



Regular Meeting Agenda

Joint Morgan Hill Financing Authority/City Council Meeting

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

Wednesday, November 18, 2020 7:00 p.m.

Virtual Meeting

AMENDED AGENDA

Please note that this agenda has been amended to revise language in the staff report for item 5.

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/11182020CityCouncilMtg> or by calling in to: (669) 900-9128, then enter the meeting id: 858 0142 8695.

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 Michelle Bigelow

PRESENTATIONS

YAC PRESENTATION- ASSET #34- CULTURAL COMPETENCE

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY MANAGER'S REPORT SUPPLEMENT- DEVELOPMENT PROJECTS

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

MORGAN HILL FINANCING AUTHORITY MEETING

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. ADOPT RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)

Recommendation:

Adopt resolution of the Morgan Hill Financing Authority authorizing investment of monies in the local agency investment fund (LAIF).

OTHER BUSINESS

2. **ADOPT RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize the Chief Administrative Officer to execute all related documents for the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

CITY COUNCIL MEETING

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

3. **ADOPT RESOLUTION ACCEPTING THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL 571**

Recommendation:

Adopt resolution accepting the State of California's campaign contribution limits for local campaigns as set forth in the provisions of AB 571.

4. **ADOPT ORDINANCE AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS**

Recommendation:

Waive the reading, adopt Ordinance No. 2317, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

5. ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

Recommendation:

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

6. APPROVE AGREEMENT WITH BURKE, WILLIAMS & SORENSEN FOR AFFORDABLE HOUSING LEGAL SERVICES

Recommendation:

Authorize the City Attorney to execute and administer a Consultant Agreement with Burke Williams & Sorensen, LLP (BWS) for Housing Program legal services through June 30, 2022, in an amount not to exceed \$75,000.

7. APPROVE FINAL MAP FOR EIGHT LOT SUBDIVISION AT SAN SEBASTIAN PHASE 2D - TRACT NO. 10529

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
3. Authorize the recordation of the Final Map and the Stormwater BMP Operation and Maintenance Agreement.

8. APPROVE FINAL MAP FOR TWO LOT SUBDIVISION AT SAN SEBASTIAN PHASE 3 - TRACT NO. 10534

Recommendation:

1. Approve the Final Map; and
2. Authorize the recordation of the Final Map.

9. APPROVE THE FINAL MAP, AND AGREEMENTS FOR SUBDIVISION IMPROVEMENTS AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE FOR ANDALUSIA - TRACT NO. 10521

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with MH Andalusia 2020 Inc.;
3. Authorize the City Manager to execute 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.

10. APPROVE THE OCTOBER 28, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

11. APPROVE THE NOVEMBER 4, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

12. AWARD JANITORIAL SERVICE AGREEMENT TO FIRATO SERVICE COMPANY. INC.

Recommendation:

1. Deny bid protest and appeal filed by JLP Maintenance;
2. Award a two-year service agreement to Firato Service Company, Inc. in the amount of \$874,332; and
3. Authorize the City Manager to execute and administer the service agreement with Firato Service Company, Inc.

13. AWARD PHASE 1 OF HALE AVENUE EXTENSION PROJECT TO DESILVA GATES CONSTRUCTION

Recommendation:

1. Approve the Hale Avenue Extension Project plans and specifications;
2. Award contract to DeSilva Gates Construction for the Hale Avenue Extension Project in the amount of \$14,174,174;
3. Authorize expenditure of construction contingency funds not to exceed \$1,417,417; and
4. Authorize the City Manager to execute and administer the construction contract with DeSilva Gates Construction pending review and approval by the City Attorney's office.

14. APPROVE COST SHARE AGREEMENT WITH VALLEY WATER FOR THE HALE AVENUE EXTENSION PROJECT AND FLOOD CONTROL IMPROVEMENTS

Recommendation:

1. Authorize the City Manager to execute and administer a cost share agreement with Valley Water for the construction of the Hale Avenue Extension Project south of Warren Avenue and improvements supporting the Upper Llagas Creek Flood Control Project for up to \$3.5 million; and
2. Authorize the City Manager to make minor modifications to the agreement as necessary with approval of the City Attorney.

15. RECEIVE REPORT REGARDING SILICON VALLEY COMMUNITY FOUNDATION 2020 CENSUS OUTREACH GRANT ACTIVITIES AND OUTCOMES

Recommendation:

Receive Report.

OTHER BUSINESS

**16. ADOPT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE
AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL
STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING
CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize City Manager to execute all related documents with the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

FUTURE COUNCIL INITIATED AGENDA ITEMS

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

ADJOURNMENT

NOTICE

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

PUBLIC COMMENT

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

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

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

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

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

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

AMERICANS WITH DISABILITIES ACT (ADA)

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

SUSTAINABLE MORGAN HILL



VISION

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

Choose Morgan Hill

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

City Council Ongoing Priorities

- Enhancing Public Safety
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advancing Regional Initiatives

2020-2021 Strategic Priorities

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



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



November

Developmental Asset #34

Cultural Competence

Young person has knowledge of and comfort with people of different cultural/racial/ethnic backgrounds.



November

Complementary Asset #33

Interpersonal Competence

Young person has empathy, sensitivity,
and friendship skills.

Kimia Nekoui (TC & Hours Reporter)



- How has culture played a role in your family/school/community?
- ◆ Creates a sense of belonging
 - ◆ Encourages respect

Persian New Year (Nowruz)



Haftseen table

Jenny Zuercher (Active Member)



- How has culture played a role in your family/school/community?
- ◆ Sense of Belonging
 - ◆ Aware of different perspectives amongst other backgrounds

Chinese New Year



Alegria Serrano (Active Member)



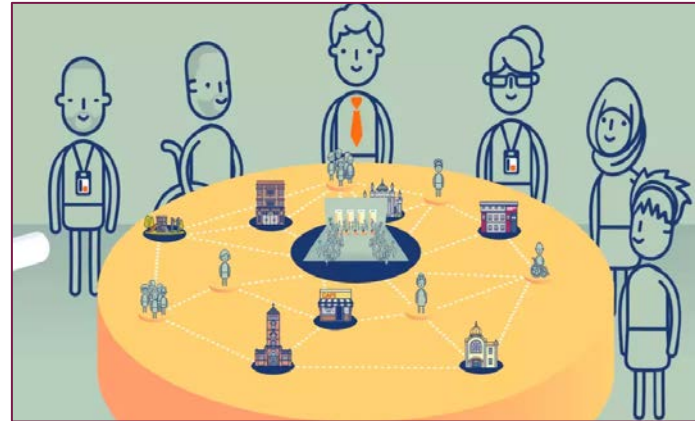
- How has culture played a role in your family/school/community?
- ◆ Builds a sense of family identity
 - ◆ Families get to build on their traditions

Christmas Eve



Tips for Parents/Guardians

- ❖ Educate youth about different cultures
- ❖ Learn to be respectful of other cultures





Questions to Council:



- What do you wish you had understood about cultural competence when you were young?
- What recommendations/tips do you think will help the youth in our community achieve cultural competence?



The City of Morgan Hill desires to correct some information that has been introduced by the public at meetings and/or on social media, that the community might otherwise believe to be accurate.

- **Misrepresentation #1: “NO DOCK-HIGH DOORS ARE PERMITTED” in the Morgan Hill Ranch Business Park based on the Park’s Architectural Guidelines.**

Slides presented by the public to both the City Council and the Planning Commission stated:

“Storage and Loading Areas: “Loading doors shall be located at grade (no raised docks) and shall be painted or otherwise surfaced” and a statement that the “PUD (Planned Unit Development) Agreement already has unambiguous restriction(s) on Dock-High Doors”

The first sentence is taken from a paragraph that references a limitation on loading docks on the *FRONT* of a building only; it is *NOT* a prohibition on dock high doors on sides or in the rear of a building. Reviewing the entire paragraph makes that distinction clear. The language in the Guidelines reads as follows:

Loading dock areas shall be set back and screened so as not to be visible from neighboring properties and streets but, in any event, the docks shall not be closer than 75 feet from a property line fronting any street unless specifically approved by MORGAN HILL DEVELOPMENT PARTNERS, L.P. in writing. On parcels where front loading is permitted, loading bays or doors facing the street shall be recessed a minimum of 20 feet from the front face of the building and shall require additional architectural treatment, to obscure their appearance. Loading doors shall be located at grade (no raised docks) and shall be painted or otherwise surfaced with materials designed to match or be harmonious with the adjacent exterior of the building. No more than one loading bay or door may be permitted to face the street on each building. Other loading bays or doors may be permitted on the side of rear elevation of the building.

Many of the buildings that were built in the initial phases of the business park have raised dock doors or loading docks. Those docks would not have been permitted if there was a prohibition on raised docks in the original PUD.

Taking the one sentence in this paragraph that says, “no raised docks” and suggesting it to be a total prohibition within the Business Park has created confusion for community members and business owners who fear their existing buildings do not conform.

- **Misrepresentation #2 - The Morgan Hill Ranch Business Park does not allow Speculative Development. The Development Agreement for the portion of the Business Park between Butterfield and Monterey, (and bordered by Jarvis on the north and Digital Drive to the south), was supposed to result in the Industrial Site being ‘shovel ready’ for build-to-suit companies that are to be consistent with the Business Park PUD Agreement.**

The Development Agreement for the Industrial Park does not require “building to suit” or speculative development. It requires that industrial uses be built in conformance with the zoning and building code.

