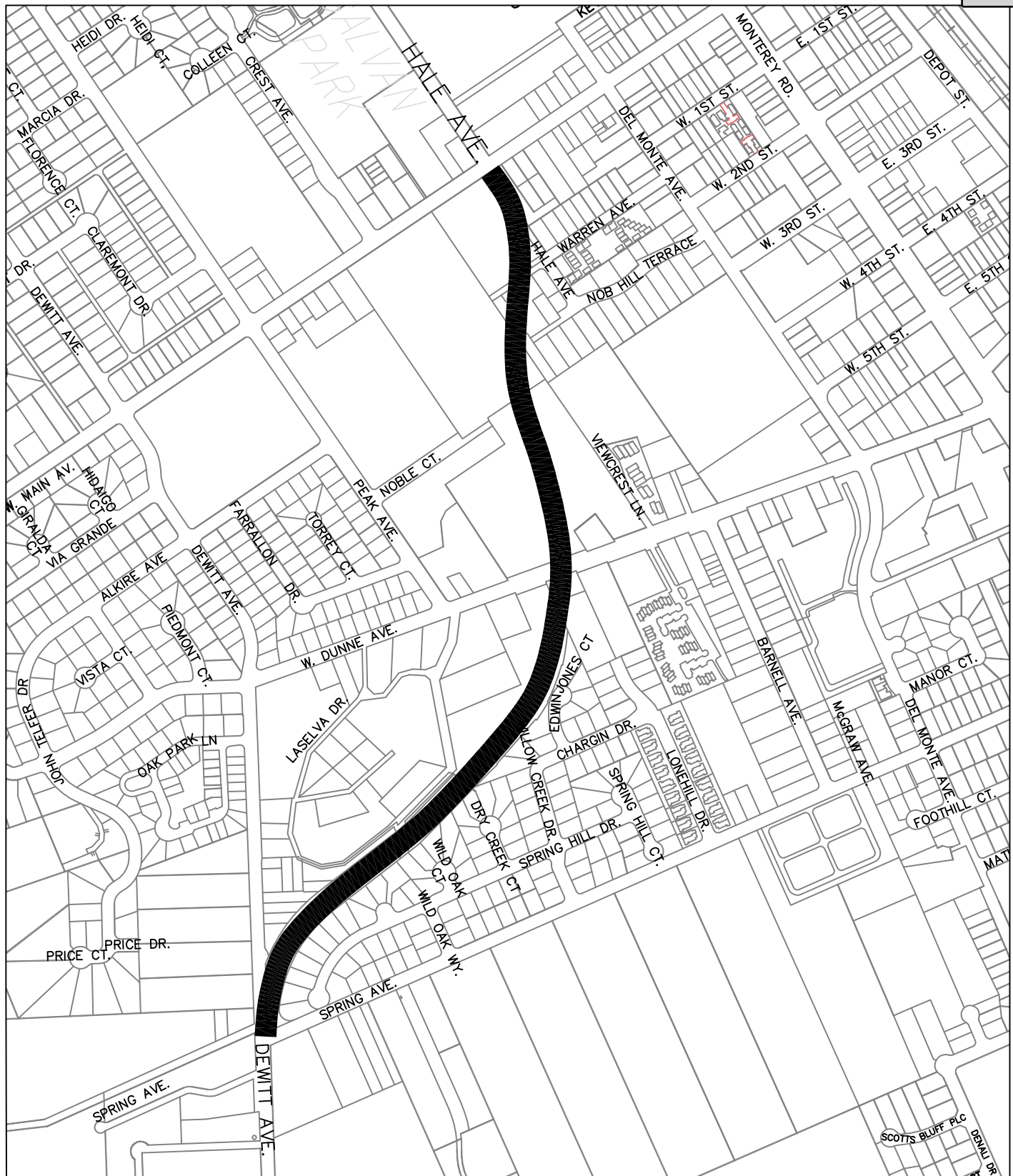
#### **CEQA (California Environmental Quality Act):**

Project

An Environmental Impact Report (EIR) was certified for the Hale Avenue Extension and Santa Teresa Corridor Widening and Realignment Project in accordance with the California Environmental Quality Act (CEQA).

#### **LINKS/ATTACHMENTS:**

1. Project Location Map - Hale Ave Extension
2. 2016MB\_EXWY\_Santa Teresa-Hale\_CoopAgmt\_MH\_FINAL\_06112020
3. Hale Extension Project Page (web link)
4. 2019 Cut through Traffic Study (web link)



Attachment: Project Location Map - Hale Ave Extension (2771 : Hale Extension Project Funding Agreement)

SCALE: NTS

# City of Morgan Hill

Public Works Department

LOCATION PLAN

Hale Avenue Extension



CITY OF MORGAN HILL

N:\PROJECTS\CIP\STREETS\546007-Santa Teresa Const\Staff Reports\hale

Date: 3/23/11

Drwn by: DIG

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COOPERATIVE AGREEMENT  
BETWEEN  
THE CITY OF MORGAN HILL  
AND  
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY  
FOR  
SANTA TERESA-HALE CORRIDOR ROAD & TRAIL BETWEEN DEWITT & MAIN PROJECT (PHASE 1)

THIS COOPERATIVE AGREEMENT ("Agreement") is made and entered into by and between the CITY OF MORGAN HILL, a municipal corporation of the State of California ("CITY"), and SANTA CLARA VALLEY TRANSPORTATION AUTHORITY, a public agency organized as a special district under California law ("VTA"). Hereinafter, CITY and VTA may be individually referred to as "Party" or collectively referred to as "Parties".

**I. RECITALS**

- A. Whereas, on June 24, 2016, the VTA Board of Directors adopted a resolution to place a ballot measure before the voters of Santa Clara County in November 2016 to authorize a one-half of one percent retail transaction and use tax ("2016 MEASURE B") for thirty (30) years for nine (9) transportation-related program categories; and
- B. Whereas, on November 8, 2016, the voters of Santa Clara County enacted 2016 MEASURE B; and
- C. Whereas, the duration of 2016 MEASURE B will be thirty (30) years from the initial year of collection, beginning April 1, 2017, and continuing through March 31, 2047; and
- D. Whereas, on October 5, 2017, the VTA Board of Directors established the 2016 Measure B Program ("PROGRAM") and adopted the 2016 Measure B Program Category Guidelines (as shown in Attachment A); and
- E. Whereas, the PROGRAM includes a "County Expressways" program category ("EXPRESSWAY CATEGORY") to fund the eligible projects identified in Attachment C (Santa Clara County Expressway Improvements (Tier 1)) of the 2016 MEASURE B ballot resolution (which is incorporated herein by this reference as if fully set forth herein and may be made available to CITY upon request to VTA) in order to relieve congestion, improve safety, and increase the effectiveness of the expressway system in Santa Clara County; and
- F. Whereas, the 2016 Measure B Program Category Guidelines for the EXPRESSWAY CATEGORY require that a minimum of ten percent (10%) of the total EXPRESSWAY CATEGORY program costs must be funded with non-2016 MEASURE B funds; and

- G. Whereas, on May 20, 2019, the Comprehensive County Expressway Planning Study Policy Advisory Board approved, and recommended approval by County of Santa Clara Board of Supervisors of, the Countywide Expressway Implementation Plan, which prioritizes 2016 MEASURE B eligible EXPRESSWAY CATEGORY projects; and
- H. Whereas, the County of Santa Clara's Board of Supervisors is scheduled to approve the Countywide Expressway Implementation Plan; and
- I. Whereas, Phase 1 of the Santa Teresa-Hale Corridor Road & Trail Between Dewitt & Main project (the "PROJECT") in the City of Morgan Hill is eligible for EXPRESSWAY CATEGORY funds; and
- J. Whereas, the anticipated total PROJECT cost is \$27,100,000.00; and
- K. Whereas, VTA and CITY acknowledge that, as of the Effective Date (as defined in the signature block below) of this Agreement, CITY has contributed approximately \$10,200,000 toward the PROJECT; and
- L. Whereas, on September 16, 2019, the County of Santa Clara requested that VTA enter into a separate agreement with CITY for delivery of the PROJECT; and
- M. Whereas, this Agreement is intended to identify the duties and funding responsibilities of the Parties for the PROJECT.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the Parties agree as follows:

## II. AGREEMENT

1. **Description of PROJECT.** The PROJECT will include the design and construction of the following elements in the City of Morgan Hill: (i) a two-lane multi-modal roadway on Hale Avenue with bike lanes and a separated pedestrian walkway between West Main Avenue and Spring Avenue, (ii) a traffic signal at Hale Avenue and Main Avenue, and (iii) a new roundabout at Hale Avenue and West Dunne Avenue.
2. **Financial Contributions for PROJECT.**
  - a. VTA's Financial Contribution for PROJECT. VTA will contribute an amount not to exceed \$16,500,000.00 of 2016 MEASURE B EXPRESSWAY CATEGORY funds to be used by CITY for completion of the PROJECT. All funds will be available on a reimbursement basis only, pursuant to the terms and conditions set forth herein.
  - b. CITY's Financial Contribution for PROJECT. CITY is solely responsible for all funds CITY has expended toward the PROJECT prior to January 1, 2020, and CITY must not seek

reimbursement from VTA for such costs.

- c. Additional Funds. Any additional funds required to complete the PROJECT will be CITY's sole responsibility.

**3. Term of Agreement.** This Agreement will commence upon the Effective Date (as defined in the signature block below) and continue through the earlier of: (i) December 31, 2021, (ii) completion of the PROJECT, or (iii) cancellation of the PROJECT.

**4. CITY's PROJECT Role.**

- a. Tasks. CITY will be the sponsor and implementing agency for the final design and construction phases for the PROJECT. In its role as sponsor and implementing agency under this Agreement, CITY must perform and/or be responsible for the following tasks:

- i. All actions necessary to procure design services for the PROJECT, including but not limited to advertising the work via a public solicitation, opening bids in response to the public solicitation, awarding a contract, approving contract documents, and administering the awarded design contract in accordance with all applicable laws, regulations, and codes, including but not limited to the California Public Contract Code and the California Labor Code.
- ii. All actions necessary to procure construction services for the PROJECT, including but not limited to advertising the work via a public solicitation, opening bids in response to the public solicitation, awarding a contract, approving contract documents, and administering the awarded construction contract in accordance with all applicable laws, regulations, and codes, including but not limited to the California Public Contract Code and the California Labor Code.
- iii. Obtain all necessary permits for performance of the PROJECT.
- iv. Serve as project manager and the construction management team for construction of the PROJECT.
- v. Conduct standard close-out activities for the PROJECT, including but not limited to performing final accounting review and reviewing all contractual requirements.

- b. Other PROJECT Management Duties. CITY must:

- i. Submit to VTA the most current version of VTA's 2016 Measure B Complete Streets Checklist for Capital Projects (as supplied by VTA to CITY) within 5 business days of the Effective Date (as defined in the signature block below)



of this Agreement.

- ii. Actively monitor actual PROJECT expenditures to ensure that the 2016 MEASURE B funds are used to pay only for ALLOWABLE COSTS (as defined in Section 6).
- iii. Provide VTA with written quarterly progress updates on the PROJECT, including but not limited to updates on PROJECT expenditures and PROJECT status.
- iv. Submit the PROJECT's final report ("FINAL REPORT") to VTA. This FINAL REPORT must be in writing and must include information regarding final PROJECT costs and post-construction photos, along with any other information VTA may require for inclusion in the FINAL REPORT.
- v. Provide VTA copies of PROJECT deliverables including, but not limited to, reports, designs, drawings, plans, specifications, schedules, and other materials. CITY will provide VTA a minimum of thirty (30) days to review and provide comments. VTA's comments must be considered in the final design phase of the PROJECT before CITY constructs the PROJECT. If CITY chooses not to incorporate any VTA comment into the final design for the PROJECT, CITY must provide VTA with a written explanation of why such comment was not incorporated.

**5. VTA's PROJECT Role.** VTA will perform and/or be responsible for the following tasks:

- a. Provide CITY with necessary VTA staff review of and participation in the final design for construction of the PROJECT.
- b. Provide oversight of the delivery of the PROJECT to ensure PROJECT compliance with the 2016 Measure B Program Category Guidelines.

**6. Allowable Costs.** The following costs and expenses are eligible for reimbursement, with no markup, by VTA under this Agreement (each, an "ALLOWABLE COST"): (i) staff costs actually incurred by CITY, at actual CITY staff rates, to perform the tasks described in Section 4 (CITY's PROJECT Role), (ii) CITY's administrative costs actually incurred to procure and manage the PROJECT contract(s) described in Section 4(a)(ii), and (iii) compensation actually paid by CITY to the PROJECT contractor(s) under the PROJECT contract(s) described in Section 4(a)(i) and 4(a)(ii). No other costs or expenses will be reimbursed by VTA under this Agreement unless VTA approves otherwise in writing.

**7. Invoicing & Reimbursement.**

- a. In order to request reimbursement of ALLOWABLE COSTS, CITY must:

- i. Submit invoices to [vta.accountspayable@vta.org](mailto:vta.accountspayable@vta.org), no more frequently than monthly, for reimbursement of work completed on the PROJECT. Invoices for reimbursement of third-party contractor costs must be submitted by CITY to VTA within one year of the date posted on the contractor's invoice submitted as substantiation for CITY's invoice.
    - ii. Along with each invoice, submit to [vta.accountspayable@vta.org](mailto:vta.accountspayable@vta.org) all supporting documentation and records including contractors' invoices, miscellaneous invoices, and force account charges as substantiation for invoices submitted to VTA for reimbursement hereunder.
  - b. VTA shall remit the amount due to CITY within thirty (30) calendar days of receipt of a complete and proper, fully documented invoice. In the event that the PROJECT is cancelled for any reason, VTA will not be responsible for and will not reimburse any costs or expenses incurred by CITY after the effective date of the PROJECT cancellation.
- 8. Public Works.** If CITY awards a contract to a third party for the performance of a public work (as defined in California Labor Code Section 1720 through 1720.6) (a "Public Works Contract") in connection with this Agreement, CITY must comply, and must require such third party to comply, with the requirements of California Labor Code Section 1720 et seq. If the Public Works Contract is funded in whole or in part with federal funds, CITY must also comply, and must require such third party to also comply, with the requirements of the Davis Bacon Act (40 U.S.C. Sections 3141-3144 and 3146-3148).
- 9. Additional Insured & Indemnatee.** In any agreement executed between CITY and a third party for purposes related in any way to the subject matter of this Agreement ("Third Party Contract"), CITY must require that: (i) VTA be named as an additional insured on all policies of insurance required by CITY in the Third Party Contract, (ii) VTA be named as an indemnified party in any indemnity provision contained in the Third Party Contract, and (iii) the insurance and indemnity provisions in the Third Party Contract provide VTA with at least as broad of protections as this Agreement does.
- 10. Compliance with Applicable Law.** In the execution of the PROJECT and performance of its responsibilities set forth herein, CITY must comply with all applicable requirements of state, federal, and local law.
- 11. Compliance with 2016 Measure B Requirements.** In its performance under this Agreement, CITY must comply with, and must ensure PROJECT compliance with, all 2016 MEASURE B requirements set forth in the 2016 Measure B Program Category Guidelines for the EXPRESSWAY CATEGORY as identified in **Attachment A**, attached hereto. CITY will make staff available to present on the PROJECT at VTA committees as needed.
- 12. Termination & Notice of PROJECT Cancellation.** Either Party may terminate this Agreement



by giving thirty (30) days written notice to the other Party. Notice must be provided in accordance with the terms and conditions of this Agreement.

In the event that the PROJECT is cancelled for any reason, CITY must provide VTA with written notice thereof within 5 business days of the effective date of such cancellation. CITY must identify the effective date of such cancellation in the aforementioned notice. In such event, CITY must submit its final invoice to VTA within thirty (30) calendar days of the effective date of PROJECT cancellation, solely for ALLOWABLE COSTS incurred by CITY prior to the PROJECT cancellation (see Section 7(b)).

### **13. Audit and Record Retention.**

- i. CITY must maintain, in accordance with generally accepted accounting principles and practices, complete books, accounts, records and data with respect to actual time devoted and costs incurred for performance under this Agreement. Such documentation must be supported by properly executed payrolls, invoices, contracts and vouchers evidencing in detail the nature and propriety of any charges. Such documentation must be sufficient to allow a proper audit of CITY's performance hereunder. All checks, payrolls, invoices, contracts, and other accounting documents pertaining in whole or in part to the PROJECT must be clearly identified and readily accessible.
- ii. For the duration of this Agreement, and for a period of five (5) years thereafter, VTA, its representatives and the state auditor will have the right to examine and audit during CITY's normal business hours the books, accounts, records, data, and other relevant information, to the extent required to verify the costs incurred hereunder where such costs are the basis for billings under this Agreement.

**14. Indemnification.** Neither VTA nor any officer or employee thereof will be responsible for any damage or liability arising out of or relating to CITY's acts or omissions under or in connection with any work, authority, or jurisdiction associated with this Agreement. In addition, pursuant to California Government Code §895.4, CITY must fully defend, indemnify, and save harmless VTA from all suits or actions of every name, kind, and description brought on for or on account of injury (as defined by California Government Code §810.8) arising out of or relating to CITY's acts or omissions under or in connection with any work, authority, or jurisdiction delegated to CITY under this Agreement. This provision will survive the termination or expiration of this Agreement.

**15. No Waiver.** The failure of either Party to insist upon the strict performance of any of the terms of this Agreement will not be deemed a waiver of any right or remedy that either Party may have, and will not be deemed a waiver of their right to require strict performance of all of the terms thereafter.