When the Development Agreement for the Industrial portion of the Business Park between Butterfield and Monterey was approved, the goal was to bring industrial development to that site. At the time (2016), Morgan Hill had a history of “build to suit” development – meaning a company bought a site, designed a building and constructed it specific to their needs. No speculative industrial buildings were being built because the City had a significant vacancy in the building inventory. The City saw that start to change when a speculative industrial building (meaning, the building was being built, but there was no tenant yet) was approved on September 6, 2016 and subsequently constructed at 155 Mast.

It is true that the future tenants may not be known but it does not mean future tenants will not be required to be permitted. Tenants need tenant improvement plans for interior offices and equipment installation, business licenses, zoning certifications, and Conditional Use Permits (if the use is not permitted by right). A Conditional Use Permit requires approval by the Planning Commission.

- **Misrepresentation #3 - Divco-MWEST: The ‘BIG FISH’ has arrived and the debacle of allowing a DA with NO Master Plan is about to unfold on the public.**

Butterfield Technology Park – A slide presentation was shown during public comment regarding the proposed Butterfield Technology Park project. The first slide incorrectly outlined the project. The conceptual graphic shown was taken from the City’s significant projects slide presentation regarding the housing portion of the project – not the industrial portion. The total project, when entitled by original owner MWest, was 60 acres in size with roughly 20 acres of residential, 3 acres of park, new roadways and 30 acres of expansion of the MH Ranch Business Park.

- The slide represented the project as larger than the actual application.
- The slide also indicated an application date nearly a month prior to the actual application date and indicated that the City would provide the project for review 72 hours prior to the meeting.

	Incorrect info in Slide Presentation	Actual Application
Total Square footage	580,655	410,076
Building Square footage	148K, 142K, 101K, 101K, 87K	92K, 85K, 82K, 80K, 70K
Application date	August 21, 2020	September 21, 2020
Noticing	72 hours	10 days in newspaper – project info page on the City website available a month prior to meeting

MWest entitled the project, then sold it to Braddock and Logan Development. They sold the industrial portion south of the “new” Sutter extension to Trammell Crow. They are also actively marketing the residential apartments/park for sale. There are two distinct Development Agreements for this site. One for the housing portion and one that governs the industrial portion of the site. The industrial project now proposed looks nothing like what MWest originally envisioned which contemplated larger buildings on site.

From: Little, Don @ San Francisco <DLittle@trammellcrow.com>
Sent: Monday, November 16, 2020 3:54 PM
To: Christina Turner <Christina.Turner@morganhill.ca.gov>; Jennifer Carman <Jennifer.Carman@morganhill.ca.gov>; Leslie Little <Leslie.Little@morganhill.ca.gov>
Cc: Parker, Will @ San Francisco <WParker2@trammellcrow.com>; Jodry, Thomas @ San Francisco <TJodry@trammellcrow.com>; Pan, Lena @ San Francisco <LPan@trammellcrow.com>; Blackwell, David <dblackwell@allenmatkins.com>
Subject: Public record correction

All:

We were surprised and perplexed by erroneous statements made by Gino Borgioli during public comment at City Council on Nov. 4, 2020. In short, he alleges our site on DePaul is dangerously contaminated. This is wholly untrue and we wish to correct the public record in this regard.

Please see the attached summary from our environmental consultant, Hailey & Aldrich, explaining in detail the facts of the matter and fully rebutting the false or misinformed statements from Mr. Borgioli. Please accept this as a formal submittal to the public record on this matter.

We would further like to enter this information orally into the public record at a forthcoming City Council meeting during public comment.

Please advise.

Thank you,

Don Little

Don Little | Senior Vice President
[Trammell Crow Company](#)
415 Mission Street, 45th Floor | San Francisco, Ca. 94105
925-200-3157 (c) | 415-772-0107 (o)

Communication: Public Comment Supplement (PUBLIC COMMENT)



Haley & Aldrich, Inc.
2033 N. Main Street
Suite 309
Walnut Creek, CA 94596
925.949.1012

13 November 2020
File No. 132734-001

TC Morgan Hill Venture, LLC
c/o TC No. Cal. Development, Inc.
415 Mission Street, 45th Floor
San Francisco, California 94105

Attention: Mr. Tom Jodry
Senior Vice President, Development Management

Subject: Dieldrin Results Summary and Evaluation
Morgan Hill Technology Center Property
Morgan Hill, California

Dear Mr. Jodry:

Haley & Aldrich, Inc. (Haley & Aldrich) has prepared this letter to TC No. Cal. Development, Inc. (TC No Cal) to provide a summary and evaluation of the dieldrin soil data collected from the property located between Cochrane Road and Half Road, west of De Paul Drive, and east of US Highway 101, in Morgan Hill, California (the Site). This letter has been prepared in response to concerns Mr. Borgioli raised during the 4 November 2020 Morgan Hill City Council meeting regarding dieldrin concentrations reported in Site soil and comparisons to the proposed Borello school site in Morgan Hill.

Contrary to Mr. Borgioli's contentions, our assessment does not substantiate any cause for concern for human health with regard to the documented Site dieldrin concentrations. The key points from our review can be summarized as follows:

- All documented Site dieldrin concentrations are well below the Environmental Screening Levels for protection of human health and the environment, as applicable to the Site.
- The maximum Site dieldrin concentrations are approximately one and a half orders of magnitude lower than the dieldrin concentrations at the referenced Borello school site.

Project Background

The approximately 58-acre Site encompasses the following five Santa Clara County Assessor Parcel Numbers (APNs): 728-30-006, and -009; and 728-31-014, -015, and -016. TC No Cal has purchased this Site for redevelopment as a commercial property. As part of TC No Cal Development's due diligence activities prior to purchasing the property, Haley & Aldrich collected and analyzed 32 discrete soil samples from 16 locations at multiple depths for dieldrin, among other analytes, in December of 2018. This work was reported in Haley & Aldrich's letter report dated 21 December 2018, titled "*Results of Limited Phase II Environmental Investigation*." In separate work, AEI Consultants (AEI) collected and

analyzed 15 composite samples for dieldrin and other analytes across the property and the adjoining land in September 2018. This work is documented in AEI's report dated 20 September 2018, entitled *"Limited Phase II Agricultural Investigation."*

In a 3-minute public testimony to the Morgan Hill City Council during the 4 November 2020 meeting, Mr. Borgioli stated, *"a lethal toxin called dieldrin was discovered there at 5 times the USEPA safe level."* This statement is simply untrue. He went on to describe dieldrin in soil at the proposed Borello school site in Morgan Hill and concerns associated with that property. Mr. Borgioli concluded his comments with the opinion that further sampling was required to fully delineate dieldrin at the Site.

Dieldrin Background

Dieldrin is an organochlorine pesticide that was widely used on crops such as corn and cotton from the 1950s through the 1970s, and as an insecticide into the 1980s. Because of concerns about damage to the environment and human health, the United States Environmental Protection Agency (USEPA) banned all uses of dieldrin in 1974, except to control termites. In 1987, USEPA banned all uses of dieldrin. Residual concentrations of dieldrin detected in Site soils are presumed to be resultant from the Site's former agricultural use.

The San Francisco Bay Regional Water Quality Control Board (RWQCB) maintains a list of Environmental Screening Levels (ESLs), most recently updated in 2019, for screening contaminants in soil, groundwater, soil gas, and indoor air. These published values identify threshold concentrations of potential concern based on a generic conceptual site model. The RWQCB establishes ESLs for a variety of human health and environmental receptors, such as residential versus commercial/industrial land uses and the presence of drinking water or non-drinking water aquifers. A "Tier 1 ESL" is identified as the most conservative ESL established by the RWQCB. The RWQCB also provides summary tables for selection of a "Tier 2 ESL" applicable to the Site when the Tier 1 ESL does not apply. Tier 2 ESLs are pre-calculated generic screening levels specific to different land-use or receptor risk factors. Finally, a site-specific risk assessment can be conducted to develop "Tier 3 ESLs" based on specific site parameters and receptors input into RWQCB published equations.

For dieldrin, the Tier 1 ESL of 0.46 micrograms per kilograms ($\mu\text{g}/\text{kg}$) is based on the risk of leaching to groundwater where groundwater is a drinking water source. The shallow groundwater under the Site is not a current drinking water source, so the Tier 1 ESL is not applicable to the Site.

The Tier 2 ESL based on risk of dieldrin leaching to groundwater where groundwater is not a drinking water source (as is the case with the subject site) is 6.3 $\mu\text{g}/\text{kg}$. Soil leaching ESLs for non-drinking water are based on whichever risk factor is lowest for: aquatic habitat screening levels, gross contamination water screening levels, groundwater vapor intrusion screening levels, or non-drinking water odor nuisance screening levels. For dieldrin, the lowest non-drinking water risk factor used in the Tier 2 ESL is saltwater aquatic habitat, which is also not applicable to the subject Site. Selection of an applicable risk factor such as gross contamination, vapor intrusion, or nuisance odor would yield a calculated dieldrin ESL three to five orders of magnitude higher for soil leaching to groundwater that is not a drinking water source.

The Tier 2 ESLs applicable to protection of human health under the proposed site land use are those for commercial/industrial sites and for construction worker exposure during construction. The Tier 2 dieldrin ESL for shallow soil exposure at a Commercial/Industrial Site is 160 µg/kg and the Tier 2 dieldrin ESL for construction worker exposure is 1,100 µg/kg. (For comparison purposes, the Tier 2 dieldrin ESL for residential shallow soil, which is not applicable to the Site, is 37 µg/kg.) These Tier 2 ESLs are based on long-term exposure generating cancer risk.

It is important to note that ESLs issued or approved by the RWQCB are used for a first-pass screening comparison to measured site-specific results in an effort to identify any potential concerns. In the event that concerns are identified, a cleanup level is developed by the regulatory agency, which may be, and commonly is, greater than the ESL due to the inherently conservative generic site model used to establish the ESLs. In other words, in the absence of site-specific parameters, and in an effort to create ESLs for use across a broad spectrum, the generic site model defaults to conservative input parameters.

Dieldrin Results in Site Soil

All actual detected dieldrin concentrations in Site soil are well below the commercial/industrial ESL of 160 µg/kg and construction worker ESL of 1,100 µg/kg applicable to the Site.

Haley & Aldrich's 2018 work included samples at two shallow soil depths at each of 16 locations, for a total of 32 samples. Dieldrin was detected in five samples across three locations, at concentrations ranging from 3.3 µg/kg to 17 µg/kg. At each of the three locations, the surface sample dieldrin concentrations collected at 0.5 feet below ground surface (ft bgs) (3.3 µg/kg at HA-10, 17 µg/kg at HA-13, and 11 µg/kg at HA-14) were greater than the dieldrin concentrations at the corresponding samples collected within the same borings at 2.5 ft depth at these locations (<0.59 µg/kg at HA-10, 5.9 µg/kg at HA-13, and 3.7 µg/kg at HA-14, respectively). These results indicate limited vertical extent and transport of dieldrin in soil at the Site. The average dieldrin concentration across the Site in the 16 Haley & Aldrich samples at 0.5 ft bgs depth was 2.19 µg/kg.¹ At 2.5 ft bgs, the average soil dieldrin concentration was even lower at 0.86 µg/kg.

The 2018 AEI work reported similar detected dieldrin concentrations of 1.6 µg/kg to 6.8 µg/kg in three of their 15 composite samples. AEI collected 15 four-point composite samples and found detected concentrations in three of those composites, with a maximum concentration of 6.8 µg/kg (located at SS-2C). The average concentration across AEI's sample area was 1.85 µg/kg.

The risk factors used in the published Tier 2 ESLs for soil leaching to groundwater are not applicable to the Site because Site groundwater is not a current drinking water source or discharging to aquatic habitat. Furthermore, the generic site leaching model that the soil leaching ESLs are predicated upon is based on assumptions that the first encountered groundwater is 1 meter below the bottom of the contaminated soil, which is approximately 1 meter thick, and which is protected from volatilization by approximately 1 meter of clean soil. These criteria do not match the actual conditions present at the subject Site, which are more protective.

¹ When an average includes samples with non-detect concentrations, the average is calculated using one-half of the method detection limit for samples with non-detect results.

Per the Haley & Aldrich “ASTM Phase I Environmental Site Assessment; 1040 Cochrane Road and 1065 Half Road” report dated 17 December 2018, depth to groundwater was recorded at depths between 30.94 and 34.14 ft bgs during a September 2012 quarterly groundwater sampling event at a location approximately 1¼ miles southwest of the Site. Therefore, we assume that the Site’s depth to groundwater is approximately 10 meters, which is 10 times greater than the depth to groundwater of 1 meter utilized in the RWQCB model for calculating the soil leaching ESLs. Therefore, the actual risk to any receptor of soil leaching to groundwater would be correspondingly lower than the default calculations if a Tier 3 ESL were calculated. Based on the depth to groundwater, the low Site concentrations, and the limited vertical transport evidenced by decreased concentrations at 2.5 ft bgs, dieldrin leaching from soil to groundwater is not considered a concern at this Site.

Sample Density

The California Department of Toxic Substances Control (DTSC) has published guidance regarding sample density for agricultural properties (“*Interim Guidance for Sampling Agricultural Properties (Third Revision)*,” 7 August 2008). Both the Haley & Aldrich investigation and the AEI investigation were in general compliance with these guidelines. The DTSC guidelines state, “*When the site has been used for agricultural crops, the presumption is that agricultural chemicals were applied uniformly across the site in any given year and that the variation across the site will be relatively small. An analysis of several hundred former agricultural properties by DTSC has supported the general use of the assumption of uniform application.*” The guidance includes a table of recommended sample frequencies for sites up to 50 acres and states that for sites greater than 50 acres, the sampling frequency may be reduced. For sites of 50 acres, the DTSC guidance document recommends analyzing 15 four-point composite samples.

The Haley & Aldrich work included analysis of samples from two depths at 16 discrete sample locations, for 32 total samples analyzed. Discrete samples were chosen rather than composite samples to facilitate collection of the deeper samples as well, for a total number of samples exceeding that recommended in DTSC guidance. Furthermore, discrete samples typically yield higher maximum concentrations than do composite samples, which are recommended in DTSC guidance, thus discrete samples are more likely to yield “worst case” concentrations. The AEI work included analysis of 15 four-point composite samples across the site and the adjoining land. Taken together or separately, the sample frequency for pesticide characterization to date is in general compliance with DTSC guidance.

Conclusions

The following points summarize the conclusion of our review of the Site dieldrin concentrations, and summarize our review of files regarding the Borello school site:

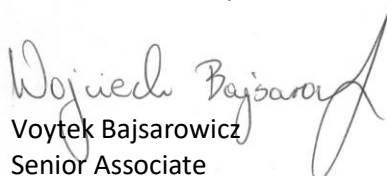
- The dieldrin results of Site soil samples collected by Haley & Aldrich and AEI are below the applicable conservatively derived land use-based ESLs for protection of human health of 160 µg/kg for commercial/industrial land use and of 1,100 µg/kg for construction worker protection.
- The maximum on-Site dieldrin concentration was 17 µg/kg, approximately one order of magnitude lower than the lowest human health-based ESL applicable to the Site.

- Mr. Borgioli referenced work at the proposed Borello school site in Morgan Hill in his comments. The maximum soil dieldrin concentration at that site was 690 µg/kg. The Site cleanup goal used for that work was 34 µg/kg, as documented in the “Updated Removal Action Workplan; New Campus Project, Borello Elementary School; Peet Road, Morgan Hill, California,” dated November 2017 and prepared by Cleary Consultants, Inc (RAW).
 - DTSC approved the RAW in a letter dated 16 November 2017.
 - Confirmation samples following the removal indicated limited areas of remaining dieldrin concentration in excess of the cleanup goal, with concentration of up to 108 µg/kg.
 - DTSC approved the subsequent cleanup report, including the concentrations remaining in place based on a health risk assessment, in a letter dated 3 November 2020.
 - The dieldrin cleanup goal identified in the RAW is higher than the maximum dieldrin concentration at the TC No Cal Site in question.
 - School sites such as the proposed Borello site are typically subject to more restrictive cleanup goals from the regulatory agency than even residential sites, and certainly more restrictive than the intended commercial use for the subject Site. In other words, if a human health-based cleanup goal was established for the subject Site, it would be considerably higher than what was established for the Borello School site. However, given that measured concentrations on the subject Site did not exceed ESLs, no site-specific cleanup goal is necessary.
- Sample frequency for the property size is in general conformance with recommended DTSC guidelines for sampling of former agricultural properties.
- Construction during TC No Cal’s proposed property development will be conducted under a Soil Management Plan, which will include standard dust control measures.

Haley & Aldrich appreciates the opportunity to provide TC No Cal environmental services for this project. Please do not hesitate to contact us if you have questions or comments on our assessment of the dieldrin concentrations documented at the Site.

Sincerely yours,
HALEY & ALDRICH, INC.


Katy Decker, P.G.
Senior Technical Specialist


Wojciech Bajsarowicz
Senior Associate

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CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

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

ADOPT RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)

RECOMMENDATION(S)

Adopt resolution of the Morgan Hill Financing Authority authorizing investment of monies in the local agency investment fund (LAIF).

COUNCIL PRIORITIES, GOALS & STRATEGIES

2020-2021 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

In connection with the planned sale of sewer revenue bonds, staff is recommending the approval of the resolution authorizing investment of Morgan Hill Financing Authority funds in LAIF (Attachment 1).

The LAIF is a voluntary investment alternative for California's local governments and is administered by the State Treasurer under Government Code 16429.1 et seq. The LAIF program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer. Multiple oversight boards monitor the activities of LAIF and transactions are audited daily. There are currently over 2,300 agencies participating with deposits in excess of \$32 billion.

Due to the nature of cash inflows and outflows, the Authority anticipates the need to temporarily invest excess cash and/or unspent bond proceeds for varying lengths of time. Participation in LAIF provides a safe, secure means to safeguard the Authority's monies while earning a competitive interest rate. The quick turnaround time for deposits and withdrawals allows the Authority considerable flexibility in earning a return on investment while still maintaining sufficient cash flow. The rate of return is comparable to what is available on the open market. LAIF requires a resolution from each participating agency as well as a list of the officers allowed to conduct business with LAIF. Similar to the City's, the officers identified include the Executive Director/City Manager, Finance Director, and Assistant to the City Manager.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the proposed resolution authorizing the investment of the Authority's funds in LAIF.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None.

FISCAL AND RESOURCE IMPACT:

Opening a LAIF account for the Authority is not anticipated to require significant staff time.

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. LAIF resolution

RESOLUTION NO. MHFA-XXX

A RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Morgan Hill Financing Authority hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the Morgan Hill Financing Authority;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes the deposit and withdrawal of Morgan Hill Financing Authority monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following Morgan Hill Financing Authority officers holding the title(s) specified hereinbelow or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

Christina Turner
Executive Director/
City Manager

Dat Nguyen
Finance Director

Harjot Sangha
Assistant to the City Manager

Section 2. This resolution shall remain in full force and effect until rescinded by Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

Attachment: LAIF resolution [Revision 1] (2911 : Adopt resolution authorizing investment of monies in LAIF)

PASSED AND ADOPTED by the Morgan Hill Financing Authority Commission at a regular meeting held on the 18th day of November, 2020 by the following vote.