**16. Notice.** Any notice required to be given by either Party, or which either Party may wish to give, must be in writing and served either by personal delivery or sent by certified or registered mail, postage prepaid, addressed as follows (or to such other address which may

be specified in writing by the Parties hereto):

To VTA: Santa Clara Valley Transportation Authority  
Marcella Rensi, Deputy Director of Grants & Fund Allocation  
3331 North First Street, Bldg. A  
San Jose, CA 95134-1906  
Marcella.Rensi@vta.org

To CITY: City Clerk  
City of Morgan Hill  
17575 Peak Avenue  
Morgan Hill, CA 95037  
cityclerk@morganhill.ca.gov

Written notification to the other Party must be provided, in advance, for changes in the name or address of the individuals identified above.

Notice will be deemed effective on the date personally delivered or, if mailed, three (3) days after deposit in the United States mail.

**17. Dispute Resolution.** If a question or allegation arises regarding (i) interpretation of this Agreement or its performance, or (ii) the alleged failure of a Party to perform, the Party raising the question or making the allegation must give written notice thereof to the other Party. The Parties must promptly meet in an effort to resolve the issues raised. If the Parties fail to resolve the issues raised, alternative forms of dispute resolution, including mediation, may be pursued by mutual agreement. It is the intent of the Parties to the extent possible that litigation be avoided as a method of dispute resolution.

**18. Entire Agreement.** This Agreement contains the entire understanding between VTA and CITY relating to the subject matter hereof. This Agreement supersedes any and all other agreements which may have existed between the Parties, whether oral or written, relating to the subject matter hereof. This Agreement is binding upon each Party, their legal representatives, and successors for the duration of the Agreement.

**19. Amendments.** No alteration or variation of the terms of this Agreement will be valid unless made in writing and signed by both of the Parties hereto, and no oral understanding or agreement not incorporated herein will be binding on any of the Parties hereto.

**20. Warranty of Authority to Execute Agreement.** Each Party to this Agreement represents and warrants that each person whose signature appears hereon has been duly authorized and has the full authority to execute this Agreement on behalf of the entity that is a Party to this Agreement.

**21. Severability.** If any term, covenant, condition, or provision of this Agreement, or the application thereof to any person or circumstance, is to any extent be held by a court of

competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms, covenants, conditions, and provisions of this Agreement, or the application thereof to any person or circumstance, will remain in full force and effect and will in no way be affected, impaired, or invalidated thereby.

**22. Governing Law.** The laws of the State of California will govern this Agreement, as well as any dispute that might arise between VTA and CITY, without regard to conflict of law provisions.

**23. Venue.** Any lawsuit or legal action arising from this Agreement must be commenced and prosecuted in the courts of Santa Clara County, California. CITY agrees to submit to the personal jurisdiction of the courts located in Santa Clara County, California for the purpose of litigating all such claims.

*Signatures of parties on following page.*

In witness whereof, VTA and CITY have executed this Agreement as of the last date set forth below (“Effective Date”).

CITY

VTA

\_\_\_\_\_  
Christina Turner  
City Manager

\_\_\_\_\_  
Nuria I. Fernandez  
General Manager/CEO

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

APPROVED AS TO FORM:

APPROVED AS TO FORM:  
p.p.

\_\_\_\_\_  
Donald Larkin  
City Attorney

\_\_\_\_\_  
Megan Gritsch  
Assistant Counsel

ATTACHMENT A  
COUNTY EXPRESSWAYS PROGRAM GUIDELINES  
(Adopted by VTA Board of Directors on October 5, 2017)

**Definition from Resolution No. 2016.06.17**

To fund Tier 1 improvement projects in the County's Expressway Plan in order to relieve congestion, improve safety and increase the effectiveness of the expressway system in the county. Candidate Projects are set forth in Attachment C.

**Total Funding**

- \$750 million in 2017 dollars.

**Distribution**

- VTA Board of Directors will allocate funding on a 2-year cycle.
- As candidate projects move forward in readiness (ability to expend Measure funds), the County of Santa Clara will submit request for funding.
- Funds will be available on a reimbursement basis.

**Implementation**

- VTA and the County of Santa Clara will execute a Master Agreement for the administration of the 2016 Measure B County Expressways Program.
- VTA staff will work with the County of Santa Clara to advance projects and maintain an implementation plan.
- County Expressway Policy Advisory Board (PAB) will recommend the prioritization of projects.
- Projects will be distributed into three categories:
  - Conventional – Up to \$10M
  - Major – \$10-\$50M
  - Lawrence Grade Separations
- Funds will be available on a reimbursable basis. Agencies may submit invoices to VTA on a monthly, quarterly or annual basis.

**Criteria**

- Only projects and programs currently listed on 2016 Measure B Attachment C are eligible.
- Project timelines will be developed based on the County Expressway PAB adopted criteria, which includes the following:
  - Project readiness
  - Complexity
  - Geographic balance and public impact
  - Timing of other funding sources
  - Additional factors
    - Safety
    - Public support
    - Gap closures

**Requirements**

- Program requires a 10% non-2016 Measure B contribution.
- Reporting requirements will be detailed in agreements executed with VTA.
- All projects must comply with VTA's Complete Streets Reporting Requirements.
- All collateral material will be required to display a 2016 Measure B logo.



## **CITY COUNCIL STAFF REPORT**

### **MEETING DATE: June 17, 2020**

PREPARED BY: Jennifer Carman, Community Development Director  
APPROVED BY: City Manager

## **RECEIVE UPDATE REGARDING REGIONAL HOUSING NEED ALLOCATION AND HOUSING ELEMENT REFORMS**

### **RECOMMENDATION(S)**

Receive report.

### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

#### **Ongoing Priorities**

Preserving and Cultivating Public Trust  
Advancing Regional Initiatives

#### **2020-2021 Strategic Priorities**

Affordable Housing and Homelessness

### **GUIDING DOCUMENTS**

General Plan/Housing Element

### **REPORT NARRATIVE:**

#### **BACKGROUND**

Since 1969, the State of California has required local governments to adequately plan to meet the housing needs of everyone in their communities through the development of Housing Elements. The laws that govern this process are collectively known as the State Housing Element Law. The Regional Housing Need Allocation (RHNA) process is part of the State Housing Element Law used to determine how many new homes, and the affordability of those homes, local governments must plan for in their Housing Elements.

The State Department of Housing and Community Development (HCD) first determines each region's housing need by income level for the planning period. The regional council of governments (in the Bay Area, the council of governments is ABAG – the Association of Bay Area Governments) then allocates RHNA shares to each jurisdiction using a methodology developed by the regional council which includes specific variables required by state law.

Local governments participate in the development of the allocation methodology and are required to update their Housing Elements to show how they will accommodate their share of the RHNA. They are required to demonstrate they have enough land, vacant or feasible for redevelopment, zoned to accommodate their assigned housing units at all income levels.

Local governments are also required to list programs they will implement to address identified housing needs and goals. The City's current certified Housing Element was adopted in February 2015 and plans for 928 new homes from 2014 to 2022 and is applicable from 2015 to 2023 (through December 2022).

The nine county Bay Area is currently heading into its sixth RHNA cycle, which will last from 2023 to 2031. In anticipation of the end of the current bay area housing cycle, ABAG convened its Housing Methodology Committee in October 2019. The Committee is comprised as follows:

- Nine elected officials (one from each Bay Area county)
- Twelve (12) jurisdiction housing or planning staff (at least one from each county)
- Sixteen (16) regional stakeholders representing diverse perspectives, from equity and open space to public health and public transit
- One partner from state government

Morgan Hill's Development Services Director, Jennifer Carman, is an alternate for the Santa Clara County city representative on the Committee. Housing Methodology and RHNA schedules have been pushed back slightly in the last few months. The City will need to submit its Housing Element update for certification by January 2023 instead of December 2022.

| <b>ABAG 2023-2031 RHNA and Plan Bay Area 2050 Key Milestones</b>   | <b>Proposed Deadline</b> |
|--------------------------------------------------------------------|--------------------------|
| Housing Methodology Committee kick-off                             | October 2019             |
| Subregions form <sup>1</sup>                                       | February 2020            |
| Plan Bay Area 2050 Regional Growth Forecast                        | April 2020               |
| HCD Regional Housing Need Determination <sup>2</sup>               | Summer 2020              |
| Plan Bay Area 2050 Draft Blueprint                                 | July 2020                |
| Proposed RHNA methodology, <sup>3</sup> draft subregion shares     | Fall 2020                |
| Plan Bay Area 2050 Final Blueprint                                 | December 2020            |
| Final subregion shares <sup>4</sup>                                | December 2020            |
| Draft RHNA methodology to HCD for review <sup>5</sup>              | Winter 2021              |
| Final RHNA methodology, <sup>6</sup> draft allocation <sup>7</sup> | Spring 2021              |
| RHNA appeals <sup>8</sup>                                          | Summer 2021              |
| Final Plan Bay Area 2050                                           | September 2021           |
| Final RHNA allocation <sup>9</sup>                                 | Winter 2021              |
| Housing Element due date <sup>10</sup>                             | January 2023             |



The RHNA distribution methodology is a formula that calculates the number of housing units assigned to each jurisdiction and further distributes each jurisdiction's housing unit allocation among four affordability levels: very low income, low income, moderate income, and above moderate income. The RHNA methodology must meet 5 objectives identified in Housing Element Law:

1. Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner.
2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reduction targets.
3. Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.
4. Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category.
5. Affirmatively furthering fair housing.

The RHNA must also be consistent with the growth pattern outlined in the region's long-term land use and transportation plan, Plan Bay Area 2050.

The methodology for the 2023-2031 RHNA cycle is proposed to be comprised of three primary aspects: (1) Baseline Allocation, (2) Factor Adjustments, and (3) Factor Weights. The development of the methodology factors are yet to be finalized. Once finalized, each selected methodology factor will adjust a jurisdiction's baseline allocation up or down, depending on the factor's impact to a jurisdiction. A summary of the methodology development tools is available via the link below.

Link to Methodology Summary:

<https://mtc.legistar.com/View.ashx?M=F&ID=8020813&GUID=03B7ECD6-E63E-43B7-99D9-94533C2C2FE9>

## **Legislation**

During the last year, staff mentioned legislation that will change how the methodology process and housing element development are conducted. The following is a brief summary of several bills adopted in 2017 and 2018 that substantially reform RHNA and local housing elements going forward. The legislation aims to promote housing production and ensure a more equitable distribution of housing within regions and local jurisdictions and a mix of housing at affordability levels needed for the region.

*RHNA Methodology:*

SB 828 (2018): SB 828 adds or adjusts the following variables to HCD's RHNA methodology:

- The "overcrowd[ing] rate of a comparable housing market" is defined relative to comparable regions throughout the country.
- The "vacancy rate for a healthy rental housing market" is defined as at least 5%.
- "Cost burdened" households are defined as the share of households by income level that are paying more than 30% of their income for housing.
- The "rate of housing cost burden for a healthy housing market" is defined relative to the average rate of cost burdened households in comparable regions throughout the country.

Link to bill text:  
[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB828](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB828)

AB 1771 (2018): AB 1771 adds or adjusts the following objectives for regions to advance in their allocation plans:

- Promoting jobs-housing fit, including balancing the number of low-wage jobs and the amount of housing affordable to low-wage workers in each jurisdiction.
- Affirmatively Furthering Fair Housing (AFFH), which is defined as meaningful actions that overcome segregation and foster inclusive communities and access to opportunity regardless of protected classes.

The bill also adds or adjusts the following factors that regions must incorporate into their methodology:

- Existing and future relationship between jobs and housing, particularly low-wage jobs and affordable housing
- Rate of overcrowding
- Regional greenhouse gas targets

Link to bill text:  
[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180AB1771](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1771)

**Housing Elements – These laws are the most impactful to the preparation of the sixth cycle Housing Element.**

SB 166 (2017): SB 166 adds a "no net loss" provision for housing element site inventories. If an approved project on a housing element site has fewer units by income category than what was identified in a local government's housing element, the remaining sites in the housing element must be adequate to meet the unmet RHNA requirements, or the local government is required to identify and rezone additional sites to fully accommodate the unmet need within 180 days.

Link to bill text:  
[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB166](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB166).

AB 1397 (2017): AB 1397 increases eligibility requirements for housing element inventory sites. Sites in the inventory must now be both suitable and available. Sites smaller than half-acre or larger than 10 acres are not considered adequate for lower income housing unless the jurisdiction provides examples of sites of equivalent size that were successfully developed during the prior planning period for an equivalent number of lower income housing units or other supporting evidence. Vacant sites cannot be used for more than two consecutive planning periods, and non-vacant sites for consecutive planning periods, unless the site is rezoned to allow at least 20 units per acre and by-right development if at least 20% of the units are affordable to lower income households.

In addition, non-vacant sites must have realistic and demonstrated potential for redevelopment. If a local government uses non-vacant sites to accommodate most of its lower income housing need, existing uses are presumed impediments absent substantial findings that the use is likely to be discontinued during the planning period. Finally, non-vacant sites with rent-controlled units, deed-restricted units, or units with lower income residents within the past five years must be replaced at the same or a lower income level.

Link to bill text:

[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180AB1397](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB1397)

AB 686 (2018): AB 686 adds a fair housing requirement for housing elements that includes:

- A summary of fair housing issues in the jurisdiction and an assessment of the jurisdiction's fair housing enforcement and fair housing outreach capacity.
- An analysis of available federal, state, and local data and knowledge to identify integration and segregation patterns and trends, racially or ethnically concentrated areas of poverty, disparities in access to opportunity, and disproportionate housing needs within the jurisdiction, including displacement risk.
- Evaluation of how policies encourage distribution of affordable housing into all areas of the community, creating diversity and eliminating concentrations of low-income units in only specific areas.
- Creation of policies which ensure additional access and inclusivity/diversity of the community in all neighborhoods.
- An identification of the jurisdiction's fair housing priorities and goals and identifying the metrics and milestones for determining what fair housing results will be achieved.
- Strategies and actions to implement those priorities and goals, which may include enhancing mobility strategies and encouraging development of new affordable housing in areas of opportunity, including preservation of existing affordable housing, and protecting existing residents from displacement.

Link to bill text:  
[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180AB686](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB686)

Staff is currently participating in the County of Santa Clara's Affirmatively Furthering Fair Housing (AFH) Advisory Committee.

What is the AFH process? The U.S. Department of Housing and Urban Development (HUD) requires local governments that receive certain HUD grants (such as Community Development Block Grant funds) to conduct a comprehensive fair housing plan. Jurisdictions rely upon data and maps, policy analysis, local knowledge, and community participation to identify overarching fair housing issues (such as patterns of segregation or disproportionate rates of housing cost burden), their underlying causes, and potential solutions.

The AFH Advisory Committee meets to discuss the status of the process, possible policy goals or recommendations, and ideas for increasing community participation. The AFH Advisory Committee includes a mix of fair housing organizations, legal services providers, housing industry groups, civil rights advocates, tenant organizers, affordable housing developers, local government staff, and other important stakeholders. The County and other cities are working with consultants-Counsel from the Fair Housing & Community Development Project Lawyers' Committee for Civil Rights (including Morgan Hill and the other smaller cities that participate in the Community Development Block Grant (CDBG) urban county consortium, as well as the cities of Cupertino, Gilroy, Mountain View, Palo Alto, San Jose, Santa Clara, and Sunnyvale) as they all prepare a Regional Assessment of Fair Housing (AFH). This has always been a requirement for receiving CDBG and HOME funds.

Goals were circulated in early January of 2020. The consultant provided high-level goal framing with multiple strategies to achieve those goals. This work will naturally become a springboard for the City's future local Housing Element work whereby the City will need to satisfy the Housing Element's AFH requirements. The following draft goals have been developed.

#### Santa Clara County Regional Assessment of Fair Housing Draft Goals

- Promote residential racial and ethnic integration and reduce displacement by increasing the supply of affordable housing in both high opportunity areas, areas with ongoing displacement, and areas that are at risk of displacement.
- Reduce zoning and land use barriers to affordable housing development.
- Protect tenants from displacement through more robust tenant protections and access to legal services.
- Reduce substandard housing conditions, particularly for low-income residents of unsubsidized housing.
- Increase access to opportunity for residents of historically disinvested low-income communities of color.
- Adjust prioritization of permanent supportive housing units to more equitably meet the needs of Hispanic residents, domestic violence victims, persons with limited English proficiency, and individuals with chronic health problems.

- Increase support for fair housing enforcement, education, and outreach.

## ANALYSIS

RHNA: The changes to HCD's methodology are likely to substantially increase the Bay Area's total housing needs allocation and Morgan Hill's by extension. In past meetings, staff has discussed the 300% increase in allocations for the Southern California Association of Governments (SCAG). Some Bay Area cities are expecting to be assigned much more than that. A recent memo issued by the City of Cupertino estimates that the City could see a 500-600% increase.

The severity of the regional housing crisis and its impacts on projected need, overcrowding, vacancy rates, and cost burden mean that the Bay Area can expect a similar increase in RHNA. Morgan Hill can expect a much higher numerical allocation consistent with a significant regionwide increase. As an illustration, if the Bay Area's regional housing need increased in proportion to SCAG's increase, and the same methodology used in the fifth cycle was used for the sixth cycle, the City would be assigned between 1,856 to 2,784 units, a 200-300% increase from the fifth cycle of 928. It is difficult at this point to predict what the outcome of the RHNA process will be for Santa Clara County jurisdictions. That said, planning and housing professionals expect that the overall regional growth projection will be around 20% over the eight-year period. Without any weighting, this would correspond to approximately doubling the previous RHNA for Santa Clara County jurisdictions.

However, state law requirements, best planning practices, and comments from Housing Methodology Committee members imply that the allocation for Santa Clara County may be much higher. There are a few categories of cities that are more likely to have significantly higher RHNA numbers. These include:

- Job rich cities – Cities may be expected to close some or all of their jobs/housing imbalance as part of the RHNA process. Many members of the RHNA methodology committee have said that they want employment to be the primary driver of RHNA. The current visualization tool does not reflect this desire, but this may change. Morgan Hill is not considered a job rich city.
- Small towns near job rich cities – In Southern California, the methodology greatly increased RHNA numbers for small, residential towns near job centers. For example, West Hollywood's RHNA increased from 77 to 3,460. Currently, the visualization tool does not predict this, but it is a possibility.
- Cities with good public transportation networks – ABAG may choose to put more RHNA near cities with access to public transportation to reduce greenhouse gasses.
- Cities with opportunity areas – Housing methodology committee members have also expressed a strong interest in having more housing in areas of high opportunity (low poverty, good schools, etc.) This would most significantly affect northern Santa Clara County and West Valley cities.