AYES: AUTHORITY COMMISSIONER(S):
NOES: AUTHORITY COMMISSIONER(S):
ABSTAIN: AUTHORITY COMMISSIONER(S):
ABSENT: AUTHORITY COMMISSIONER(S):

APPROVED:

ATTEST:

RICH CONSTANTINE, President

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, IRMA TORREZ, Secretary of the Morgan Hill Financing Authority, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHFA-___, adopted by the Financing Authority Commission at a Regular Meeting held on November 18, 2020.

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

DATE: _____

IRMA TORREZ, Secretary

Attachment: LAIF resolution [Revision 1] (2911 : Adopt resolution authorizing investment of monies in LAIF)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

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

ADOPT RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

RECOMMENDATION(S)

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize the Chief Administrative Officer to execute all related documents for the sale of the sewer revenue bonds.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability

GUIDING DOCUMENTS

Wastewater System Master Plan

REPORT NARRATIVE:

Reciprocal action is recommended by the City Council agenda for November 18, 2020.

The proposed projects to be funded with proceeds of the financing include repair and replacement of pipes, sewer main upgrades, South County Regional Wastewater Authority plant expansion and improvements, sewer line repair and replacement, and new sewer mains and trunk line.

The City's capital improvement plan identifies funding for the proposed projects through impact fees, user fees and bond proceeds. The bonds are anticipated to generate \$20,000,000 for projects and will supplement funds already on hand (the "2020 Bonds").

The City has outstanding 2015 sewer revenue bonds (current principal outstanding of \$8,775,000) (the "2015 Bonds") which will be on parity with the proposed 2020 Bonds.

City staff working in conjunction with bond counsel has prepared resolutions of the City and the Financing Authority necessary to authorize issuing the 2020 Bonds. These resolutions approve the following documents:

- An Installment Purchase Agreement, that will set forth the principal and interest requirements for the City, necessary for the Authority to repay the 2020 Bonds, certain covenants of the City to set rates to provide net revenues after operating expenses of at least equal to 125% of debt service on the 2020 Bonds, and other covenants designed to ensure maintenance of the system
- A Trust Indenture between the Authority and the trustee for the 2020 Bonds providing, among other things, the security, payment and redemption terms for the 2020 Bonds
- A Bond Purchase Agreement among the Authority, the City and the underwriter
- A Preliminary Official Statement, providing material information to potential investors regarding the 2020 Bonds
- A Continuing Disclosure Certificate obligating the City to provide annual reports and notices of certain enumerated events to holders of the 2020 Bonds in accordance with federal requirements

The resolutions also contain parameters under which staff can take the actions necessary to issue the 2020 Bonds, including a maximum par amount of \$21,000,000, a maximum true interest cost of 3.50% and maximum underwriting discount of 0.35%, and a final maturity not to exceed June 1, 2050.

The Authority resolution also ratifies the engagement of Norton Rose Fulbright US LLP, as bond and disclosure counsel, and NHA Advisors, LLC as municipal advisor to the City and Authority, and Stifel, Nicolaus & Company, Incorporated, as the underwriter for the 2020 Bonds. NHA Advisors, at the City's request, managed an RFP process for the selection of the underwriter.

Financial Impact

The bond proceeds are a critical part of the City's overall expenditure plan for the projects listed above. The 2020 Bonds are anticipated to have an amortization structure that will minimize the combined debt service payments (including the 2015 Bonds) by reducing the principal repayment in the earlier years while the 2015 Bonds are outstanding. The 2015 Bonds have a decrease in payments starting in FY 2023-24 and then a final maturity in FY 2035-36. Both debt service step-downs have been taken into consideration for the 2020 Bonds.

This amortization structure will minimize the cash flow and coverage impact and reduce the potential need to increase sewer rates sooner than otherwise necessary.

The estimated cost of issuance for the 2020 Bonds is \$250,000 including fees for bond and disclosure counsel, underwriter, municipal advisor, rating agency and other related costs and expenses. All costs of issuance are payable from proceeds of the 2020 Bonds. All costs of issuance except for the rating fee are contingent on a successful

closing. If the 2020 Bonds are not issued, the Authority/City would be responsible for \$23,500.

Timetable

Upon City Council and Authority Board approval, City staff will work with the financing team to complete the credit rating process, finalize the preliminary official statement and price the bonds with the underwriter in early December with bond proceeds being delivered in late December.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the proposed sale and issuance of the 2020 Bonds for sewer project funding.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On June 17, 2020, the City Council adopted the FY 2020-21 through FY 2025-26 Capital Improvement Budget which identifies funding for the proposed sewer projects through bond proceeds.

FISCAL AND RESOURCE IMPACT:

The bond related financial impact is mentioned above in the narrative section. The anticipated annual debt service will be budgeted and paid from the City's Sewer Enterprise Fund(s) and will not impact the City's General Fund. The City's current adopted wastewater rates, adopted in May 2019, account for this anticipated bond issuance and related debt service payments. The City will make all required installment payments directly to the Trustee on behalf of the Authority.

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. Morgan Hill 2020 Sewer Bonds - Resolution of the Authority
2. Morgan Hill 2020 Sewer Bonds - Installment Purchase Agreement
3. Morgan Hill 2020 Sewer Bonds - Trust Indenture
4. Morgan Hill Sewer Revenue Bonds 2020 Continuing Disclosure Certificate
5. Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement
6. Bond Purchase Agreement

RESOLUTION NO. MHFA-___

A RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Morgan Hill Financing Authority (the “Authority”) is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise (the “2020 Project”) to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, the investment banking firm of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has proposed to underwrite the Bonds; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds,

(b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in furtherance of the issuance and sale of the Bonds by the Authority, there has been submitted to this Authority Commission, for its consideration and approval, a form of each of the following:

- (a) a Trust Indenture, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”);
- (b) an Installment Purchase Agreement, by and between the Authority and the City;
- (c) a Bond Purchase Agreement, by and among the Authority, the City, and the Underwriter; and
- (d) a Preliminary Official Statement

NOW, THEREFORE, THE MORGAN HILL FINANCING AUTHORITY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Findings. The above recitals are true and correct.

Section 2. Issuance of the Bonds. This Authority Commission hereby authorizes the issuance and sale of the Bonds in a principal amount not-to-exceed \$21,000,000, to be designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020,” for the purposes set forth in the recitals hereto.

Section 3. Trust Indenture. The Trust Indenture, in substantially the form on file with the Secretary is hereby approved, and the President, the Vice President, the Chief Administrative Officer or the Treasurer, or deputy of such officers, or any member of the Authority Commission, (each of the foregoing, an “Authorized Officer”) acting singly, is authorized and directed, for and in the name and on behalf of the Authority, is authorized to execute and deliver the Trust Indenture, with such changes therein, whether material or otherwise, as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 4. Installment Purchase Agreement. The Installment Purchase Agreement, in substantially the form on file with the Secretary is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, is authorized to execute and deliver the Installment Purchase Agreement, with such changes therein, whether material or otherwise, as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 5. Bond Purchase Agreement. The Bond Purchase Agreement, in substantially the form on file with the Secretary is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement, with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve; provided, that the true interest cost with respect to the Bonds shall not exceed 3.50% per annum, the final maturity of the Bonds shall not exceed 2050, and the underwriter's discount shall not exceed 0.35%.

Section 6. Preliminary Official Statement. The Preliminary Official Statement related to the sale of the Bonds, in substantially the form on file with the Secretary is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Preliminary Official Statement with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve. The Authority Commission hereby authorizes any Authorized Officer to deem the Preliminary Official Statement to be final within the meaning of U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), subject to completion of those items permitted by Rule 15c2-12. Any Authorized Officer is hereby authorized and directed to execute and delivery a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto as may be deemed necessary by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof

Section 7. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 8. Ratification of the Appointment of Professionals. The Authority ratifies the appointment of Norton Rose Fulbright US LLP, as bond and disclosure counsel, Stifel, Nicolaus & Company, Incorporated, as underwriter for the Bonds, and NHA Advisors, LCC, as municipal advisor, in connection with the Bonds.

Section 9. General Authorization. Any Authorized Officer is authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts necessary or proper for carrying out the issuance and sale of the Bonds, the transactions contemplated by this Resolution, and the documents herein approved; the funding of a reserve fund under the Trust Indenture with proceeds of the Bonds or a letter of credit, surety bond or insurance policy pursuant to the terms of the Trust Indenture if, upon the advice of the Underwriter, the funding of the reserve fund will be economically beneficial to the financing; the insuring of all or any portion of the Bonds through one or more municipal bond insurance companies, if, upon the advice of the Underwriter, such insurance will result in a lower true interest cost on the Bonds; and, the investment of the proceeds of the Bonds as permitted by the Trust Indenture.

Section 10. Ratification. All actions heretofore taken by the officers and employees of the Authority, with respect to the issuance and sale of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are approved, confirmed and ratified.

Section 11. Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the Morgan Hill Financing Authority Commission at a regular meeting held on this 18th day of November 2020 by the following vote:

AYES: AUTHORITY COMMISSIONER(S):
NOES: AUTHORITY COMMISSIONER(S):
ABSTAIN: AUTHORITY COMMISSIONER(S):
ABSENT: AUTHORITY COMMISSIONER(S):

APPROVED:

ATTEST:

RICH CONSTANTIE, President

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, IRMA TORREZ, Secretary of the Morgan Hill Financing Authority, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHFA-XXX, adopted by the Financing Authority Commission at the meeting held on November 18, 2020.

WITNESS MY HAND AND THE SEAL OF THE MORGAN HILL FINANCING AUTHORITY.

DATE: _____

IRMA TORREZ, Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from the Municipal Advisor with respect to the Bonds approved in the Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

1. *True Interest Cost of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.13%.

2. *Finance Charge of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is approximately \$250,000, as follows:

a)	Underwriter's Discount	\$ 53,415
b)	Credit Enhancement*	0
c)	Bond Counsel and Disbursements	59,800
d)	Disclosure Counsel	34,000
e)	Municipal Advisor and Disbursements	62,500
f)	Rating Agency	23,500
g)	Other Expenses	<u>15,200</u>
	Total	\$248,415

* A municipal bond insurance policy with respect to the Bonds will be obtained only if economically advantageous as determined by an Authorized Officer.

3. *Amount of Proceeds to be Received.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$20,000,000.

4. *Total Payment Amount.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$33,297,000.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the City's and the Authority's control. The City and the Authority have approved the issuance of the Bonds with a maximum true interest cost of 3.50%.

INSTALLMENT PURCHASE AGREEMENT

by and between

THE CITY OF MORGAN HILL

and the

MORGAN HILL FINANCING AUTHORITY

Dated as of December 1, 2020

relating to

[\$Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of December 1, 2020 (this “Agreement”), by and between THE CITY OF MORGAN HILL (the “City”), a municipal corporation organized and existing under the laws of the State of California, and the MORGAN HILL FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority, organized and existing under the laws of the State of California.

W I T N E S S E T H:

WHEREAS, the City owns a wastewater system (the “Enterprise”) to provide for the collection, treatment and disposal of wastewater; and

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise (the “Project”) to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into this Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now authorized to execute and enter into this Agreement;

NOW, THEREFOR, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless otherwise defined herein, the capitalized terms used in this Agreement shall for all purposes hereof, and of any amendment hereof or supplement hereto, and of any report or other document mentioned herein or therein, have the meanings given such terms in the Trust Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the City. The City represents, warrants and certifies as follows:

(a) The City is a municipal corporation organized and existing under the laws of the State of California (the "State"). The City has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Agreement, and the City has complied with the provisions of all applicable law in all matters relating to such transactions. By proper action, the City has authorized the execution, delivery and due performance of this Agreement.

(b) The City will not take or permit any action to be taken which results in the interest component of the Installment Payments being included in the gross income for purposes of federal income taxation or not being exempt from personal income taxes of the State.

(c) The City has determined that it is necessary and proper for City uses and purposes within the terms of all applicable laws that the City finance the Project in the manner provided for in this Agreement.

(d) All acts, conditions and things required by the Constitution and statutes of the State to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Agreement, have been performed, have happened and do exist in regular and due time, form and manner as required by law.

Section 2.2. Representations and Warranties by the Authority. The Authority represents and warrants that the Authority is a joint exercise of powers entity organized and existing under

the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement, and by proper action has authorized the execution, delivery and due performance of this Agreement.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Sale and Purchase of Project. In consideration for the Authority's assistance in financing the Project through the execution and delivery of this Agreement and the Trust Indenture, the City hereby agrees to purchase from the Authority, and the Authority agrees to sell to the City, the Project at the Purchase Price specified in Section 4.1, and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.2. Title. All right, title and interest in each element and component of the Project shall vest in the City immediately upon execution and delivery of this Agreement or, if later, upon the acquisition, construction and acceptance of such element or component.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1. Purchase Price; Construction of the Capital Improvements; Capital Improvements Fund.

(a) The Purchase Price to be paid by the City to the Authority for the purchase of the Project is the sum of the principal components of the Installment Payments set forth in Exhibit B plus the interest components of the Installment Payments which consist of the sum of the interest to accrue on the unpaid balance of each such principal component from the date hereof over the term hereof at the interest rate set forth in Exhibit B, subject to prepayment as provided in Article VII.

(b) The interest component of the Installment Payments shall be paid by the City as and constitute interest paid on the principal components of the Installment Payments. The interest component shall be computed on the basis of a 360-day year of twelve 30 day months.

(c) Pursuant to Section 4.10 of the Trust Indenture, the Trustee has agreed to set aside and transfer or deposit funds received from the sale of the Bonds, including agreeing to transfer \$_____ to the City for deposit in the Capital Improvement Fund created pursuant to this Section.

(d) The Authority hereby agrees to cause the Capital Improvements to be constructed, acquired and installed by the City as its agent. The City shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the Capital Improvements. The City hereby agrees that it will cause the construction, acquisition and installation of the Capital Improvements to be diligently performed after the transfer of funds into the Capital Improvements Fund. It is expressly understood and agreed that the Authority shall be under no liability of any kind or character for the payment of any cost or expense of the Capital

Improvements and that all such costs and expenses shall be paid by the City, regardless of whether the funds transferred by the Trustee to the City pursuant to the Trust Indenture for deposit into the Capital Improvements Fund are sufficient to cover all such costs and expenses.

(e) The City shall establish and maintain a separate fund to be known as the Capital Improvements Fund of the Enterprise. To the extent that the City has an existing fund which satisfies the foregoing requirements, then such fund shall be deemed to be the "Capital Improvements Fund." **[confirm fund exists; create separate account within such fund]** The City shall deposit into the Capital Improvements Fund the amount transferred by the Trustee for such purpose pursuant to the Trust Indenture. The moneys in the Capital Improvements Fund shall be held by the City in trust and applied to the payment of the costs of acquisition and construction of the Capital Improvements and of costs incidental thereto.

(f) When the Capital Improvements have been constructed and acquired, in accordance with this Agreement, a Certificate of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such cost of acquisition and construction have been determined and paid shall be delivered to the Authority and the Trustee by the City. Concurrent with such statement, the City shall transfer any remaining balance in the Capital Improvements Fund to the Sewer Fund.

Section 4.2. Installment Payments and Additional Payments. The City shall, subject to the provisions of Section 10.1, and to any rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installments as follows: (i) each principal component of the Installment Payments is payable on the Installment Payment Date preceding the due date for such principal component, set forth in Exhibit B in the amount specified for such due date in Exhibit B; and (ii) the interest components of the Installment Payments are payable on the Installment Payment Date preceding each Interest Payment Date in the amount of accrued interest on the unpaid balance of the principal components of the Installment Payments to the next succeeding Interest Payment Date, at the respective interest rates per annum set forth in Exhibit B. The schedule of the principal and interest components as of the Delivery Date are set forth in Exhibit C. Amounts required to be paid by the City to the Authority pursuant to this Section 4.2 on any Installment Payment Date shall be reduced to the extent of amounts on deposit on such date in the Interest Account of the Debt Service Fund established under the Trust Indenture. The amounts shown in Exhibits B and C shall automatically be adjusted to account for any prepayment of Installment Payments made by the City pursuant to Article VII and any discharge of Installment Payments pursuant to Article IX.

Each Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under this Section, such payment shall continue as an obligation of the City until such amount shall have been fully paid; and the City agrees to pay the same with interest accruing thereon at the highest rate of interest then applicable to the remaining unpaid principal components of the Installment Payments.

The obligation of the City to make the Installment Payments is absolute and unconditional, and, until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any

Installment Payment required to be made by it under this Section, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part. This Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, and such payments shall be net payments and shall not be subject to deduction, abatement reduction or diminution, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

In addition to the Installment Payments, the City shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all fees and administrative costs of the Authority and the Trustee under the Trust Indenture or otherwise relating to the Bonds, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Authority and the Trustee payable by the City hereunder and under the Trust Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms hereof, of the Bonds or of the Trust Indenture.

ARTICLE V

SECURITY

Section 5.1. Pledge of Net Revenues; Parity Pledge. All Net Revenues are, pursuant to the Pledge Law, hereby irrevocably pledged to the payment of the Installment Payments as provided herein and shall not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with Section 9.1. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations, shall, subject to application as permitted herein, constitute a lien on Net Revenues.

Section 5.2. Allocation of Gross Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Gross Revenues shall be received by the City in trust hereunder and, except for Net Proceeds, shall be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has heretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1. The City may designate one or more existing funds to satisfy the foregoing requirements. Presently, the Sewer Fund consists of the Sewer Operating Fund and the Sewer Impact Fund, as accounted for by the City for budget purposes. The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund shall be used and applied by the City as provided in this Agreement.

The City shall, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section and, as to funds held under the Trust Indenture, the Trust Indenture.

(a) Installment Payments. Not later than each Installment Payment Date, the City shall, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City shall also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) Reserve Fund. On or before the first Business Day of each month, the City shall, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in Section 4.04 of the Trust Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Trust Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore: (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due hereunder or to pay installment payments pledged to the payment of other Participating Bonds; (ii) necessary to restore any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and (iii) necessary to restore the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained therein; provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Trust Indenture, transfers hereunder to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

(c) Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations herein, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and the City's "Sewer System Replacement Fund."

Section 5.3. Execution or Incurrence of Parity Obligations. The City may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under this Agreement; provided:

(a) The City is in compliance with all agreements, conditions, covenants and terms contained in this Agreement required to be observed or performed by it, and a Certificate of the City to that effect has been filed with the Trustee.