There is a visualization tool developed by ABAG available here: <https://rhna-factors.mtcanalytics.org/>. Please note that the tool is educational in nature and not predictive.

Accommodating a substantial increase in residential units will necessitate General Plan and Zoning changes and could trigger the need for a new Environmental Impact Report to add capacity. The City will need to seriously consider how it can satisfy the RHNA goals and balanced community needs while planning for an adequate number of housing units, consistent with economic development and land use goals and policies that promote a healthy and sustainable community.

Housing Element: Changes in the State Housing Element Law compound the difficulty presented by a higher RHNA. The current site inventory illustrates the impact of these tightened standards. Of the 1290 units of housing capacity identified in the current Housing Element identified for 80 sites:

- 0 units (0%) were planned on non-vacant sites avoiding the requirement for findings that existing uses in non-vacant parcels are likely to be discontinued.
- 26 units (20%) were planned on sites smaller than half-acre and require evidence of equivalent sites being developed.
- 536 units (42%) were planned on sites reused from the previous housing element.
- 523 units (41%) were planned on sites that must be upzoned to the default density of 20 units per acre to be reused in the future housing element. 495 of these require greater than a 50% upzone change. By-right development would be allowed with at least 20% affordable units.
- 231 units (17%) were planned on sites already zoned to the default density.

If AB 1397 had been in effect during the last Housing Element cycle, impacts would have included allowing by-right development with at least 20% affordable units. AB 686 requires the City to develop the site inventory with an Affirmatively Furthering Fair Housing (AFFH) lens creating additional complexity to the work for the sixth cycle. Addressing disparities will likely require planning for more affordable housing in high opportunity/resource areas. These areas are defined by MTC/ABAG, HCD and the California Tax Credit Allocation Committee, which uses them in evaluating financing for affordable housing projects (See attached map – Attachment 1). Morgan Hill does not have any high resource areas, but conversely has “low resource” areas as well as “disadvantaged areas” as identified by Cal EPA Enviroscan. It is unclear how the presence of these areas will also impact the assessment and assignment of units. Surely, Morgan Hill will need to carefully evaluate housing opportunity sites through the Fair Housing lens, to make sure that affordability is not concentrated into these areas.

It is important to note that the City has been very proactive and successful meeting the 928 unit RHNA goal for the current cycle – we are at 222% of completion for the total gross RHNA allocation; 928 units were assigned, and 2061 have been achieved.

However, the City still falls short of 193 very-low income units based on its last annual RHNA report. Fortunately, with the pending pipeline of upcoming units, the City is anticipating additional very-low income units; thus the actual remaining need is to identify approximately 115 new, very-low income units. The Housing team is actively pursuing opportunities that have the potential to achieve the remaining 115 unit, very-low income goal.

Subsequent to the certification of the current Housing Element, the City has adopted a new General Plan and corresponding Zoning Ordinance that increased density in current parts of the City. The new housing element inventory will evaluate previous sites and unit estimates and look for additional capacity in accordance with state laws.

#### Staff Work in Response to State Reforms

Between the need to plan for more residential units, fewer eligible sites on which to put them, enhanced fair housing requirements, and increased HCD oversight, the City will need to expand the range of sites it considers for its upcoming inventory and rezone accordingly. Several high-level strategies that would help the City achieve compliance with State law include a broader base of inventory sites, a focus on higher-opportunity areas, and developing a site inventory that focuses on inventory and density. The state has made it clear that the City will be required to rezone land to accommodate the RHNA. Without upzoning, a significant portion of the current inventory still available for future development will not be able to be included within the state inventory.

Staff is preparing a work program for the Housing Element Update process, identifying needed resources, and applying for HCD grant funding to support some of the activities noted above. The work will be a team effort between the Planning and Housing Divisions and will be led by the Development Services Director and Housing Manager. The Housing Element team includes teammates who have successfully project led and/or independently developed multiple certified housing elements over the last three housing cycles.

The importance of having a certified Housing Element must not be underestimated. Future funding programs involving housing, community development, and infrastructure include housing element compliance as a rating and threshold requirement. HCD is increasingly looking at other fiscal penalties – including withholding tax payments for non-compliance with Housing Element law. The Housing Element update will be the highest priority work item in the next two and a half years for the Development Services Department.

Over the coming months, staff will continue to provide input into the development of the RHNA methodology for the Bay Area, as part of its role on the Housing Methodology Committee. Staff will also continue to provide briefing materials and memos to the City Council as the Housing Element scoping process begins.

#### **COMMUNITY ENGAGEMENT: Inform**

The Housing Element process will include a robust public engagement program that will shift “Inform” to “Involve”. The project scope will include numerous workshops, communication materials and other informational products.

**ALTERNATIVE ACTIONS:**

Not Applicable.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

None

**FISCAL AND RESOURCE IMPACT:**

This report is intended for information purposes only. There is no fiscal impact associated with this report. Tracking legislations and participating in regional matters directly impacting Morgan Hill are activities included in the staff’s annual workplan.

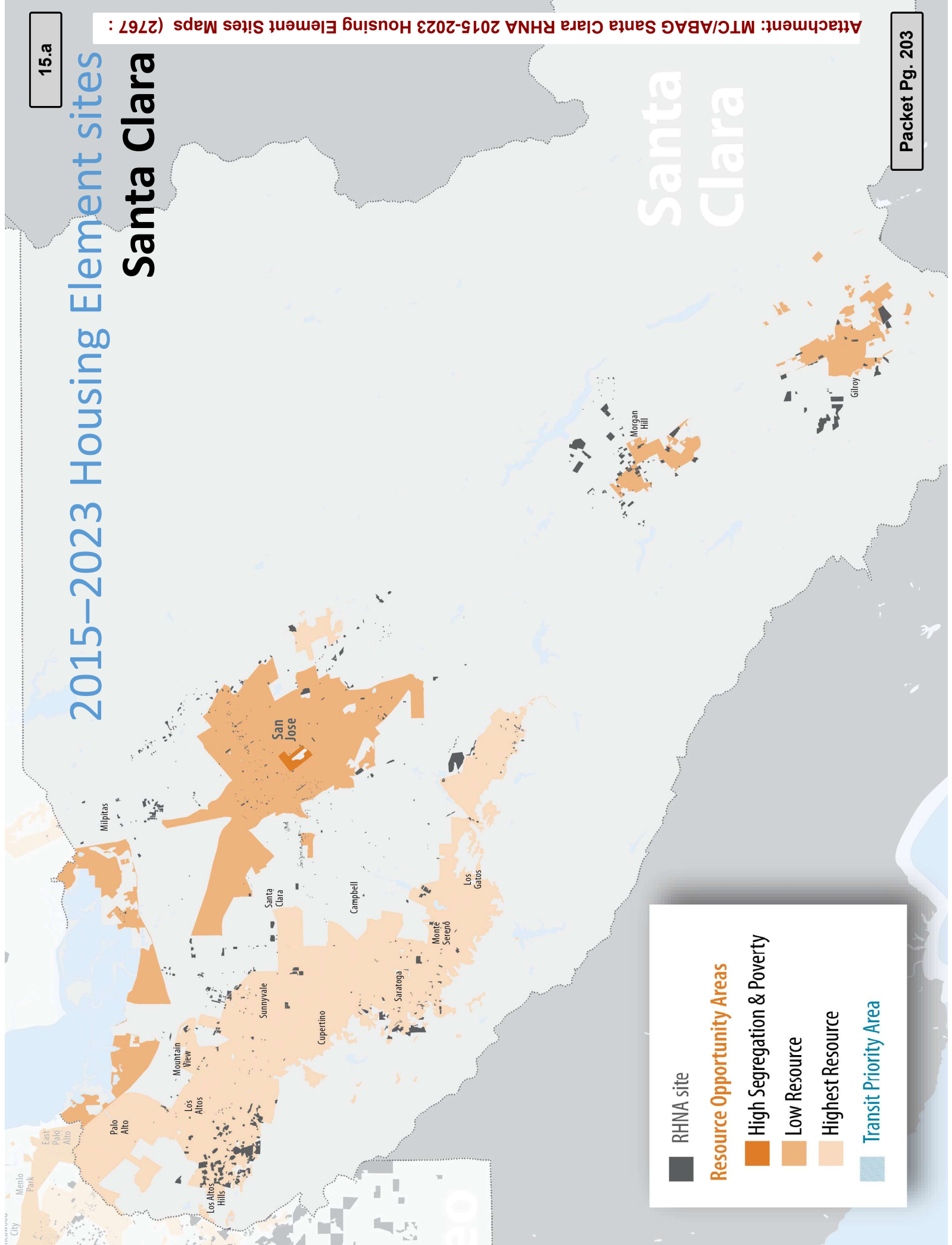
**CEQA (California Environmental Quality Act):**

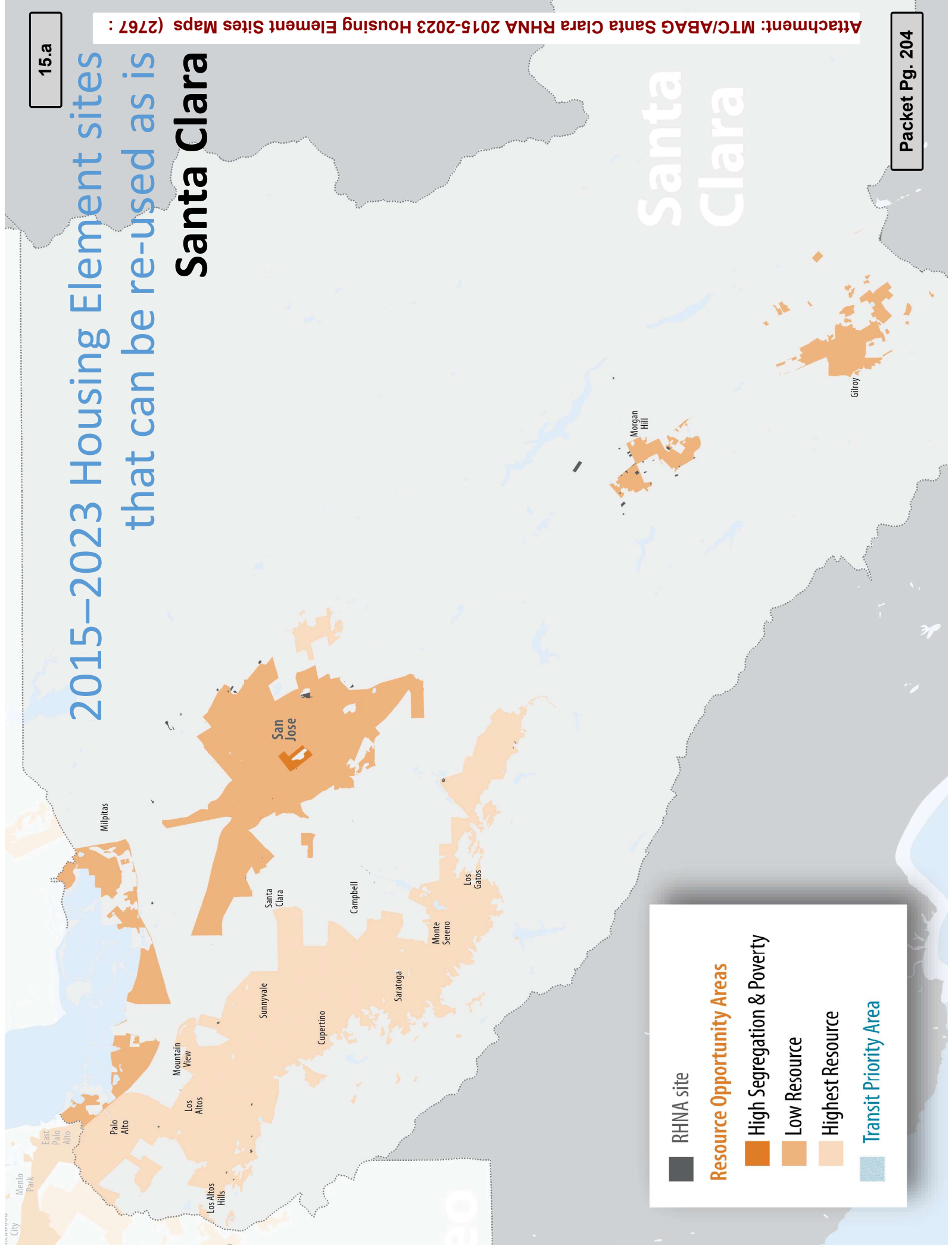
Not a Project: Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are not subject to CEQA review.