(b) (i) If the Parity Obligation Payments on such Parity Obligations will secure Parity Bonds, then the Parity Bonds Trust Indenture pursuant to which such Parity Bonds are issued shall specify: (A) whether the Parity Bonds of such Series are Participating Bonds and, if the Parity Bonds of such Series are Participating Bonds, (i) that the trustee under such Parity Bonds

Trust Indenture shall be the Trustee, and (ii) the amount to be deposited from the proceeds of the sale of such Series of Parity Bonds in the Bond Reserve Fund; provided, that the Bond Reserve Fund shall be increased at the time that such Series of Participating Bonds becomes Outstanding to an amount at least equal to the Required Reserve, and an amount at least equal to the Required Reserve shall thereafter be maintained in the Bond Reserve Fund; and (B) if the Parity Bonds Trust Indenture providing for the issuance of such Series of Parity Bonds requires either (1) the establishment of a Parity Bonds Series Reserve Fund to provide additional security for such Series of Parity Bonds, or (2) that the balance on deposit in an existing Parity Bonds Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series of Parity Bonds, to an amount at least equal to the Required Reserve with respect to such Series of Parity Bonds and all other Parity Bonds secured by such Parity Bonds Series Reserve Fund to be considered outstanding upon the issuance of such additional Series of Parity Bonds, then the Parity Bonds Trust Indenture providing for the issuance of such additional Series of Parity Bonds shall require deposit of the amount necessary; (ii) If the Parity Obligation Payments on such Parity Obligations will not secure Parity Bonds, then any debt service reserve fund established for such Parity Obligations shall satisfy the following criteria: (A) the debt service reserve fund must be held by an independent trustee (who may be other than the Trustee); (B) the required amount of the debt service reserve fund shall not exceed the lesser of the maximum annual debt service of such Parity Obligations (calculated on the basis of a year ending on the principal payment date of such Parity Obligations) or the maximum amount permitted under the Code, except that, if such Parity Obligations are in the form of a loan from a governmental agency, then a debt service reserve fund shall be established in the amount, if any, required or permitted by such governmental agency; and (C) the City is not required to replenish withdrawals from such debt service reserve fund on terms less favorable to the City than the terms for replenishing the Reserve Fund pursuant to Section 5.2(b) hereof.

(c) The Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

(i) The City may adjust the foregoing Net Revenues to reflect:

(A) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have

been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(B) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

Nothing contained in this Section shall limit the issuance of any revenue bonds, notes or other evidences of indebtedness or the entry into of any installment purchase agreement by the City payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, upon the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with Section 9.1.

Nothing contained in this Section shall limit the issuance or incurrence of any Subordinate Obligations.

Section 5.4. Rate Stabilization Fund. The City may, at any time, determine to deposit in the Rate Stabilization Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.1. Punctual Payment. The City will punctually pay the Installment Payments in strict conformity with the terms hereof and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms hereof.

Section 6.2. Legal Existence. The City will use all means legally available to maintain its existence.

Section 6.3. Against Encumbrances. The City will not hereafter mortgage or otherwise encumber, pledge or place any charge or lien upon Gross Revenues except as provided herein. The City will not hereafter mortgage or otherwise encumber, pledge or place any lien or charge upon any of the Net Revenues on a parity with the pledge securing the payment of the Installment Payments, except for Parity Obligations as provided herein. The City may at any time issue Subordinate Obligations.

Section 6.4. Against Sale or Other Disposition of the Enterprise. The City will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues, unless the Installment Payments have been

fully paid or provision has been made therefor in accordance with Section 9.1. The City will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the Installment Payments and all Parity Obligations, or which would otherwise impair the rights of the Owners with respect to the Net Revenues or the operation of the Enterprise.

Section 6.5. Maintenance and Operation of Enterprise. The City will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

Section 6.6. Insurance.

(a) To the extent such insurance is available for reasonable premiums from a reputable insurance company, the City will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program.

(b) The City shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

(c) If all or any part of the Enterprise shall be damaged or destroyed, the Net Proceeds realized by the City as a result thereof shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2; provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.7. Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2, provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.8. Amounts of Rates, Fees and Charges.

(a) The City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

(i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;

(ii) The Installment Payments, all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;

(iii) All payments required for compliance with the terms hereof or of any Parity Bonds Trust Indenture requiring restoration of the Reserve Fund to an amount equal to the Required Reserve; and

(iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

(b) In addition to the requirements of the foregoing subsection (a) of this Section, the City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year, equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.9. Enforcement of and Performance Under Contracts. The City shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the Enterprise. Further, the City will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the City is a party thereto. The City hereby approves the Trust Indenture and shall comply with the provisions thereunder applicable to it.

Section 6.10. Collection of Charges, Fees and Rates. The City will have in effect at all times rules and regulations requiring each user of the Enterprise to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City will enforce the collection procedures contained in such rules and regulations.

Section 6.11. No Free Service. The City will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State, and any city, county, public agency, political subdivision, public corporation or agency of any thereof), unless otherwise required by law or existing written agreements.

Section 6.12. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Enterprise or upon the Gross Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Installment Payments; except that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall

contest the validity of any such claims and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.13. Books of Record and Accounts; Financial Statements. The City will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Enterprise, the Sewer Fund and all other accounts or funds established pursuant hereto, and upon request will provide information concerning such books of record and accounts to the Trustee (who has no duty or obligation to make such request).

The City will annually cause to be prepared by a Certified Public Accountant, not later than 270 days after the close of each Fiscal Year, until all Installment Payments have been fully paid, or provision has been made therefor in accordance with Section 9.1, audited financial statements of the City containing schedules relating to the Sewer Fund. The City shall maintain accurate books and records for each Fiscal Year of all accounts or funds established pursuant hereto for the preceding Fiscal Year, showing the balances in each such account or fund as of the beginning of such Fiscal Year, all deposits in and withdrawals from each such account or fund during such Fiscal Year, and the balances in each such account or fund as of the end of such Fiscal Year.

Section 6.14. Payment of Taxes and Other Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any properties owned by the City, or upon the Gross Revenues, when the same shall become due; provided, that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

The City will duly comply with all applicable state, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.15. Tax Covenants and Matters.

(a) General. The City hereby covenants, for the benefit of the Authority and the Owners and Beneficial Owners of the Bonds that, notwithstanding any other provisions of this Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the City shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.15, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 6.16. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Agreement Event of Default; however, any Participating Underwriter or any Owner or Beneficial Owner of the Bonds may take such actions as described under the Continuing Disclosure Certificate to cause the City to comply with its obligations under this Section.

Section 6.17. Preservation of Authority. The City covenants to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

Section 6.18. Further Assurances. The City will adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The City may, from any available funds, prepay the Installment Payments, as a whole or in part, on any date on or after October 1, 20__, on a pro rata basis, or as otherwise directed by the City; provided that any prepayment of a principal component of the Installment Payments shall be an amount sufficient to provide for the redemption or defeasance of Bonds in Authorized Denominations and otherwise in accordance with the provisions of the Trust Indenture. The prepayment of the principal component of the Installment Payments shall be at a prepayment price equal to 100% of the principal amount of the Bonds to be prepaid or redeemed, plus accrued interest thereon to the next applicable optional redemption date for the Bonds as provided in the Trust Indenture, without penalty.

The Authority shall accept such prepayments when the same are tendered by the City. All prepayments of Installment Payments made by the City pursuant to this Section shall, upon receipt, be transferred to the Trustee for deposit into the Redemption Account of the Trust Indenture pursuant to Section 4.03(c) thereof.

Section 7.2. Method of Payment. With respect to prepayments of Installment Payments pursuant to Section 7.1, the City shall determine which Installment Payments are to be prepaid, including the principal component of the Installment Payment due on each Installment Payment Date to be paid or prepaid with such prepayments, and, subject to the provisions of Section 7.1, the date on which each such prepayment is to be made. Before making any prepayment pursuant to Section 7.1, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than 45 days from the date such notice is given; except that, notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under Article IV, until all Installment Payments shall have been fully paid, or provision for payment thereof shall have been made pursuant to Section 9.1.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. There shall be an Agreement Event of Default if one or more of the following shall happen:

(a) if default is made by the City in the due and punctual payment of any Installment Payment or any other Parity Obligations when and as the same shall become due and payable;

(b) if default is made by the City in the performance of any of the other agreements or covenants required herein to be performed by it, and such default has continued for

a period of 30 days after the City has been given notice in writing of such default by the Authority or the Trustee; except that such default will not constitute an Agreement Event of Default hereunder if the City commences to cure such default within such 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time, which period shall be no longer than 365 days after delivery of such notice of default;

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

then, and in each and every such case during the continuance of an Agreement Event of Default specified in clauses (c) and (d) above, the Authority shall, and for any other Agreement Event of Default the Authority may, by notice in writing to the City, declare all unpaid principal components of the Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This subsection however, is subject to the condition that if, at any time after all unpaid principal components of the Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal components and interest components of the Installment Payments then due and payable (other than the principal components of the Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration), with interest on such overdue Installment Payments at the highest rate applicable to the remaining unpaid principal component of the Installment Payments, and the reasonable expenses of the Authority and the Trustee shall have been paid or provision deemed by the Authority or the Trustee, as applicable, to be adequate shall have been made therefor, and any and all other Agreement Events of Default shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and the trustee for any other Parity Obligations,

then the Authority, including the costs, if any, in carrying out the provisions of this Article, including reasonable compensation to accountants and counsel and similar costs with respect to this Agreement and Parity Obligations;

Second, to the payment of Operation and Maintenance Costs;

Third, to the payment of all unpaid principal components of the Installment Payments and the accrued interest thereon and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue Installment Payments at the highest rate of interest applicable to the unpaid principal components of the Installment Payments and, with respect to such other Parity Obligations, as required by the terms of such other Parity Obligations; and

Fourth, to amounts due to any provider of credit enhancement for other Parity Obligations.