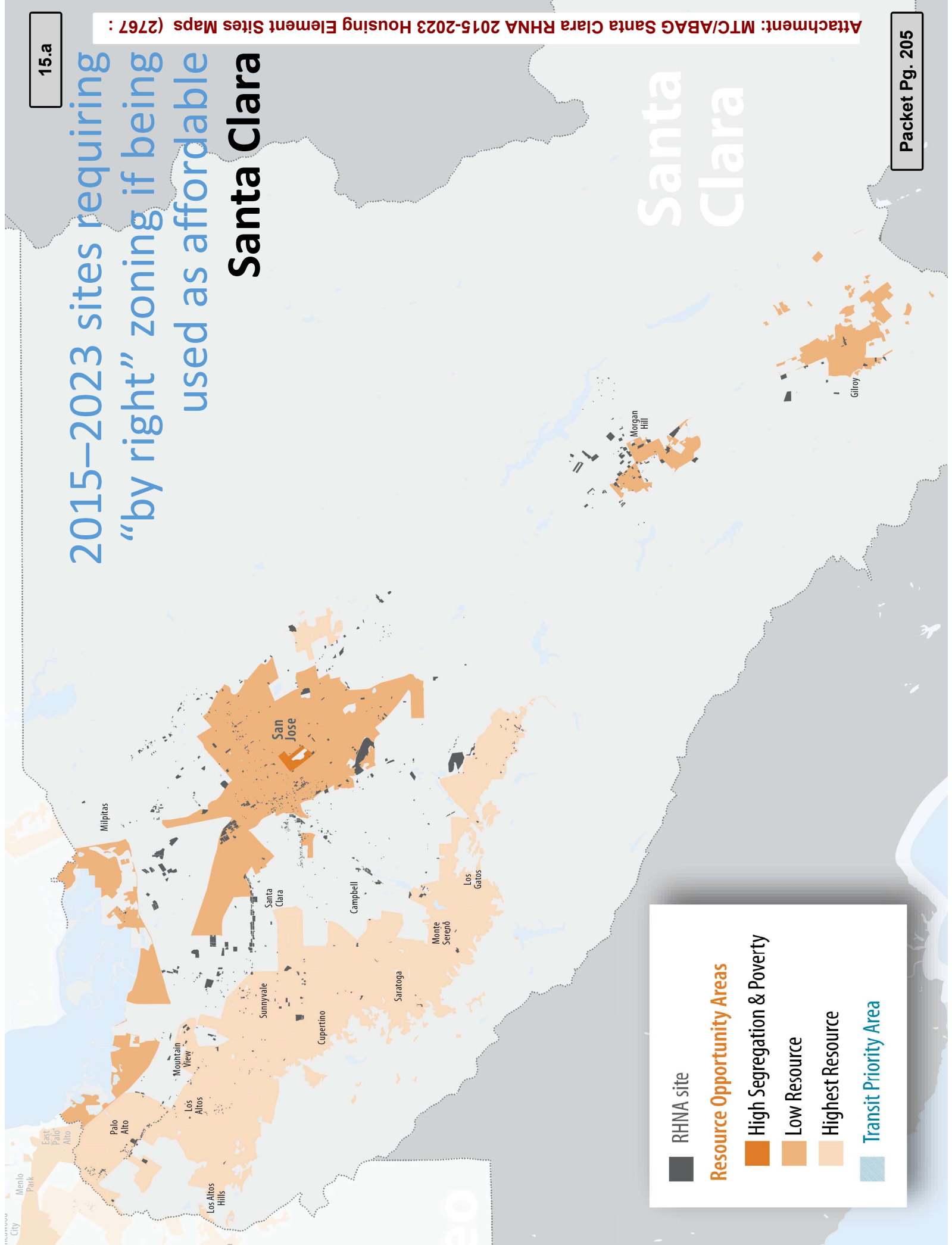
**LINKS/ATTACHMENTS:**

1. MTC/ABAG Santa Clara RHNA 2015-2023 Housing Element Sites Maps
2. Housing Methodology Committee Roster

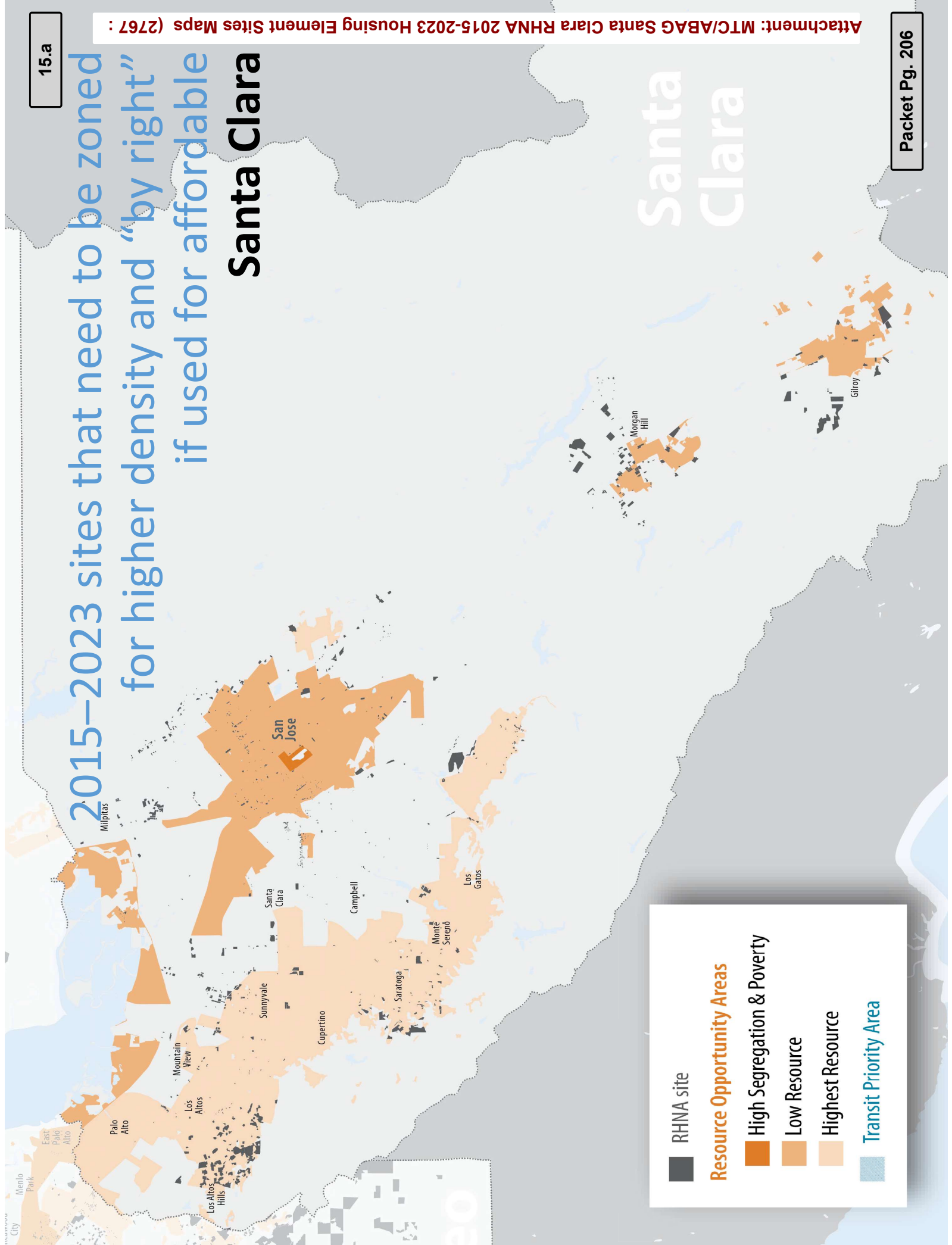








# 2015–2023 sites requiring “by right” zoning if being used as affordable Santa Clara



2015–2023 sites that need to be zoned for higher density and “by right” if used for affordable

# Santa Clara

RHNA site

Resource Opportunity Areas

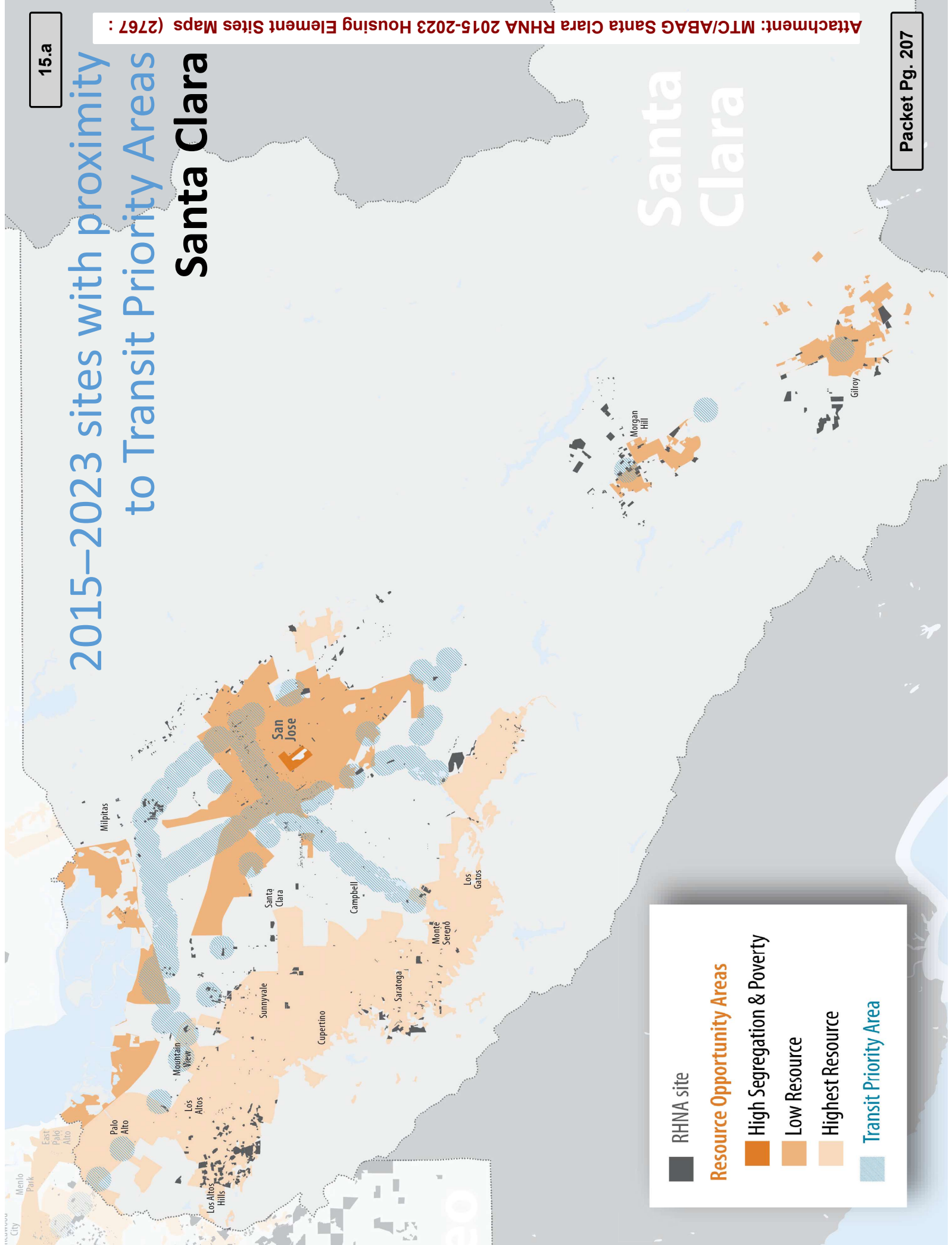
High Segregation & Poverty

Low Resource

Highest Resource

Transit Priority Area





# 2015-2023 sites with proximity to Transit Priority Areas

## Santa Clara

RHNA site

Resource Opportunity Areas

High Segregation & Poverty

Low Resource

Highest Resource

Transit Priority Area

# REGIONAL HOUSING NEEDS ALLOCATION



## Housing Methodology Committee

### Local Jurisdiction Elected Officials – 9 members

| County        | Representative                                                                                               |
|---------------|--------------------------------------------------------------------------------------------------------------|
| Alameda       | <b>Mayor Jesse Arreguín*</b> , City of Berkeley                                                              |
| Contra Costa  | <b>Vice Mayor Julie Pierce*</b> , City of Clayton                                                            |
| Marin         | <b>Councilmember Pat Eklund*</b> , City of Novato                                                            |
| Napa          | <b>Supervisor Diane Dillon*</b> , County of Napa                                                             |
| San Francisco | <b>TBD</b>                                                                                                   |
| San Mateo     | <b>Councilmember Rick Bonilla*</b> , City of San Mateo                                                       |
| Santa Clara   | <b>Councilmember Neysa Fligor*</b> , City of Los Altos                                                       |
| Solano        | <b>Supervisor Monica Brown*</b> , Solano County<br><i>Supervisor John Vasquez, Solano County (Alternate)</i> |
| Sonoma        | <b>Councilmember Susan Adams*</b> , City of Rohnert Park                                                     |

### Local Jurisdiction Staff – 12 members

| County        | Representative                                                                                                                                                                                                                                                                                                                                                                |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alameda       | <b>Ellen Clark</b> , Planning Manager, City of Pleasanton<br><b>Darin Ranelletti</b> , Policy Director for Housing Security, City of Oakland                                                                                                                                                                                                                                  |
| Contra Costa  | <b>Forrest Ebbs</b> , Community Development Director, City of Antioch<br><b>Mindy Gentry</b> , Planning Manager, City of Concord                                                                                                                                                                                                                                              |
| Marin         | <b>Elise Semonian</b> , Planning Director, Town of San Anselmo                                                                                                                                                                                                                                                                                                                |
| Napa          | <b>Vin Smith</b> , Community Development Director, City of Napa                                                                                                                                                                                                                                                                                                               |
| San Francisco | <b>Paolo Ikezoe</b> , Senior Planner, City and County of San Francisco                                                                                                                                                                                                                                                                                                        |
| San Mateo     | <b>Josh Abrams</b> , Baird + Driskell Community Planning, Staff to 21 Elements                                                                                                                                                                                                                                                                                                |
| Santa Clara   | <b>Michael Brilliot</b> , Deputy Dir. for Citywide Planning, City of San Jose<br><b>Aarti Shrivastava</b> , Assistant City Manager/Community Development Director, City of Mountain View<br><i>Jennifer Carman, Development Services Director, City of Morgan Hill (Alternate)</i><br><i>Andrew Crabtree, Community Development Director, City of Santa Clara (Alternate)</i> |
| Solano        | <b>Matt Walsh</b> , Principal Planner, Solano County<br><i>David Feinstein, Principal Planner, City of Fairfield (Alternate)</i>                                                                                                                                                                                                                                              |
| Sonoma        | <b>Jane Riley</b> , Comprehensive Planning Manager, Sonoma County<br><i>Milan Nevajda, Deputy Planning Director, Sonoma County (Alternate)</i><br><i>Noah Housh, Community Development Director, City of Cotati (Alternate)</i>                                                                                                                                               |

**Regional Stakeholders – 16 members**

| Interest Area                     | Representative                                                                                                                                                                                                             |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social Equity                     | <b>Victoria Fierce</b> , California Renter Legal Advocacy and Education Fund (CaRLA)<br><b>Jeffrey Levin</b> , East Bay Housing Organizations (EBHO)<br><b>Fernando Marti</b> , Council of Community Housing Organizations |
| Business Community                | <b>Russell Hancock*</b> , Joint Venture Silicon Valley<br><b>Matt Regan*</b> , Bay Area Council                                                                                                                            |
| Non-Profit Housing                | <b>Welton Jordan</b> , EAH Housing<br><b>Rodney K. Nickens, Jr.</b> , Non-Profit Housing Association of Northern California (NPH)                                                                                          |
| For-Profit Housing                | <b>Paul Campos*</b> , Building Industry Association of the Bay Area (BIA)<br><b>Jonathan Fearn</b> , Greystar Development                                                                                                  |
| Open Space/Agriculture            | <b>Amanda Brown-Stevens</b> , Greenbelt Alliance                                                                                                                                                                           |
| Public Education                  | <b>Brandon Kline</b> , San Francisco State University                                                                                                                                                                      |
| Public Health                     | <b>Anita Addison</b> , La Clinica de la Raza                                                                                                                                                                               |
| Philanthropy                      | <b>Rupinder (Ruby) Bolaria Shifrin</b> , Chan Zuckerberg Initiative                                                                                                                                                        |
| Public/Alternative Transportation | <b>Bob Planthold</b> , Government and Community Advocates Strategies, Inc.                                                                                                                                                 |
| RPC Housing Subcommittee          | <b>Carlos Romero*</b> , Urban Ecology                                                                                                                                                                                      |
| Labor                             | <b>Scott Littlehale</b> , Senior Research-Analyst, Northern California Carpenters Regional Council                                                                                                                         |

**State Partner – 1 member**

**Megan Kirkeby**, Assistant Deputy Director for Fair Housing, California Department of Housing & Community Development (HCD)

*\* Member of ABAG Regional Planning Committee. The number of RPC members on the HMC was limited to no more than 15 to avoid having a quorum of the RPC at the meetings.*

Dear Mayor Constantine and Council,

Thank you for the opportunity to comment on the City's draft response letter to the San Jose to Merced Draft EIR.

Rather than getting into specific details of the DEIR, I would like to touch on a couple of points pertinent to the line between San Jose and Gilroy.

### **Alignment**

High-Speed lines are developed over decades but High-Speed trains can provide service via conventional lines years before dedicated high speed lines are built. In Morgan Hill's case, Alternative 4 is the correct alignment for an initial "blended" phase but the existing 101 corridor is the correct alignment for trains that do not stop in Gilroy. **The City needs to be mindful of this inevitable evolution and should plan accordingly.**

### **Lead agency for the project**

Given that the Authority does not contemplate operating trains at speeds in excess of 125 MPH on the Union Pacific right of way between San Jose and Gilroy, there is nothing in statute that gives the CHSRA exclusive authority for the environmental clearance of this section of the line:

*"Except as provided in paragraph (2), nothing in this subdivision precludes other local, regional, or state agencies from exercising powers provided by law with regard to planning or operating, or both, passenger rail service."*

[https://california.public.law/codes/ca\\_pub\\_util\\_code\\_section\\_185032](https://california.public.law/codes/ca_pub_util_code_section_185032)

### **Dedicated third track for Union Pacific Freight**

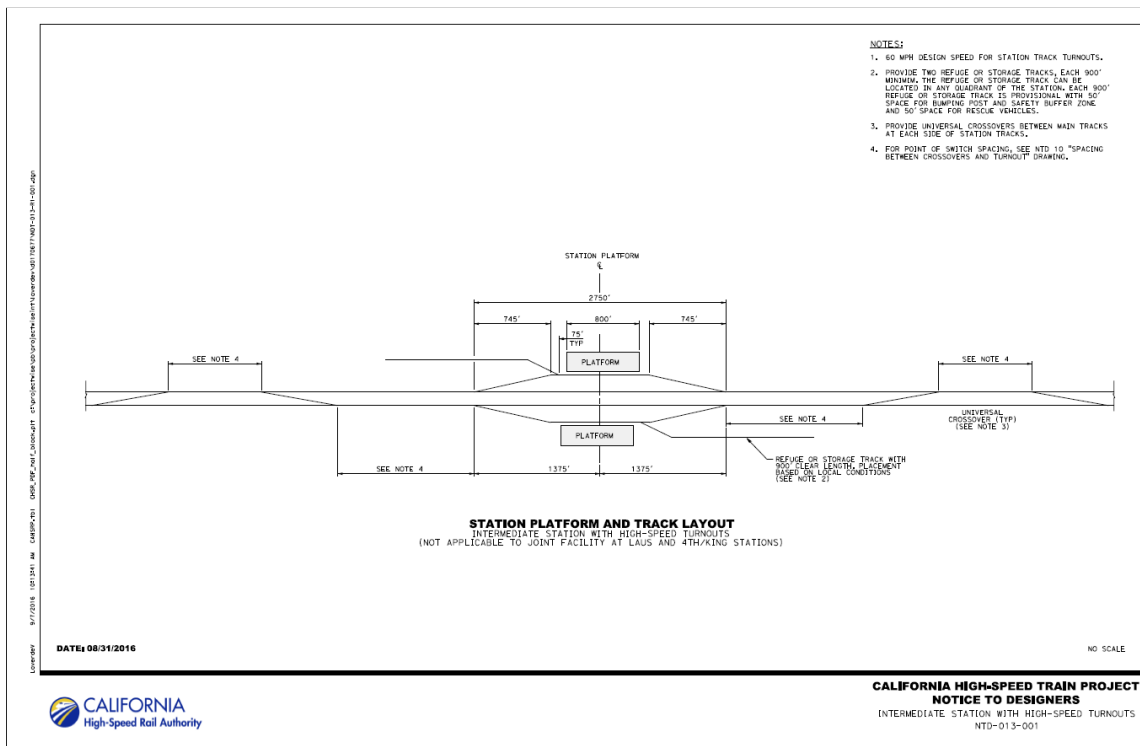
Anyone who has travelled in the Peninsula, the North East Corridor (NEC) and in Europe, including the Authority's own Deutsche Bahn Early Train Operator (ETO) knows that this 3<sup>rd</sup> track is unnecessary and creates serious issues with the redesign of the Morgan Hill station.

Last but not least, the excessive distance between the dedicated freight track and the southbound passenger rail track will be noted by the CPUC who will mandate grade separations within ¼ of a mile of the station regardless of train frequency.

### **Station design**

While commonplace in metro systems where every train stops at every station, centerboard (AKA "island") platforms should not be considered in systems where some trains go through stations at high speed because non-stopping trains are not allowed to operate at speeds in excess of 100MPH on any track adjacent to a platform (see diagram below).





Not only is this station design safer (and more comfortable) for passengers waiting on platforms but it allows level-boarding without incurring the risk of platform “strikes” by freight and/or trains passing the station at high speed because the tracks immediately adjacent to the platforms are reserved for trains stopping at the station.

Last but not least, this station design enables unlimited service at the station because stopping trains do not “block” the line (they do not impede non-stopping traffic).

## Funding

- This project qualifies for Prop1A Bonds and TCIRCP funds just like the San Francisco Peninsula regardless of the lead agency responsible for environmental clearance.
- This project DOES NOT require the acquisition of the Union Pacific right of way for the same reason that Union Pacific does not own the right of way between Santa Clara and Monterey Highway in south San Jose.
- This project qualifies for VTA 2000 Measure A and 2016 Measure B sales tax revenues.
- This project will qualify for the future 1/8 cent Caltrain sales tax as long as we identify specific capital improvements prior to placing the measure on the ballot.
- Last but not least, the City needs to leverage the tremendous positive economic impact of additional rail service in Morgan Hill by assessing appropriate impact fees on developments within 3 miles of the new station.

I hope you find this information useful.



**Public Hearing and Budget Adoption  
Fiscal Year 2020-21 and 2021-22  
Biennial Budget and  
Fiscal Year 2020-21 through 2025-26  
Capital Improvement Program Budget**



# Recommended Budget Summary



(In Millions)

|                             | <b>FY 2020-21</b> | <b>FY 2021-22</b> |
|-----------------------------|-------------------|-------------------|
| Operating Budget            | \$109.9           | \$111.3           |
| Capital Improvement Program | 48.7              | 28.4              |
| Total Recommended Budget    | \$158.6           | \$139.7           |

Total Recommended 6 Year CIP Budget: \$190.8 million

# Changes Since the Budget Workshop



# Council Directed Changes



- Economic Development budget to remain as recommended in April 2020
- Included \$45,000 to support the Public Business Improvement District (PBID) formation with funds from the prior PBID

# Other Changes



- Park Place Afterschool Program hours to remain whole through additional funding from EAH Housing in the amount of \$11,000.
- Stormwater management responsibilities, increase in part-time temporary staffing of \$13,000 and \$30,000, offset by matching fee revenue of \$21,000 and \$44,000, for FY 2020-21 and 2021-22, respectively.

# Other Changes (cont.)



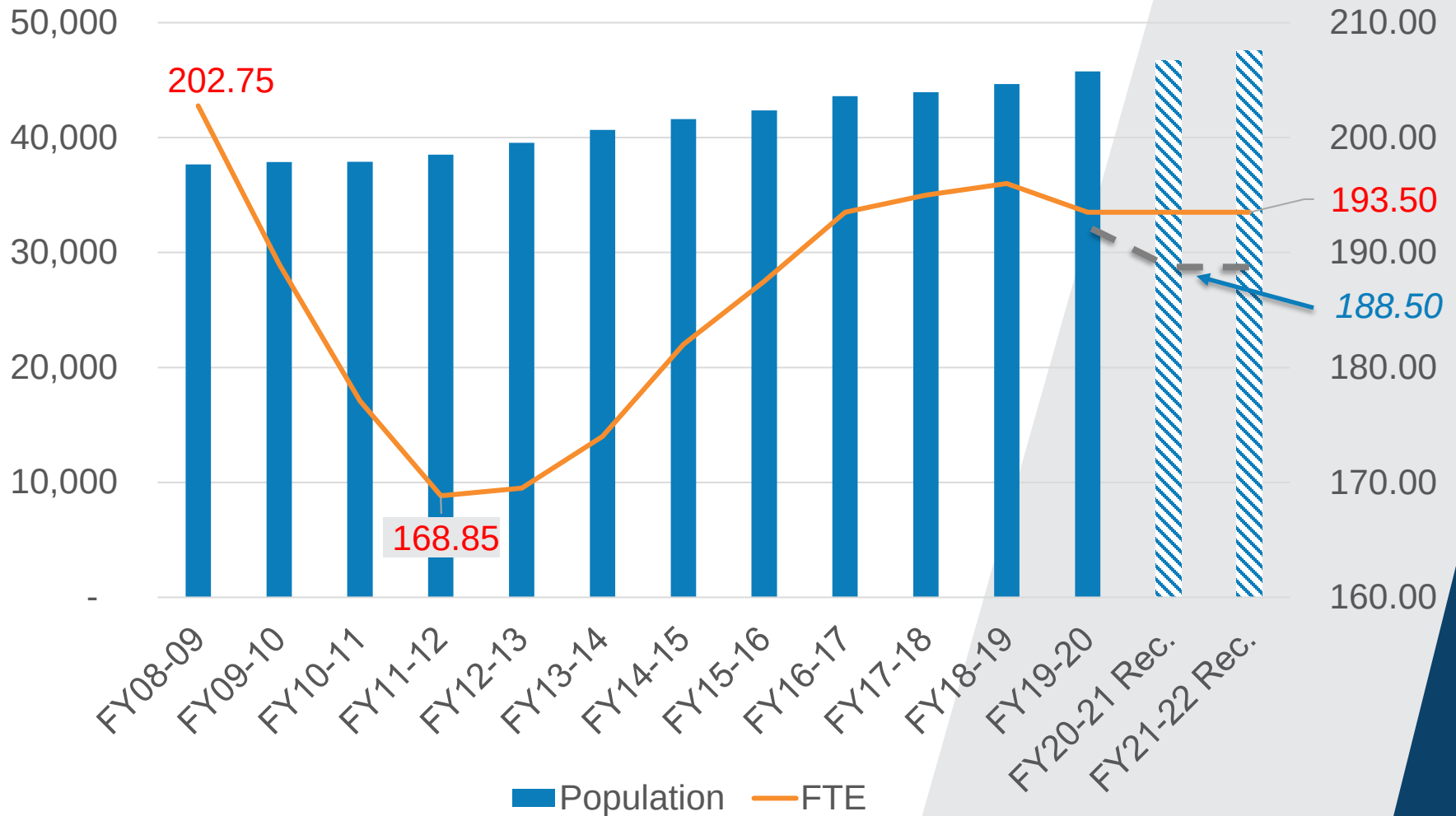
- Additional revenue reductions in General Fund in FY 20-21 of \$0.7 million and in FY 21-22 \$0.2 million, due to ongoing closure of CRC and Recreation Swim at AC for summer season
- Additional expenditure reductions in General Fund in FY 20-21 of \$0.2 million and in FY 21-22 \$0.2 million, mostly related to staffing changes

# Personnel





# History of Funded Full-Time Equivalent (FTE)



\* Approved FTE = 193.50, through hiring freeze and attrition, the funding will be maintained for 188.5 FTE

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

# Personnel Changes



## FY 2019-20

- 4.5 FTE Eliminated

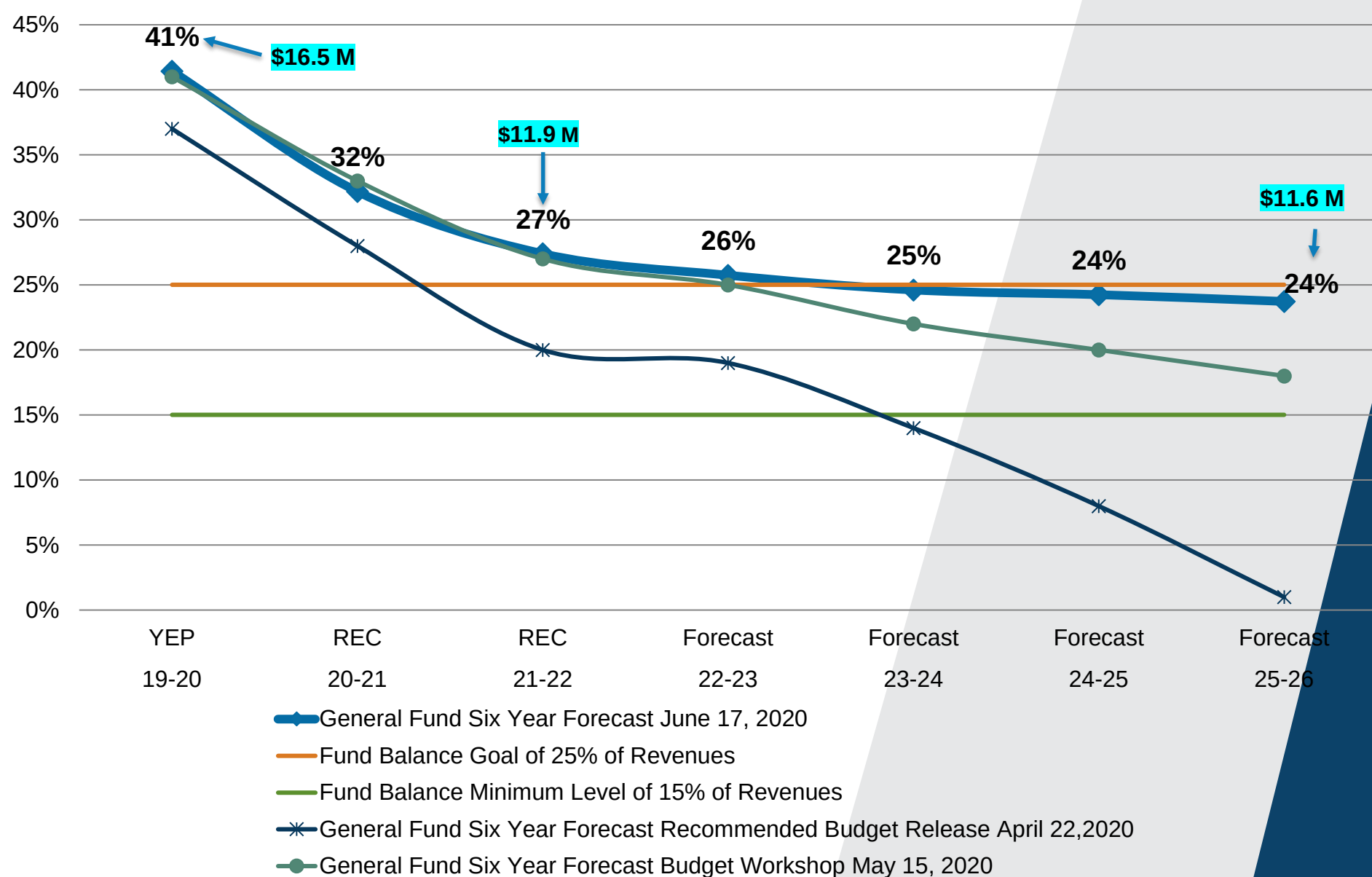
## FY 2020-21

- 3 FTE Unfunded through hiring freeze
- 2 FTE Unfunded through attrition (1/2 Year)

# General Fund Six Year Forecast



# General Fund Six Year Forecast



# Fiscal Policy Change



# Fiscal Policy Change



- Revise Section 2 Policy A. 4 Reserves and Designations section to clarify when action must be taken if the General fund reserve level were to fall below the long-term goal of 25 percent, from “next budget year” to “next fiscal year”

# Next Steps



# Ongoing Budget Updates



- Departments will maintain focus on cost containment
- Staff will continue to monitor budgetary impacts and update City Council and community, coinciding with the monthly financial reporting
- Next budget update: End of July 2020



# Recommendations



1. Open/Close Public Hearing
2. Adopt resolution to:
  - a. Adopt the FY 2020-21 and 2021-22 Operating Budget
  - b. Adopt the FY 2020-21 through 2025-26 Capital Improvement Program Budget
  - c. Adopt the FY 2020-21 Appropriations Limit and Appropriations Limit Adjustment Factors

# Questions Public Hearing Adoption



## Item # 12

AGENDA DATE: 06/17/2020  
SUPPLEMENT # 1

**From:** Monica Delgado <[Monica.Delgado@morganhill.ca.gov](mailto:Monica.Delgado@morganhill.ca.gov)>

**Sent:** Wednesday, June 17, 2020 2:55 PM

**To:** D. Muirhead <[doug.muirhead@stanfordalumni.org](mailto:doug.muirhead@stanfordalumni.org)>

**Cc:** Christina Turner <[Christina.Turner@morganhill.ca.gov](mailto:Christina.Turner@morganhill.ca.gov)>; Dat Nguyen

<[Dat.Nguyen@morganhill.ca.gov](mailto:Dat.Nguyen@morganhill.ca.gov)>; Harjot Sangha <[Harjot.Sangha@morganhill.ca.gov](mailto:Harjot.Sangha@morganhill.ca.gov)>; Michelle

Bigelow <[Michelle.Bigelow@morganhill.ca.gov](mailto:Michelle.Bigelow@morganhill.ca.gov)>

**Subject:** Response to Comments Morgan Hill City Council meeting June 17, 2020 Item #11. FY 2020-2022 Operating Budget

Mr. Muirhead, thank you for your comments. Please see the responses to your questions below, in red.

Thank you!

**From:** "D. Muirhead" <[doug.muirhead@stanfordalumni.org](mailto:doug.muirhead@stanfordalumni.org)>

**Date:** June 16, 2020 at 9:29:04 AM PDT

**To:** CC Public Comment <[CCPublicComment@morganhill.ca.gov](mailto:CCPublicComment@morganhill.ca.gov)>

**Subject:** Comments Morgan Hill City Council meeting June 17, 2020 Item #11. FY 2020-2022 Operating Budget

Dear Morgan Hill City Council,  
Comments for your meeting on June 17, 2020  
Item #11. FY 2020-2022 Operating Budget

You have just affirmed in your Equitable Communities Resolution that "all members of the city are valued regardless of religion, immigration status, ethnicity, disability, gender, sexual orientation, or gender identity."

In my comment letter to the Budget Team, I asked for a section on equity. What I wanted to see is that there are not disparate impacts on segments of our community. Your budget does create inequitable treatment within our community.

In your Principles to Guide the Sustainable Budget Strategy, you state

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.

I would like you to consider a counter-argument, expressed by Jason Karlawish, MD, in a presentation on the impact on vulnerable populations of physical distancing strategies:

A basic principle of justice

- Treat equal people equally, and unequal people unequally
- Persons who are vulnerable are unequal to persons who are not vulnerable

- Therefore, they merit, deserve, more than persons who are not vulnerable

I am going to object to certain reductions and eliminations that you identified in the Amendments (aka Adjustments) to FY 2020-21 and 2021-22 Recommended Budget. Then I am going to object to certain reductions and eliminations that you only identified in the Budget Workshop presentation. I will not be able to object to changes that you have not publicly announced.

First from the spreadsheet:

- 32 Police Eliminate Parent Project Training Program
- 33 Police Eliminate Citizens Police Academy Program
- 34 Police Eliminate Annual National Night Out event
- 36 Police Eliminate Community outreach software platform
- 39 Police Eliminate Explorer Training/Conference

Next from the Workshop presentation:

Community Services - Impacts to Community

- Less available hours for all programming at the CRC and Aquatics Center
- Reduce Senior Center Hours and less managerial oversight (Supervisor will take on other roles, support staff will have less hours to focus solely on Seniors)
- Teen Center will be open only 4 days per week instead of 6
- No special events until funding and staffing levels are restored (Get Fit Event, Summer Fun in the Park, Latin Concert, Latin Zumbathon)
- Spray Pad at the CCC not open until funding and staffing restored [You just spent money to replace underground vault with surface control room. Did you not design it for low operation cost?]

It is designed well. All aquatics facilities take considerable time and management to run. That system will be used down the road when we once again have resources to support it.

- Reduce Skate Park oversight
- Reduce outreach to gain participation in programs for underserved communities

Lastly, under "would it not be nice to retain":

- 31 Police Eliminate City services for cat sheltering and City's contribution for spay/neuter
- Development Services

- Remove plans for preparation of Monterey Corridor Specific Plan preparation and related EIR
- Eliminate funding for Assistant City Manager (Development Services) position in January 2021  
[Is Leslie Little retiring? A friend asked how we would capture the institutional knowledge lost with her departure.]

The impacts of the deleted position will be supported by the institutional knowledge of other long standing employees in Development Services and Community Services.

---

In your Principles to Guide the Sustainable Budget Strategy, you state

H. Employees and their recognized bargaining units should be actively involved in developing options and implementing the transition.

Yet you did not treat our residents with equal consideration and involve us in the choices. We are after all the ones who will have to live for months or years with the choices you are forcing upon us. And if you really wanted to build public trust, you could have run a full-page ad under the heading "We are sorry for the coming pain" and listed all the reductions and eliminations that you have identified with limited visibility and those that I suspect you have made and not disclosed.

Thank you for your consideration, Doug Muirhead, Morgan Hill

## Item # 12

**AGENDA DATE: 06/17/2020**  
**SUPPLEMENT # 2**

**From:** Marissa Hruby <[snowclone11@gmail.com](mailto:snowclone11@gmail.com)>  
**Sent:** Monday, June 15, 2020 1:59 PM  
**To:** Irma Torrez <[Irma.Torrez@morganhill.ca.gov](mailto:Irma.Torrez@morganhill.ca.gov)>  
**Subject:** 2020-2022 Police Budget

Hello city clerk,

I am a member of the youths of our community, and I am currently concerned as well as outraged that the 2020-2022 Budget Proposal lists 60% of the General Fund as going towards the police budget. All surrounding towns and cities in the area portion between 30-40% or 45% in the case of San Jose towards their police budget. By allocating 60% you have allowed only 16% to be divided between 13 ESSENTIAL community needs such as, "economic development, finance, human resources, the city clerk, recreation, community services, environmental services, streets, parks, public facilities, downtown maintenance, city attorney, and city manager" as per page 16 of the Budget Proposal. I am calling on you to do the right thing and reduce the police budget to its rightful 30-40% range, and dedicate at least 10% to parks and 10% community development. I will be advocating for this further during Wednesday night's meeting.

Thanks,

Marissa J. Hruby



*Sent via email to*  
ccpubliccomment@morganhill.ca.gov

June 17, 2017

Dear Mayor Constantine, Council, and Staff,

The year-long Engage Morgan Hill process has come to an end, however the exercise and subsequent learning lessons have left behind a group of informed residents whom we hope you will continue to utilize not only as a way to reach residents, but also as a voice of reason back from the community.

At the onset of the Engage process, we were told that we would be educated on the innerworkings of city government and we would provide a community voice back to council. Despite the Engage efforts concluding, we feel that a need still exists for greater communication from the city to residents presented in an easily digestible manner, to help community members more efficiently and effectively participate. We also feel an obligation to the community to serve as a trusted voice which will amplify their voices and present you with an unbiased collection of feedback from the community.

We are thankful of all of the resources, preparation, and staff time that went into educating our group. We now proceed independent from the city, but plan to continue to fact-check information with staff. We will collate and present information to you on behalf of our group, and also our feedback as individual community members.