Section 8.3. Other Remedies of the Authority. In addition to remedies elsewhere provided in this Agreement, upon the continuance of an Agreement Event of Default, the Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or their duties under applicable law and the agreements and covenants required to be performed by it or them contained herein;

(b) by suit in equity, to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity, to require the City and its directors, officers and employees to account as the trustee of an express trust; or

(d) by mandamus or other action or proceeding or suit at law or in equity, to pursue any other remedy now or hereafter existing in law or in equity or by statute or otherwise to enforce the performance of the City's obligations hereunder and to otherwise protect the Authority's rights and interests in connection with this Agreement.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the Enterprise or other facilities of the City, or any other real property of the City, and no default hereunder shall result in the loss of the Project, the Enterprise or other facilities of the City or any other real property of the City.

Section 8.4. Non Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates from the Net Revenues, the Sewer Fund and the other funds pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Installment Payments. Notwithstanding any other provision of this Agreement, the City may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee, an escrow agent or other fiduciary, an amount of cash which is either (a) sufficient to pay all such Installment Payments in accordance with the Installment Payment schedule set forth in Exhibit C, or (b) invested in whole or in part in non-callable Defeasance Securities in such amount as will, together with interest to accrue thereon and together with any cash which is so deposited, in the written opinion of an Independent Certified Public Accountant, be fully sufficient to pay all such Installment Payments when due pursuant to Article IV, or when due on any optional prepayment date pursuant to Article VII, as the City shall instruct at the time of the deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the City under this Agreement, and all security provided by this Agreement for such obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the City to pay all required Additional Payments pursuant to Section 4.2. The security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Agreement.

Section 9.2. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Trust Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts

then on deposit in the funds and accounts established under the Trust Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Installment Payments and any other payments hereunder is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Successor Is Deemed Included in all References to Predecessor. Whenever either the City or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or the Authority, and all assignees of the City or the Authority permitted hereunder. All agreements and covenants required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.3. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Installment Payments or be subject to any personal liability by reason of the execution of this Agreement or the execution and delivery of the Bonds.

Section 10.4. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.5. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The

City and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.6. Assignment. The City acknowledges and agrees that the Installment Payments, and certain of the Authority's rights under this Agreement will be assigned to the Trustee and pledged under the Trust Indenture to the payment of the Bonds. The City consents to such assignment.

Section 10.7. California Law. This Agreement shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 10.8. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the provisions of Article IX have been satisfied.

Section 10.9. Execution in Counterparts; Electronic Signatures. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Each of the parties hereto agrees that the transaction consisting of this Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent that if such party signs this Agreement using an electronic signature it is signing, adopting, and accepting this Agreement and that signing this Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Agreement in usable format.

Section 10.10. Indemnification of Authority and Trustee. To the fullest extent permitted by law, the City agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the City with respect to the Enterprise, (e) the performance by the Trustee of its duties and obligations under the Trust Indenture, and in connection with this Installment Purchase Agreement and any document executed herewith or therewith, (f) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 10.10 or elsewhere in this Agreement for the negligence, willful misconduct, or breach of duty under the Trust Indenture by the Trustee, or its officers, employees, successors or assigns. The rights of the Trustee and the obligations of the City under this Section 10.10 shall survive the termination of this Agreement or the resignation or removal of the Trustee.

Section 10.11. Amendments. This Agreement may only be amended in accordance with the terms applicable to the Authority in Section 5.06 of the Trust Indenture and any other limitations to amendment of the Agreement in any Parity Bonds Trust Indenture.

(Signatures on next page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their officers thereunto duly authorized as of the day and year first written above.

THE CITY OF MORGAN HILL

By: _____
City Manager

Attest:

By: _____
City Clerk

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

EXHIBIT A
DESCRIPTION OF THE PROJECT

The Project consists of the following “Capital Improvements”:

Project Year	Project Description
--------------	---------------------

The Capital Improvements may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by a Favorable Opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds. The City may, from time to time, delay completion of a Capital Improvement or determine not to finance a particular Capital Improvement from the proceeds of the Bonds without substituting or adding an additional project provided that (i) the total amount of Capital Improvements to be financed with the proceeds of the Bonds is sufficient to absorb all of the proceeds of the Bonds, including investment earnings thereon, and (ii) the expenditure of proceeds of the Bonds on Capital Improvements will be made at such times and in such amounts as are consistent with applicable provisions of the Tax Certificate executed by the Authority and the City in connection with the issuance of the Bonds.

EXHIBIT B

PRINCIPAL COMPONENTS OF INSTALLMENT PAYMENTS

The principal components of the Installment Payments shall consist of the sum of the following amounts, with each such principal component being payable on the 15th day of the month preceding the date for such principal component set forth below and with each such principal component bearing interest at the interest rate per annum set forth below:

<u>Due Date</u> <u>(October 1)</u>	<u>Principal Component</u>
---------------------------------------	----------------------------

EXHIBIT C

SCHEDULE OF INSTALLMENT PAYMENTS AS OF DELIVERY DATE

As of the Delivery Date, the Installment Payments consist of the following amounts of principal and interest and are payable on Installment Payment Dates which are the 15th day of the month preceding each of the dates set forth below:

<u>Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Total</u>
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TRUST INDENTURE

by and between

MORGAN HILL FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee

Dated as of December 1, 2020

relating to

[\$[Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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TRUST INDENTURE

THIS TRUST INDENTURE, made and entered into as of December 1, 2020 (this “Trust Indenture”), by and between the MORGAN HILL FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee” or “2015 Trustee”), a national banking association organized and existing under the laws of United States;

W I T N E S S E T H:

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into the 2020 Installment Purchase Agreement (as defined herein); and

WHEREAS, the Authority hereby certifies that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Indenture;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH, that in consideration of the premises and the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Bonds by the Owners (as defined herein) thereof, and to secure the payment of the Bonds and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are to be issued, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall, for all purposes of this Trust Indenture, and of the Agreement, and any Bond, opinion, request or other document herein or therein mentioned, have the meanings herein specified and such definitions shall be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Act” means Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing at Section 6500 thereof.

“Additional Payments” means “Additional Payments” as defined in Section 4.2 of the Agreement.

“Agreement” or “2020 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of December 1, 2020, between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented.

“Agreement Event of Default” means an event of default described in Section 8.1 of the Agreement.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

- (a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be
 - (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or
 - (ii) with respect to Parity

Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the City);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the City under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

“Authority” means the Morgan Hill Financing Authority, a joint exercise of powers authority, organized and existing pursuant to the laws of the State of California.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations of states and political subdivisions, selected by the City and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code.

“Bond Reserve Fund” means the fund by that name established pursuant to Section 4.04 hereof.

“Bond Year” means “Bond Year” as defined in the Tax Certificate.

“Bond Register” means the books for the registration and transfer of the Bonds kept by the Trustee pursuant to Section 2.08 hereof.

“Bonds” means the bonds issued by the Authority under and pursuant hereto.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks located in the city where the Corporate Trust Office of the Trustee is located, are required or authorized to remain closed.

“Capital Improvements” shall mean that portion of the Project constituting capital improvements to the Enterprise as described in Exhibit A to the Agreement.

“Capital Improvements Fund” shall mean the Capital Improvements Fund to be held by the City and established pursuant to Section 4.1 of the Agreement.

“Certificate of an Independent Consultant” means an instrument in writing signed by an Independent Consultant.

“Certificate of the Authority” means an instrument in writing signed by the President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“City” means the City of Morgan Hill, a municipal corporation organized and existing under the laws of the State of California.

“City Council” means the City Council of the City, being the City’s legislative body.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provision of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by the City and the Trustee with respect to the Bonds.

“Corporate Trust Office” means, with respect to the Trustee, the principal Corporate Trust Office of the Trustee in San Francisco, California, or such other office designated by the Trustee from time to time; provided that, for purpose of payment, redemption, exchange, transfer, surrender and cancellation of Bonds, such term means the corporate trust operations or agency office designated by the Trustee.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the execution and delivery of the Agreement, this Trust Indenture and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other cost, charge or fee in connection with the issuance and sale of the Bonds.

“Cost of Issuance Fund” means the fund by that name established pursuant to Section 4.05 hereof.

“Debt Service Fund” means the fund by that name established pursuant to Section 4.02 hereof.

“Defeasance Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are fully and unconditionally pledged for the timely payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

“Delivery Date” means _____, 2020.

“Depository” means the Securities Depository acting as Depository pursuant to Section 2.11.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, in its capacity as the initial securities depository for the book-entry Bonds.

“Enterprise” means the entire wastewater system of the City (excluding any reclamation facilities) including without limitation all improvements, works or facilities owned, controlled or operated by the City to provide sewer service as such improvements, works or facilities now exist,

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together with all additions to or replacements of existing facilities to be acquired or constructed, together with all improvements, replacements or extensions to said wastewater system later acquired or constructed, including the Project.

“Event of Default” means an event described in Section 8.01 hereof.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Counsel from a Bond Counsel to the effect that such action, in and of itself is permitted hereunder and, will not adversely affect the tax-exempt status of interest on the Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on June 30 of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, which is independent of the City and the Authority pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Consultant” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to wastewater systems, or any other financial consultant or firm of financial consultants (including

an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to wastewater systems, appointed and paid by the City, and who or each of whom –

- (a) is in fact independent and not under the domination of the City;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (c) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

“Installment Payment Date” means the 15th day of the month prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

“Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the City pursuant to Section 4.2 of the Agreement.

“Interest Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Interest Payment Date” means April 1 and October 1 of each year commencing April 1, 2021.