To that end, we hope that you will encourage community members to join our Facebook page: Morgan Hill Community Advisory group, and email us to join our mailing list: [morganhillCAG@gmail.com](mailto:morganhillCAG@gmail.com).

There are two items on the agenda before you tonight for which we have comments as a group. The first is item #11, approval of the budget; and second, item #12, potential revenue measure.

On the budget item, we received this feedback from the community (summarized): "The 'going rate' for percentages of city general funds allocated for the police department seems to be between 30-40%..." Morgan Hill has proposed 60% to go to the police department in the 2020-2021 fiscal year. Removing funds for FIRE, that leaves only 16% of the budget to be divided among "economic development, finance, human resources, city clerk, recreation, community services, environmental services, streets, parks, public facilities, downtown maintenance, city

attorney, and city manager.” We invite you to respond to these concerns, and we will be happy to continue to facilitate this conversation.

Internally, we are concerned that the budget measures proposed at tonight’s meeting are not sufficient to address the significant shortfall staff has projected over the next three years. While the staff report states the following, “[s]taff will continue to monitor budgetary impacts and update the City Council and Community, monthly...” we recommend that prior to budget finalization performance tracking metrics be established to provide direction, accountability and community transparency to this process.

You may hear more on specific line items in the budget from members of our group. However, the group as a whole agrees with and would like to echo Doug Muirhead’s concerns around considering equity issues in the budget process.

On item #12, we offer the following:

Many of us are apprehensive about moving forward on a potential revenue measure, considering the economic realities our community is facing in light of COVID-19. However, we recognize that valuable services will continue to be further reduced or eliminated without a balanced and actionable strategy of revenue enhancement as the supportive arm of a sustainable operating budget.

In our conversations it is apparent that there is frustration that much of the education and advocacy surrounding city measures seems to fall to community members. While this group is committed to not turning into an advocacy group, there are some members of our group or the larger Engage group who may join you in your efforts to advocate for a ballot measure, should you choose to pursue that path. However, it is clear to all who participated in these conversations that IF such an effort is undertaken, it must originate from a unanimous vote from council. Staff cannot advocate for such a measure, so the leadership come from the dais. Whatever you decide, we are asking that you find a common voice, and tell the community how you plan to lead. As it is our mission, we will present your arguments in an unbiased fashion to the community and provide the feedback that we receive.

Respectfully Submitted,

S/

Nick Gaich and Caitlin Robinett Jachimowicz  
Co-Leads, Morgan Hill Community Advisory Group

And members:

Charles Weston, Brian Sullivan, Kathy Sullivan, Doug Muirhead, Shakeeb Ahmed, Steve Tate, Jennifer Tate, Nancy Domnauer, Rick Kent, Michelle McKay, and Sally Casas





## **Revenue Measure(s) for November 2020 and Other Funding Approaches**

**Agenda Item #: 13**  
**City Council Meeting**  
**June 17, 2020**



# Overview



- Background
- Policy Considerations:
  1. Revenue Measure(s) for November 2020
  2. Explore Community Facilities District
  3. Explore Special Fire District

# Background



- General Fund is the City's most visible Fund, and one that Council has most discretion over
- General Fund Service: Police, Fire, Recreation, Infrastructure Maintenance, Municipal Governance and Administrative Services to support the aforementioned services
- Recreation is the only service supported primarily by user fees, all others depend on General tax revenues such as: Property, Sales and Transient Occupancy Taxes

# Background (Cont'd)



- **Revenue and Expenditure Imbalance**
  - Changing consumer patterns (Online shopping)
  - Reduced gas tax due to fuel efficient vehicles
  - CalPERS investments returns under target
  - High service/construction costs in Bay Area
  - State legislature impact on local control (RDA/SB330)
- **Existing Unfunded Needs**
- **COVID Fiscal Impact**
- **May 15<sup>th</sup> Budget workshop - Council expressed interest in reviewing potential Revenue Measure for November 2020**

# General Information



|                         | General Tax                                                                                                                                                                                                              | Special Tax                                                                                                                                                                                                                                           |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of Revenue          | Unrestricted                                                                                                                                                                                                             | Specific Purpose                                                                                                                                                                                                                                      |
| Governing Body Approval | Two-thirds                                                                                                                                                                                                               | Majority                                                                                                                                                                                                                                              |
| Voter Approval          | Majority                                                                                                                                                                                                                 | Two-thirds                                                                                                                                                                                                                                            |
| Other Rules             | A general tax election must be consolidated with a regularly scheduled general election of members of the governing body, unless an emergency is declared by unanimous vote (among those present) of the governing body. | Special tax funds must be deposited in a separate account. The taxing agency must publish an annual report including: 1) the tax rate; 2) the amounts of revenues collected and expended; and 3) the status of any project funded by the special tax. |

# Municipal Tax Revenue Options

- Local Sales Transaction and Use Tax (TUT)
- Utility User Tax
- Transient Occupancy Tax ✓
- Business Tax ✓
- Parcel Tax
- Community Facilities District
- General Obligation Bonds
- Documentary Transfer Tax

# November 2020 Measure(s)



## Sales Tax (TUT)

- General Tax, requiring 50% +1 majority
- Volatility: High (Economy Dependent)
- Benefits: Sales tax dollars generated are invested back into the City
- Rate: 0.25%
- Amount for Morgan Hill: about \$2.3 million/annually

# November 2020 Measure(s)



## Utility Tax (UUT)

- General Tax, requiring 50% +1 majority approval
- Volatility: Medium (Economy dependent, may trigger reduction in service, but probably not elimination)
- Potential Rate: 5% (Most California UUT rates are between 4-5%)
- Amount for Morgan Hill: about \$3.7 million/annually



# Other Funding Approaches



## Community Facilities District

- Special Tax, requiring 2/3 Voter Approval
- Volatility: Low
- Potential Rate: \$500 per parcel
- Amount for Morgan Hill: about  
\$150,000/Annually in Year 1  
\$800,000/Annually by Year 5  
\$1.6M/Annually by Year 10

# Other Funding Approaches (Cont'd)



## Special Fire District

- Formation requires LAFCO approval with 50% +1 majority approval, if accompanied by a new special tax, then 2/3 approval required
- Benefits: Tailor services to meet local needs and link cost to benefits

# Recommendations



- Direct staff to pursue and establish a new citywide Community Facilities District (CFD) for new residential developments;
- Direct staff to research the feasibility of a Special Fire District for the City of Morgan Hill and any applicable requirements;
- Direct staff to:
  - a. Not pursue a revenue measure for November 3, 2020 ballot. OR;
  - b. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, based on October 2019 polling results data. OR;
  - c. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, and conduct a community polling immediately.

# Next Steps

Should the City Council decide to place a revenue measure(s) on the November 2020 ballot, there are couple options to do so:

1. Council could utilize the October 2019 polling data considering the community support is relatively similar now, at least for the TUT.
2. Direct staff to engage a polling firm to survey the current community support for TUT and/or UUT.

# Questions?



**From:** [D. Muirhead](#)  
**To:** [CC Public Comment](#)  
**Subject:** Comments Morgan Hill City Council meeting June 17, 2020 Item #12. Potential revenue initiatives  
**Date:** Tuesday, June 16, 2020 9:44:34 AM

---

Dear Morgan Hill City Council,  
Comments for your meeting on June 17, 2020  
Item #12. Potential revenue initiatives

I have a problem with establishing new citywide Community Facilities Districts (CFDs) (authorized by the Mello-Roos Community Facilities Act of 1982) for new residential developments \*only\*. Staff says that a CFD "can prove to be an appropriate tool to finance additional level of services which the new development will need/require of the City as a result of development occurring in that district."

Will this not end up creating situations similar to the disparate conditions of our many landscape assessment districts as well as good condition of streets in newer developments contrasted with poor streets in older neighborhoods?

Personally I object to solutions which do not involve a feeling that we are all in this together. Establishing a CFD on existing properties is ruled out as unpopular. I have previously objected to TOT increases because we are saying that persons not living here will fund the services that benefit all our residents without us paying our fair share.

Personally I would object to a utility tax since there is no linkage between charging me a fee for one service and funding completely different service(s). And as a general tax, there is no accountability for how the money is spent. I believe this is why the last attempt by the City failed; the City maintains that it was because our residents did not want to tax themselves more.

While I understand the need to partition the multiple approaches to dealing with unfunded liabilities and now major revenue reductions, I continue to believe that public education and advocacy on the revenue side will not be successful unless our residents understand and accept the reduction of services on the expense side. So having the City just say that they are "adjusting expenditures down to align with revenues [as] the immediate response/solution" and that there will be "immediate and long-term impacts on the level of services received by the community" is not adequate in my opinion.

Thank you for your consideration, Doug Muirhead, Morgan Hill

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## Item # 13

AGENDA DATE: 06/17/2020

SUPPLEMENT # 2

**From:** Armando Be <[barmando3@gmail.com](mailto:barmando3@gmail.com)>

**Sent:** Wednesday, June 17, 2020 9:18 AM

**To:** Rene Spring <[Rene.Spring@morganhill.ca.gov](mailto:Rene.Spring@morganhill.ca.gov)>; Christina Turner <[Christina.Turner@morganhill.ca.gov](mailto:Christina.Turner@morganhill.ca.gov)>; John McKay <[john.mckay@morganhill.ca.gov](mailto:john.mckay@morganhill.ca.gov)>; Larry Carr <[Larry.Carr@morganhill.ca.gov](mailto:Larry.Carr@morganhill.ca.gov)>; Rich Constantine <[Rich.Constantine@morganhill.ca.gov](mailto:Rich.Constantine@morganhill.ca.gov)>; Yvonne Martinez Beltran <[yvonne.martinezbeltran@morganhill.ca.gov](mailto:yvonne.martinezbeltran@morganhill.ca.gov)>

**Subject:** DISCUSS POTENTIAL NEXT STEPS FOR NOVEMBER 2020 REVENUE MEASURE INITIATIVES AND OTHER FUNDING APPROACHES

Dear City Council Members,

This item requests that, in making your decision on whether to give it direction to pursue a tax ballot measure for this November election, you use polling data generated in 2019 when the economy was the strongest. With the election being months away that may not be a wise course.

The economic realities we are in have taken a turn for the worse since 2019. The precipitous economic downturn has critically impacted the financial stability of all our businesses and families, not just the city.

Large numbers of Morgan Hill families are now enduring severe financial hardship because of lost jobs or reduced work hours. Many families in our community are living off extended unemployment benefits, which will soon run out. Many families will face severe hardships as the wage earners are removed from payrolls that funded them over the last six months.

Our community is enduring the deepest economic downturn and a re-emergence of the COVID-19 virus might lead to a second economic shutdown. Moreover, our community families will soon confront a second round of layoffs as public agencies, from all levels of government, will soon be terminating positions due to deep budget shortfalls.

In my opinion, we may be better off to not waste money and limited staff time in pursuing a ballot measure that to me appears to carry a very high probability of failure. A wiser course may be to wait until you get a better sense of the economic health of our local business and our families.

I understand the urgency of the city to raise revenue, but financially downtrodden voters are not going to be persuaded to open their wallets.

Thank you for your service.

Regards,

Armando Benavides



*Sent via email to*  
ccpubliccomment@morganhill.ca.gov

June 17, 2017

Dear Mayor Constantine, Council, and Staff,

The year-long Engage Morgan Hill process has come to an end, however the exercise and subsequent learning lessons have left behind a group of informed residents whom we hope you will continue to utilize not only as a way to reach residents, but also as a voice of reason back from the community.

At the onset of the Engage process, we were told that we would be educated on the innerworkings of city government and we would provide a community voice back to council. Despite the Engage efforts concluding, we feel that a need still exists for greater communication from the city to residents presented in an easily digestible manner, to help community members more efficiently and effectively participate. We also feel an obligation to the community to serve as a trusted voice which will amplify their voices and present you with an unbiased collection of feedback from the community.

We are thankful of all of the resources, preparation, and staff time that went into educating our group. We now proceed independent from the city, but plan to continue to fact-check information with staff. We will collate and present information to you on behalf of our group, and also our feedback as individual community members.

To that end, we hope that you will encourage community members to join our Facebook page: Morgan Hill Community Advisory group, and email us to join our mailing list: [morganhillCAG@gmail.com](mailto:morganhillCAG@gmail.com).

There are two items on the agenda before you tonight for which we have comments as a group. The first is item #11, approval of the budget; and second, item #12, potential revenue measure.

On the budget item, we received this feedback from the community (summarized): “The ‘going rate’ for percentages of city general funds allocated for the police department seems to be between 30-40%...” Morgan Hill has proposed 60% to go to the police department in the 2020-2021 fiscal year. Removing funds for FIRE, that leaves only 16% of the budget to be divided among “economic development, finance, human resources, city clerk, recreation, community services, environmental services, streets, parks, public facilities, downtown maintenance, city



attorney, and city manager.” We invite you to respond to these concerns, and we will be happy to continue to facilitate this conversation.

Internally, we are concerned that the budget measures proposed at tonight’s meeting are not sufficient to address the significant shortfall staff has projected over the next three years. While the staff report states the following, “[s]taff will continue to monitor budgetary impacts and update the City Council and Community, monthly...” we recommend that prior to budget finalization performance tracking metrics be established to provide direction, accountability and community transparency to this process.

You may hear more on specific line items in the budget from members of our group. However, the group as a whole agrees with and would like to echo Doug Muirhead’s concerns around considering equity issues in the budget process.

On item #12, we offer the following:

Many of us are apprehensive about moving forward on a potential revenue measure, considering the economic realities our community is facing in light of COVID-19. However, we recognize that valuable services will continue to be further reduced or eliminated without a balanced and actionable strategy of revenue enhancement as the supportive arm of a sustainable operating budget.

In our conversations it is apparent that there is frustration that much of the education and advocacy surrounding city measures seems to fall to community members. While this group is committed to not turning into an advocacy group, there are some members of our group or the larger Engage group who may join you in your efforts to advocate for a ballot measure, should you choose to pursue that path. However, it is clear to all who participated in these conversations that IF such an effort is undertaken, it must originate from a unanimous vote from council. Staff cannot advocate for such a measure, so the leadership come from the dais. Whatever you decide, we are asking that you find a common voice, and tell the community how you plan to lead. As it is our mission, we will present your arguments in an unbiased fashion to the community and provide the feedback that we receive.

Respectfully Submitted,

S/

Nick Gaich and Caitlin Robinett Jachimowicz  
Co-Leads, Morgan Hill Community Advisory Group

And members:

Charles Weston, Brian Sullivan, Kathy Sullivan, Doug Muirhead, Shakeeb Ahmed, Steve Tate, Jennifer Tate, Nancy Domnauer, Rick Kent, Michelle McKay, and Sally Casas



# Hale Avenue Extension Project Funding Agreement Item #14



# Phase 1 versus Phase 2

Phase 1  
City of Morgan Hill Project

Phase 2  
Santa Clara County Project

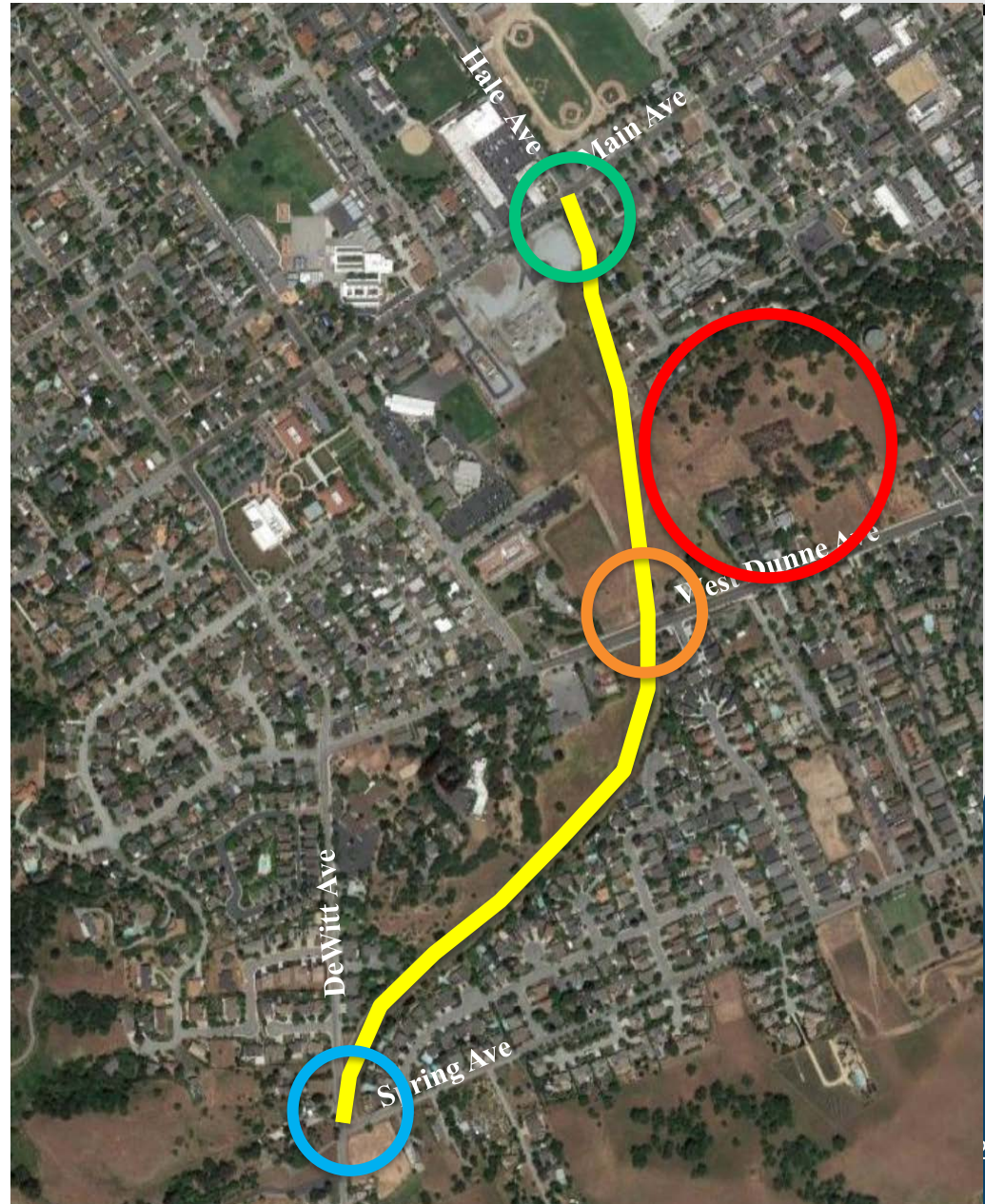




# Phase 1 Hale Avenue Extension



- Estimated Construction Timeline:  
  
Fall 2020  
through  
Summer 2022
- Coordination with Upper Llagas Creek Flood Control Project



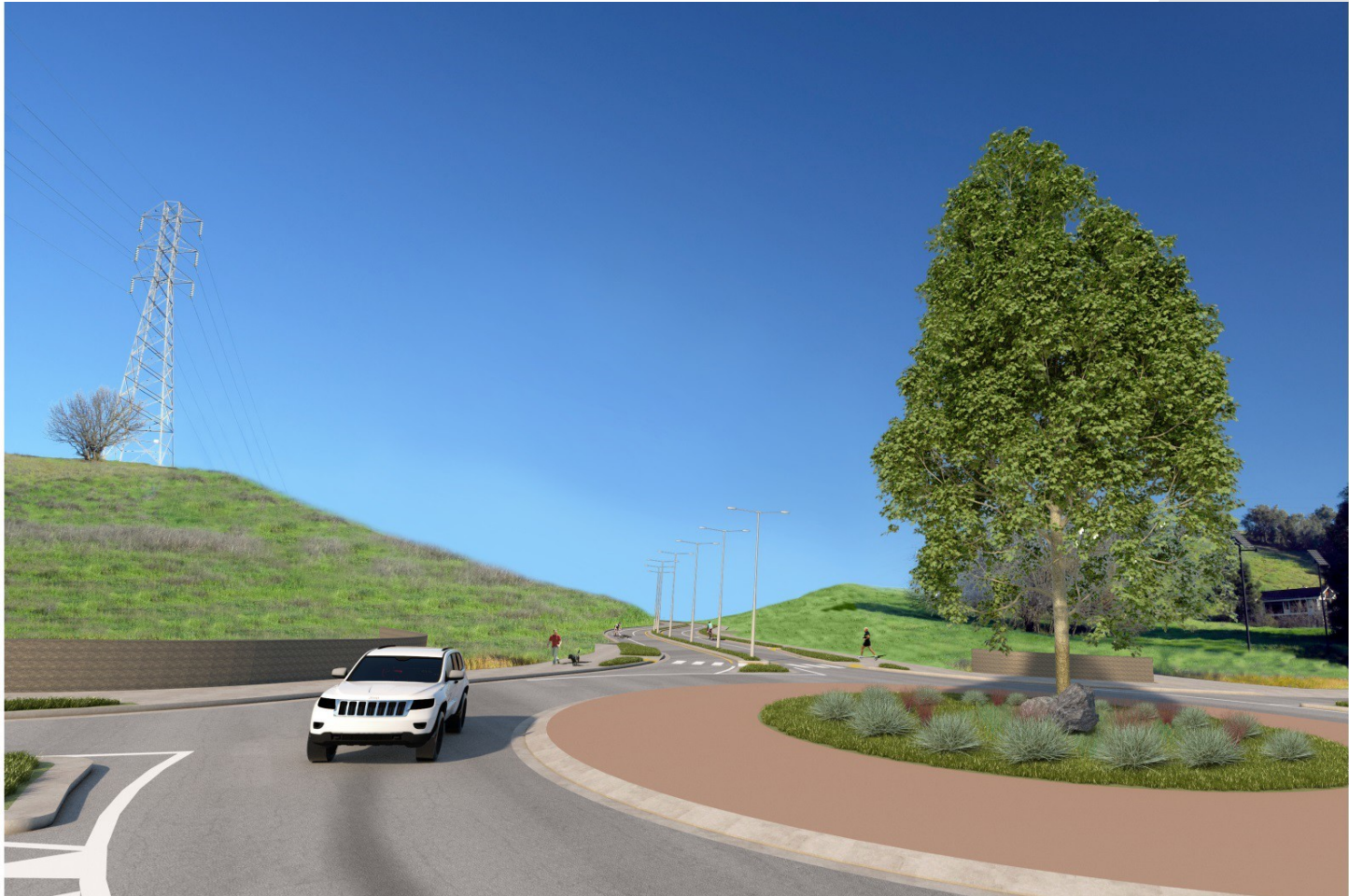


# Hale Avenue Extension





# Hale Avenue Extension



# Hale Avenue Extension Why?



- Create a two-lane multi-modal arterial street in line with the “Complete Streets” approach to roadway planning identified in the Morgan Hill General Plan
- Provide a continuous direct north/south route for the west side of the City, **reducing through traffic on neighborhood streets**
- Provide an alternate north/south road option on the west side of US Hwy 101 to **relieve congestion on Monterey Road**
- Provide a Class 1 Bike and Pedestrian facility separating bicyclists from the roadway
- Reduce energy consumption by providing an efficient multi-modal roadway configuration within the City of Morgan Hill.

# Traffic



- The Project will reduce traffic on Monterey Road and residential streets on the west side of the City. Verified by several studies.
- **2010 Traffic Study**
- **2017 EIR Traffic Study**
- **2019 Cut-through Traffic Study**



# Funding for the Project

**\$10M**



- **Impact Fees** – Paid by developers to improve the transportation system to accommodate new growth. Approximately \$10 Million spent on acquisition of property and design of the project.

**\$16.5M**



- **Grant Funds** – The City is being awarded funding from the Valley Transportation Authority Measure B funds from the County Expressway Category of Funding

**\$0**



- **General Fund** – The City is not spending any General Fund dollars on the project.

# Hale Avenue Extension History



- Hale Extension/Santa Teresa Project has been a planned roadway since 1960's
- Hale Extension Project was included in the city's General Plan and land development processing for the last 50 years
- The City first began work on a preliminary design for Santa Teresa in 2007/08
- First "neighborhood meeting" was held on May 22, 2008
- "Neighborhood Street Analysis" was prepared by Fehr and Peers in September 2009
- Hale Extension Project is First programmed into Capital Improvement Program in 2010/11 fiscal year
- Included in the General Plan Circulation Element in February 2010

# Hale Avenue Extension History



- Community Meeting took place on November 4, 2010
- Second Community Meeting took place on December 9, 2010
- Preliminary engineering first began in 2007 with actual design starting in 2012
- City Council meeting on community engagement and moving forward in February 2011
- City Council community meeting for intersection design in August 2011
- RDA taken away by the State and funding and the project was put on hold in 2013
- The project was restarted in 2017 with potential funding from Measure B
- City Council approved design contract with Mark Thomas on January 18, 2017

# Hale Avenue Extension History



- Public Meeting on Draft EIR was held on June 8, 2016
- City Council certified the EIR and adopted a Plan Line on August 23, 2017
- City Council approved Tran & Giancola property purchases on December 6, 2017
- City Council approved Howard property purchase on January 17, 2018
- City Council approved Kerr property purchase on July 18, 2018
- City Council approved a property conveyance with the County on August 22, 2018
- City Council adopted a resolution of necessity to acquire property from PG&E on September 5, 2018
- City Council approved Garcia property acquisition on October 3, 2018
- City hosted Town Hall Meeting on Thursday, June 11, 2020

# Next Steps for the Project



- Funding agreement with the VTA – tonight
- City to bid project - late Summer
- City Council to consider awarding the project to construction firm – Fall
- Project Commencement – late Fall



# Questions?



CITY OF MORGAN HILL

## Item # 14

**AGENDA DATE: 06/17/2020**  
**SUPPLEMENT # 1**

**From:** [Armando Be](#)  
**To:** [Chris Ghione](#)  
**Cc:** [Christina Turner](#); [Michelle Bigelow](#); [Angie Gonzalez](#)  
**Subject:** Re: Hale Extension Agenda Item on Agenda  
**Date:** Wednesday, June 17, 2020 12:39:36 PM

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Chris,

Thank you for the quick response. You answered my question as to the time that the estimate was done and the amounts of money that are in deposit in each fund. There appear to be sufficient funds to cover any unexpected costs. It is an interesting project, probably a little smaller in scope than the Butterfield roadway because, as I read it, the road is one lane each way, so it will leave a smaller footprint.

Regards,  
Armando

On Wed, Jun 17, 2020 at 5:46 AM Chris Ghione <[Chris.Ghione@morganhill.ca.gov](mailto:Chris.Ghione@morganhill.ca.gov)> wrote:

Hello Armando,

Thank for the email, it will be added as a supplement to the Council Agenda Item.

Cost estimates for the project were conducted by Mark Thomas Engineering, the design consultant for the project, in August 2019 in coordination with City staff. The storm drain impact fund has a balance of \$13.5M and the Storm Drain Master Plan calls for funding up to \$2M on this project, so if funds are used from that funding source no projects would be delayed or impacted. The Traffic Impact Fund currently has no additional dollars allocated for this project and if additional funding was necessary it will delay future traffic signal projects. It should be noted that the next priority of traffic signal projects are in the Hale Corridor, but outside this project area, so it would take longer for those to be added, but those would not be added until this project is completed. Impact funds are separate from the City's General Fund.

As always, I'm happy to meet and discuss the project with you.

Have a great day!

Chris

Chris Ghione

Public Services Director

408.782.9154



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**From:** Armando Be <[barmando3@gmail.com](mailto:barmando3@gmail.com)>  
**Sent:** Tuesday, June 16, 2020 6:31 PM  
**To:** Rich Constantine <[Rich.Constantine@morganhill.ca.gov](mailto:Rich.Constantine@morganhill.ca.gov)>; Larry Carr <[Larry.Carr@morganhill.ca.gov](mailto:Larry.Carr@morganhill.ca.gov)>; Yvonne Martinez Beltran <[yvonne.martinezbeltran@morganhill.ca.gov](mailto:yvonne.martinezbeltran@morganhill.ca.gov)>; Rene Spring <[Rene.Spring@morganhill.ca.gov](mailto:Rene.Spring@morganhill.ca.gov)>; John McKay <[john.mckay@morganhill.ca.gov](mailto:john.mckay@morganhill.ca.gov)>; Christina Turner <[Christina.Turner@morganhill.ca.gov](mailto:Christina.Turner@morganhill.ca.gov)>  
**Subject:** Hale Extension Agenda Item on Agenda

Dear City Council Members,

I always have reservations when I see the paraphrased words below. The \$16.5M estimate has no year associated as to when that estimate was made. If the estimate was made in 2016, then it is not reasonable to conclude that it is valid and we could predict that it will cost substantially more. That is not answered in the presentation.

"FISCAL AND RESOURCE IMPACT: Acceptance of this funding would provide \$16.5 million in funds for use on the construction of Hale Avenue. The project's construction estimate is \$16.5 million, however, the City has available Traffic Impact Funds (309) and Storm Drain Impact Funds (303) allocated towards project completion should bids come in slightly higher. Should bids for the project come in lower, the City would be able to utilize funding for some of the costs already incurred by the City (demolition of buildings, etc.)"..

Who made the estimate that the extension was going to cost \$16.5 million? When was that estimate made? How much money do we have in the traffic impact fund and storm drain impact funds? If we have to redirect those funds to this extension to cover additional costs, what are we to give up in terms of those funds not being available for what was planned for them? If the estimate was made four or five years ago, should we at least know what it's true cost is in today's dollars? I am concerned about incurring any additional burdens on our extremely strained budget that is fiscally bleeding out.

I look forward to hearing a little more about the costs of this project going forward.

Regards,

Armando Benavides





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# **Regional Housing Need Allocation (RHNA) and Housing Element Reforms Update Item #15**



# What is RHNA?

- Since 1969, State law requires that all jurisdictions must plan to meet the housing needs of everyone in the community
- The **State** identifies total number of units, across all income groups, for which the region must plan for 8-year period (sixth cycle covers 2023-2031)
- **ABAG** collaborates with local governments and stakeholders to develop a formula to assign each community a share of the Bay Area's housing need
- **Each local government** must update Housing Element of General Plan and zoning to show how it plans to accommodate its share of the regional need

# What are the statutory objectives of RHNA?

Increase housing supply and mix of housing types, tenure, and affordability in all cities and counties in an equitable manner

Promote infill development and socioeconomic equity, protect environmental and agricultural resources, encourage efficient development patterns, and achieve GHG reduction targets

Promote improved intraregional jobs-housing relationship, including balance between low-wage jobs and affordable housing

Balance disproportionate household income distributions (more high-income RHNA to lower-income areas and vice-versa)

Affirmatively further fair housing

# What's new this RHNA cycle?

Greater emphasis on social equity

Higher expected total regional housing need

Expanded HCD oversight on methodology & allocations

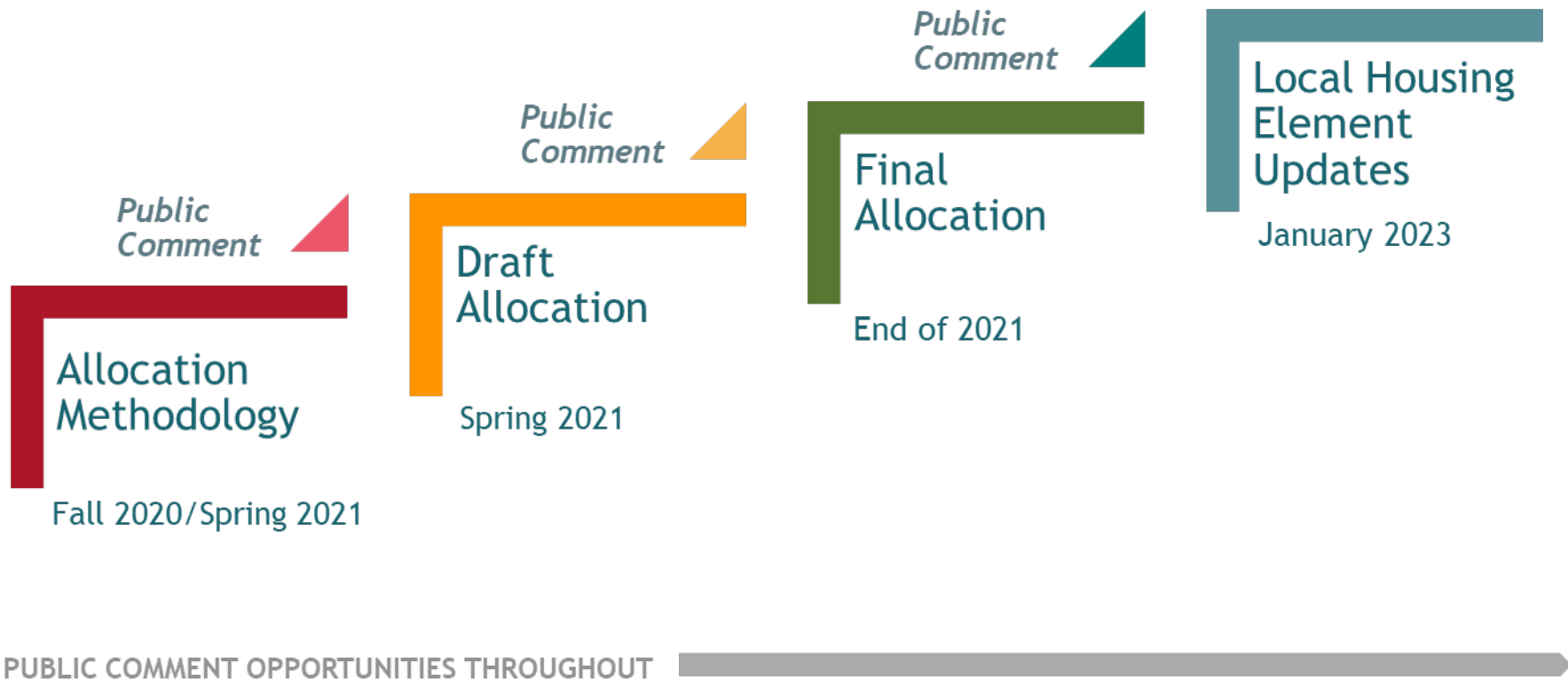
More factors to consider in allocations (overpayment, overcrowding, greenhouse gas target, jobs-housing fit)

New requirements for identifying eligible sites for Housing Elements

# Factors considered in RHNA Methodology

1. **Access to High Opportunity Areas** – More housing units allocated to jurisdictions with the most access to opportunity (e.g. good schools, low poverty, etc.).
2. **Divergence Index** – More housing allocated to jurisdictions that are more segregated compared to the rest of the region.
3. **Job Proximity** – More housing allocated to jurisdictions with easy access to region's job centers.
4. **Vehicle Miles Travelled (VMT)** - More housing allocated to jurisdictions with a high number of vehicle miles travelled per worker.
5. **Jobs-Housing Balance** - More housing allocated to jurisdictions with a high number of jobs relative to the amount of housing.
6. **Jobs-Housing Fit** - More housing allocated to jurisdictions with a high number of low-wage jobs relative to the number of low-cost rental units.
7. **Future Jobs** - More housing allocated to jurisdictions with a higher share of projected jobs.
8. **Transit Connectivity** - More housing allocated to jurisdictions with existing and planned transit infrastructure.
9. **Natural Hazards** - More housing is allocated to areas with low natural hazard risk.

# RHNA process overview





# Summary of Key Milestones

| MILESTONE                                         | DEADLINE              |
|---------------------------------------------------|-----------------------|
| Housing Methodology Committee kick-off            | October 2019          |
| HCD Regional Housing Need Determination           | Summer 2020           |
| Plan Bay Area 2050 Draft Blueprint                | July 2020             |
| Proposed RHNA methodology, draft subregion shares | Fall 2020             |
| Plan Bay Area 2050 Final Blueprint                | December 2020         |
| Final subregion shares                            | December 2020         |
| Draft RHNA methodology to HCD for review          | Winter 2021           |
| Final RHNA methodology, draft allocation          | Spring 2021           |
| RHNA appeals                                      | Summer 2021           |
| <b>Final Plan Bay Area 2050</b>                   | <b>September 2021</b> |
| <b>Final RHNA allocation</b>                      | <b>End of 2021</b>    |
| <b>Housing Element due date</b>                   | <b>January 2023</b>   |

*By statute, the Housing Element due date cannot be extended beyond January 2023*

*Dates are tentative and subject to change*



# Cities that will likely receive higher RHNA's

Job rich cities

Small towns near job rich cities ★

Cities with good public transportation networks

Cities with opportunity areas

# Changes to Housing Element Site Selection for affordable housing

Cannot “re-use” sites unless provide minimum density (20 units per acre in Morgan Hill) and “by right” zoning

Narrow definition of vacant, and if non-vacant sites used for 50% or more of lower-income need, existing use presumed to impede development

Cannot use sites smaller than 0.5 acre or larger than 10 acres without substantial evidence

# Changes to Housing Element Site Selection for affordable housing

The state has made it clear that the **City will be required to rezone** land to accommodate the RHNA.

Without upzoning, a significant portion of the current inventory will not be able to be included in the Housing Element.

Process will include a significant public involvement component.

# Next Steps

RHNA schedule - one year from final RHNA allocation to submit the final Housing Element

In advance of that final allocation, staff will:

- Access available planning funds and technical assistance, including newly established LEAP grant program
- Review housing inventory from previous Housing Element
- Begin to identify housing sites that can accommodate an increased RHNA and need to be considered for rezoning

# Questions?





## **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

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**Wednesday, June 17, 2020 7:00 p.m.**

### **Virtual Meeting**

**Link to join the meeting can be found below, Morgan Hill, CA 95037**

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## **MEETING GUIDELINES**

In accordance with Executive Order N-25-20 and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. We will address the Order 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. Those members of the public wishing to participate remotely may do so via the electronic meeting at: <https://bit.ly/061720CCMeeting> or by calling in to: (669) 900-9128, then enter the meeting id: 826 6318 0774 <<https://us02web.zoom.us/j/82663180774>>.

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**

Deputy City Clerk Michelle Bigelow

## **DECLARATION OF POSTING AGENDA**

Per Government Code Section 54954.2  
Deputy City Clerk Bigelow

## **PRESENTATIONS**

Sobrato High School Valedictorian Dean Tran

What YAC Leaders have been doing during the shelter-in-place  
<<https://www.youtube.com/watch?v=DhWDD3C8vkc>>

## **CITY MANAGER'S REPORT**

City Manager Christina Turner

## **CITY COUNCIL EQUITABLE COMMUNITIES RESOLUTION**

## **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)

## **PUBLIC COMMENT SUPPLEMENT**

## **ADOPTION OF AGENDA**

## **CONSENT CALENDAR**

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

Time Estimate for Consent Calendar: 1 - 10 Minutes

### **1. ACCEPT APRIL 2020 FINANCIAL AND INVESTMENT REPORT**

Recommendation:

Accept and file report.

**2. APPROVE THE JUNE 3, 2020 MEETING MINUTES**

Recommendation:

Approve Minutes.

**3. APPROVE COMMUNITY PROMOTIONS FUNDING REQUESTS FOR FISCAL YEAR 2020-21**

Recommendation:

Approve recommended Fiscal Year (FY) 2020-21 Community Promotions funding requests totaling \$25,500.

**4. APPROVE CITY SPONSORSHIP OF PHILANTHROPY NIGHT, INDIA INDEPENDENCE DAY FESTIVAL, AND FUTURE WOMEN LEADERS CONFERENCE EVENTS AT THE COMMUNITY AND CULTURAL CENTER**

Recommendation:

1. Authorize the City Manager to waive facility rental fees of \$1,500 for Morgan Hill Community Foundation's November 2020 Philanthropy Night Celebration;
2. Authorize the City Manager to waive facility rental fees of \$307 for Indian Association of South Santa Clara County's August 2020 India Independence Day Festival and flag raising ceremony; and
3. Authorize the City Manager to waive facility rental fees of \$1,500 for American Association of University Women's April 2021 Future Women Leaders Conference.

**5. APPROVAL OF A GOVERNMENT CODE 65915 DENSITY BONUS AT 80 PERCENT AND FOUR CONCESSIONS FOR A 100 PERCENT AFFORDABLE HOUSING PROJECT (SR2020-005 MONTEREY-MORGAN HILL SENIOR APARTMENTS)**

Recommendation:

Adopt resolution approving the request for the following, pursuant to Government Code:

1. Density bonus at 80 percent.
2. Affordable housing concessions:
  - a. Increase in floor area ratio;
  - b. Reduction in on-site parking;
  - c. Reduction in private open space; and
  - d. Increase in building height.



**6. APPROVE SIDE LETTER AGREEMENTS BETWEEN THE CITY OF MORGAN HILL AND THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES LOCAL 101, DISTRICT COUNCIL 57 OF MORGAN HILL TO AMEND SECTION 9.02 UNIFORMS WITHIN THE PREVIOUS MEMORANDUM OF UNDERSTANDING DATED JULY 1, 2015 THROUGH DECEMBER 31, 2018 AND CURRENT MEMORANDUM OF UNDERSTANDING DATED DECEMBER 30, 2018 THROUGH DECEMBER 31, 2021**

Recommendation:

1. Approve Side-Letter Agreement Between the City of Morgan Hill and the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill for the previous Memorandum of Understanding dated July 1, 2015 through December 31, 2018 amending Section 9.02 UNIFORMS; and
2. Approve Side-Letter Agreement Between the City of Morgan Hill and the American Federation of State, County, and Municipal Employees Local 101, District Council 57 of Morgan Hill for the current Memorandum of Understanding dated December 30, 2018 through December 31, 2021 amending Section 9.02 UNIFORMS.

**7. ADOPT RESOLUTION AUTHORIZING GRANT APPLICATION AND AUTHORIZING THE CITY MANAGER TO EXECUTE GRANT RELATED AGREEMENTS AND DOCUMENTS FOR A LOCAL EARLY ACTION PLANNING GRANT**

Recommendation:

Adopt resolution:

1. Authorizing staff to prepare and submit a Local Early Action Planning Grants Program (LEAP) Application to the State of California, Department of Housing and Community Development for an amount not to exceed \$150,000 for the development of a proposed Housing Element Update; and
2. Authorizing the City Manager to negotiate and execute the City of Morgan Hill LEAP application, grant documents, and any amendments thereto as required by the Department of Housing and Community Development for receipt of the grant.

**8. AMEND THE IMPACT FEE FREEZE PROGRAM FOR COMMERCIAL AND INDUSTRIAL PROJECTS**

Recommendation:

1. Approve the Impact Fee Freeze Program and guidelines; and
2. Authorize the City Manager to negotiate and execute Impact Fee Freeze Agreements that are under \$100,000 for new commercial and industrial projects consistent with the program criteria.

**9. CONSIDER CITY POSITION ON AB 2959 PROVIDING CLARITY ON CONTROL AUTHORITY OF ORGANIC WASTE MATERIALS**

Recommendation:

Direct staff to submit letter in support of AB 2959 to the appropriate representatives.

**10. PROVIDE DIRECTION REGARDING 2020 CALIFORNIA LEGISLATIVE UPDATE - HOUSING, LAND USE AND BALLOT MEASURES**

Recommendation:

Review League of California Cities positions if available and determine Bills of interest; provide positions or amendment suggestions.

## **11. AUTHORIZE STAFF TO PREPARE HIGH SPEED RAIL EIR/EIS COMMENT LETTER**

Recommendation:

Authorize the City Manager to submit a Comment Letter to the California High Speed Rail Authority for the San Jose to Merced Project section EIR/EIS.

## **PUBLIC HEARING**

### **12. ADOPT THE FISCAL YEAR (FY) 2020-21 AND 2021-22 OPERATING BUDGET, FY 2020-21 THROUGH 2025-26 CAPITAL IMPROVEMENT BUDGET, AND FY 2020-21 APPROPRIATIONS LIMIT**

Recommendation:

1. Open/Close Public Hearing.
2. Adopt resolution to:
  - a. Adopt the FY 2020-21 and 2021-22 Operating Budget;
  - b. Adopt the FY 2020-21 through 2025-26 Capital Improvement Program Budget; and
  - c. Adopt the FY 2020-21 Appropriations Limit and Appropriations Limit Adjustment Factors.

Estimated Time: 15 Minutes

## **OTHER BUSINESS**

### **13. DISCUSS POTENTIAL NEXT STEPS FOR NOVEMBER 2020 REVENUE MEASURE INITIATIVES AND OTHER FUNDING APPROACHES**

Recommendation:

1. Receive report regarding potential revenue initiatives;
2. Direct staff to pursue and establish a new citywide Community Facilities District (CFD) for new residential developments;
3. Direct staff to research the feasibility of a Special Fire District for the City of Morgan Hill and any applicable requirements; and
4. Direct staff to:
  - a. Not pursue a revenue measure for November 3, 2020 ballot.  
OR;
  - b. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, based on October 2019 polling results data.  
OR;
  - c. Pursue placement of one or more of the presented revenue measure(s) on the November 3, 2020 ballot, and conduct a community polling immediately.

Estimated Time: 45 Minutes

### **14. APPROVE HALE AVENUE EXTENSION PROJECT FUNDING AGREEMENT**

Recommendation:

Authorize the City Manager to enter into a funding agreement with the Santa Clara Valley Transportation Authority (VTA) to fund the City's construction of the Hale Avenue Extension Project.

Estimated Time: 30 Minutes

**15. RECEIVE UPDATE REGARDING REGIONAL HOUSING NEED ALLOCATION AND HOUSING ELEMENT REFORMS**

Recommendation:

Receive report.

Estimated Time: 30 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](mailto: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](mailto: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 OF MORGAN HILL

# PROCLAMATION

of the City of Morgan Hill

Proclaiming

June 19, 2020

as

**Juneteenth**

- WHEREAS,** Juneteenth is the oldest known celebration commemorating the abolition of slavery in the United States and the emancipation of African American slaves throughout the Confederate South; and
- WHEREAS,** President Abraham Lincoln signed the Emancipation Proclamation on January 1, 1863, declaring slaves in Confederate territory free, paving the way for the passing of the 13<sup>th</sup> Amendment which formally abolished slavery in the United States of America; and
- WHEREAS,** word about the signing of the Emancipation Proclamation was delayed some two and half years, to June 19, 1865 in reaching authorities and African Americans in the South and Southwestern United States; and
- WHEREAS,** On the first Juneteenth, a name that combines June and 19<sup>th</sup>, the people of Texas were read the General Order Number 3, which stated: *"The people of Texas are informed that in accordance with a Proclamation from the Executive of the United States, all slaves are free. This involves an absolute equality of rights and rights of property between former masters and slaves, and the connection heretofore existing between them becomes that between employer and free laborer."*; and
- WHEREAS,** Emancipation Day observations are held on different days in different states in the South and Southwest, and in other parts of the nation. Juneteenth has been celebrated by the African American community for over 150 years; and
- WHEREAS,** the City of Morgan Hill urges its citizens to promote knowledge and appreciation of African American history and culture and become more aware of the significance of this celebration, while encouraging continuous self-development and respect for all people and cultures; and
- WHEREAS,** in honor of inclusiveness and in keeping with the goals of the City Council, the City of Morgan Hill would like to recognize Juneteenth in Morgan Hill.

**Now, therefore be it resolved** that I, Rich Constantine, Mayor of the City of Morgan Hill on behalf of the City Council and all residents, hereby proclaim June 19, 2020 as Juneteenth and invite all community members to join us in discussion, celebration, and support for all ages, races, socio-economic status, cultures, ethnicities, languages, education, religion or sexual orientation.

**In witness whereof, I have hereunto set my hand and cause the Seal of the City of Morgan Hill to be affixed this 17<sup>th</sup> day of June 2020.**

Rich Constantine, Mayor

**From:** [Tamara Bell](#)  
**Cc:** [CC Public Comment](#)  
**Subject:** 24 hour fitness  
**Date:** Thursday, June 11, 2020 5:26:46 PM

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To Whom It May Concern,

RE: 24 HOUR FITNESS CLOSER

I just heard that the Morgan Hill 24 hour fitness may close. Many senior citizens exercise there. The closest facility would be San Jose which states they re-open on June 22, 2020.

Anything which the city of Morgan Hill can do to support the health of the senior community would be extremely appreciated.

Thank you, Tamara Bell

Sent from my iPad

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**From:** Monica Delgado <[Monica.Delgado@morganhill.ca.gov](mailto:Monica.Delgado@morganhill.ca.gov)>  
**Sent:** Wednesday, June 17, 2020 2:55 PM  
**To:** D. Muirhead <[doug.muirhead@stanfordalumni.org](mailto:doug.muirhead@stanfordalumni.org)>  
**Cc:** Christina Turner <[Christina.Turner@morganhill.ca.gov](mailto:Christina.Turner@morganhill.ca.gov)>; Dat Nguyen <[Dat.Nguyen@morganhill.ca.gov](mailto:Dat.Nguyen@morganhill.ca.gov)>; Harjot Sangha <[Harjot.Sangha@morganhill.ca.gov](mailto:Harjot.Sangha@morganhill.ca.gov)>; Michelle Bigelow <[Michelle.Bigelow@morganhill.ca.gov](mailto:Michelle.Bigelow@morganhill.ca.gov)>  
**Subject:** Response to Comments Morgan Hill City Council meeting June 17, 2020 Item #11. FY 2020-2022 Operating Budget

Mr. Muirhead, thank you for your comments. Please see the responses to your questions below, in red.  
Thank you!

**From:** "D. Muirhead" <[doug.muirhead@stanfordalumni.org](mailto:doug.muirhead@stanfordalumni.org)>  
**Date:** June 16, 2020 at 9:29:04 AM PDT  
**To:** CC Public Comment <[CCPublicComment@morganhill.ca.gov](mailto:CCPublicComment@morganhill.ca.gov)>  
**Subject:** Comments Morgan Hill City Council meeting June 17, 2020 Item #11. FY 2020-2022 Operating Budget

Dear Morgan Hill City Council,  
Comments for your meeting on June 17, 2020  
Item #11. FY 2020-2022 Operating Budget

You have just affirmed in your Equitable Communities Resolution that "all members of the city are valued regardless of religion, immigration status, ethnicity, disability, gender, sexual orientation, or gender identity."

In my comment letter to the Budget Team, I asked for a section on equity. What I wanted to see is that there are not disparate impacts on segments of our community. Your budget does create inequitable treatment within our community.

In your Principles to Guide the Sustainable Budget Strategy, you state

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.

I would like you to consider a counter-argument, expressed by Jason Karlawish, MD, in a presentation on the impact on vulnerable populations of physical distancing strategies:

A basic principle of justice

- Treat equal people equally, and unequal people unequally
- Persons who are vulnerable are unequal to persons who are not vulnerable



- Therefore, they merit, deserve, more than persons who are not vulnerable

I am going to object to certain reductions and eliminations that you identified in the Amendments (aka Adjustments) to FY 2020-21 and 2021-22 Recommended Budget. Then I am going to object to certain reductions and eliminations that you only identified in the Budget Workshop presentation. I will not be able to object to changes that you have not publicly announced.

First from the spreadsheet:

- 32 Police Eliminate Parent Project Training Program
- 33 Police Eliminate Citizens Police Academy Program
- 34 Police Eliminate Annual National Night Out event
- 36 Police Eliminate Community outreach software platform
- 39 Police Eliminate Explorer Training/Conference

Next from the Workshop presentation:

Community Services - Impacts to Community

- Less available hours for all programming at the CRC and Aquatics Center
- Reduce Senior Center Hours and less managerial oversight (Supervisor will take on other roles, support staff will have less hours to focus solely on Seniors)
- Teen Center will be open only 4 days per week instead of 6
- No special events until funding and staffing levels are restored (Get Fit Event, Summer Fun in the Park, Latin Concert, Latin Zumbathon)
- Spray Pad at the CCC not open until funding and staffing restored [You just spent money to replace underground vault with surface control room. Did you not design it for low operation cost?]

It is designed well. All aquatics facilities take considerable time and management to run. That system will be used down the road when we once again have resources to support it.

- Reduce Skate Park oversight
- Reduce outreach to gain participation in programs for underserved communities

Lastly, under "would it not be nice to retain":

- 31 Police Eliminate City services for cat sheltering and City's contribution for spay/neuter
- Development Services

- Remove plans for preparation of Monterey Corridor Specific Plan preparation and related EIR
- Eliminate funding for Assistant City Manager (Development Services) position in January 2021  
[Is Leslie Little retiring? A friend asked how we would capture the institutional knowledge lost with her departure.]

The impacts of the deleted position will be supported by the institutional knowledge of other long standing employees in Development Services and Community Services.

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In your Principles to Guide the Sustainable Budget Strategy, you state

H. Employees and their recognized bargaining units should be actively involved in developing options and implementing the transition.

Yet you did not treat our residents with equal consideration and involve us in the choices. We are after all the ones who will have to live for months or years with the choices you are forcing upon us. And if you really wanted to build public trust, you could have run a full-page ad under the heading "We are sorry for the coming pain" and listed all the reductions and eliminations that you have identified with limited visibility and those that I suspect you have made and not disclosed.

Thank you for your consideration, Doug Muirhead, Morgan Hill