“Investment Securities” means any of the following obligations if and to the extent then permitted by law:

- (1) Defeasance Securities;
- (2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve Enterprise and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody’s and by S&P; provided, that purchases of eligible bankers acceptances may not exceed 270 days’ maturity;
- (4) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody’s and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A1” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and by S&P; provided, that purchases of eligible

commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit (including those placed by a third party pursuant to an agreement between the Authority and the Trustee) issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than 365 days or deposit accounts with a state or national bank and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank are rated no lower than "A1" by Moody's and "A+" by S&P;

(6) Any repurchase or reverse repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "A1" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase or reverse repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately; and (e) the repurchase or reverse repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) Bank deposit products, demand or time deposits (including certificates of deposit), trust funds, trust accounts, interest bearing deposits, overnight bank deposits, interest bearing money market accounts or bankers' acceptances in a nationally or state-chartered bank, including the Trustee or any affiliate thereof, fully insured by the Federal Deposit Insurance Corporation or collateralized by Investment Securities described in clause (1);

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which such entities receive and retain a fee for services provided to the fund) and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) A guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest Rating Categories of any Rating Agency; and

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the Authority of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto to the extent deposits and withdrawals may be made by the Trustee directly.

"Letter of Representations" means the letter of representations to The Depository Trust Company, New York, New York, from the Authority.

"Maturity Date" means, with respect to each Bond, the applicable maturity date set forth in Section 2.03 hereof.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

"Net Proceeds" means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.11.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

“Opinion of Counsel” means a written opinion signed by an attorney or firm of attorneys selected by the City and duly admitted to practice law before the highest court of the State.

“Outstanding,” when used as of any particular time with respect to the Bonds, means (subject to the provisions of Section 7.02 hereof) all Bonds except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have been deposited with the Trustee, an escrow agent or other fiduciary (whether upon or prior to the maturity or prior redemption date of such Bonds) pursuant to Article IX hereof, provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 3.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been authenticated and delivered by the Trustee.

“Owner” or “Registered Owner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means the 2015 Bonds and any other bonds secured by Parity Obligations and issued pursuant to this Trust Indenture or any Parity Bonds Trust Indenture.

“Parity Bonds Series Reserve Fund” means any fund by that name established with respect to one or more Series of Parity Bonds other than Participating Bonds by a Parity Bonds Trust Indenture.

“Parity Bonds Trust Indenture” means the 2015 Trust Indenture and any other trust indenture pursuant to which a Series of Parity Bonds is issued.

“Parity Obligation Payments” means the payments scheduled to be paid by the City under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in the Agreement.

“Parity Obligations” means all obligations of the City issued or executed and entered into by the City, pursuant to and in accordance with the provisions of Section 5.3 of the Agreement, the Parity Obligation Payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, as provided herein.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“Participating Bonds” means any Series of Parity Bonds that, pursuant to the terms of the Parity Bonds Trust Indenture relating to such Series of Parity Bonds, is secured by the Bond Reserve Fund.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledge Law” means Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto.

“Principal Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Project” means the acquisition and construction of public capital improvements for the Enterprise, as described in Exhibit A to the Agreement.

“Purchase Price” means the principal components of the Installment Payments plus interest on the unpaid portion of such principal components owed by the City to the Authority under the terms of the Agreement as provided in Section 4.1 of the Agreement.

“Rate Stabilization Fund” means the fund by that name referred to in Section 5.4 of the Agreement.

“Rating Agencies” means, if then providing a rating with respect to the Bonds, any of the following: Fitch, Moody’s, S&P, and any other nationally recognized securities rating agency or agencies, including their respective successors or assigns.

“Rating Category” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to Section 4.06 of this Trust Indenture.

“Record Date” means the fifteenth day of the month prior to an Interest Payment Date whether or not a Business Day.

“Redemption Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.03 hereof.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Trust Indenture.

“Repayment Obligation” means the reimbursement obligation or any other payment obligation of the City under a written agreement between the City and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

“Required Reserve” means: (1) with respect to the Bond Reserve Fund, as of the Delivery Date, an amount equal to **[zero dollars (\$0)]**; provided, that with respect to the issuance of Participating Bonds, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to any Parity Bonds Series Reserve Fund, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

“Reserve Facility” means any insurance policy, letter of credit, or surety bond issued by a provider meeting the requirements set forth in Section 4.04(c), and delivered to the Trustee in satisfaction of all or a portion of the Required Reserve applicable to one or more Series of Parity Bonds.

“Reserve Fund” means the Bond Reserve Fund or a Parity Bonds Series Reserve Fund.

“Revenues” means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Trust Indenture pursuant to Section 4.08.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Series” means all Parity Bonds authorized and established pursuant hereto or to a Parity Bonds Trust Indenture as constituting a single Series and delivered on original issuance in a

simultaneous transaction, and any Parity Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor.

“Sewer Fund” means the fund by that name referred to in Section 5.2 of the Agreement.

“State” means the State of California.

“Subordinate Obligations” means the obligations of the City that are payable from Net Revenues on a basis that is subordinate to the payment of the Installment Payments and Parity Obligations. Any termination payment payable by the City under an interest rate swap agreement shall constitute a Subordinate Obligation.

“Supplemental Trust Indenture” means any trust indenture then in full force and effect which has been duly executed by the Authority and the Trustee amendatory hereof or supplemental hereto.

“Tax Certificate” means the tax certificate, dated the Delivery Date of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed and delivered by the Authority and the City on the Delivery Date of the Bonds, including any and all exhibits attached thereto.

“Treasury Regulations” means those regulations issued by the United States Department of the Treasury under the Code.

“Trust Indenture” means this Trust Indenture, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Written Request of the Authority” means an instrument in writing signed by President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Written Request of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“2015 Bonds” means the Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2015 issued and delivered under the 2015 Trust Indenture.

“2015 Trust Indenture” means the Trust Indenture, dated as of June 2015, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Section 1.02. Rules of Construction. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections,

subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization to Issue, Authenticate and Deliver the Bonds. The Bonds are authorized to be issued in the aggregate principal amount of \$[Par Amount].00 in the form and manner provided herein. The Bonds shall be designated “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020,” issued by the Authority under and pursuant to the Bond Law and this Trust Indenture, and secured by a pledge of, and payable from Revenues as provided herein.

The Trustee is hereby authorized to authenticate and deliver the Bonds to the original purchaser thereof upon the Written Request of the Authority and receipt of the proceeds of the sale thereof (to be wired to the Trustee).

Section 2.02. Denominations of the Bonds. The Bonds shall be issued in fully registered form, in Authorized Denominations, and numbered consecutively.

Section 2.03. Terms of the Bonds. The Bonds shall be dated the Delivery Date, and mature on October 1 in the years, in the respective principal amounts set forth opposite such years, and bear interest at the respective rates per annum set forth in the following table:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest shall be payable with respect to each Bond on each Interest Payment Date, commencing April 1, 2021 until the principal thereof has been paid; provided, however, that if at the Maturity Date of any Bond (or, if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with terms of this Trust Indenture, such Bond shall then cease to bear interest.

Section 2.04. Interest. The Bonds shall bear interest payable semiannually on their Interest Payment Dates. Each Bond which is authenticated and registered on or prior to the first Record Date shall bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond which is authenticated and registered after the first Record Date shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond shall bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid.

Section 2.05. Form of the Bonds. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved.

Section 2.06. Payment of the Bonds. The principal or Redemption Price of, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof at the close of business on the Record Date next preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at his address as it appears on such books; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds then Outstanding, upon written request of such Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the interest payment shall be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Owner.) Payment of the principal or Redemption Price of a Bond shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof, such principal and redemption premium, if any, to be paid only upon the surrender of the Bond at the Corporate Trust Office, where such Bonds are paid by the Trustee, at maturity or upon redemption prior to maturity. All such payments of interest on, or principal of, or redemption premium, if any, on any Bond shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

Section 2.07. Execution of the Bonds. The Bonds shall be signed on behalf of the Authority by the manual or facsimile signature of the President of the Authority and countersigned by the manual or facsimile signature of its Secretary. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall

have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the Authority as though such officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the Authority by any person who on the actual date of the execution of such Bond shall be the proper officer of the Authority, although on the nominal date of such Bond such person shall not have been such officer of the Authority. Only those Bonds that bear thereon a certificate of authentication manually executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, authenticated and delivered hereunder and are entitled to the benefits hereof.

Section 2.08. Registration, Transfer and Exchange of Bonds. The Trustee shall keep, at its Corporate Trust Office, sufficient books for the transfer and exchange of the Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form satisfactory to the Trustee. The cost of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Authority nor the Trustee shall be required (a) to transfer or exchange any Bonds during the 15-day period prior to the selection of any Bonds for redemption under Article III hereof, or (b) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III hereof.

The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary.

The information contained in the registration books with regard to the ownership of or security interests in the Bonds shall not be subject to inspection or copying by the public as provided in Section 5060(a) of Chapter 1.5 of Division 6 of Title 1 of the California Government Code; provided, that such books shall be open for inspection by the Authority during normal business hours, upon reasonable prior notice.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated or shall have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Corporate Trust Office, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in connection therewith, the Authority shall execute and the Trustee

shall authenticate and deliver at such office a new Bond or Bonds of the same Maturity Date for the same aggregate principal amount of authorized denominations of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost. If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Authority upon receipt of like proof, indemnity and payment of expenses. Any replacement Bonds issued pursuant to this Section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The Authority and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; instead, both the original and the replacement Bond shall be treated as one and the same.

Section 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be issued in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Each temporary Bond shall be executed by the Authority upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Corporate Trust Office, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Maturity Date or Dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

Section 2.11. Book Entry System.

(a) Original Delivery. The Bonds will be initially issued as book-entry Bonds, and each maturity of such Bonds will be in the form of a separate single fully registered Bond (which may be typewritten). The Depository Trust Company (“DTC”) will act as the initial Depository for book-entry Bonds. Upon initial execution and delivery, the ownership of each such book-entry Bond will be registered in the registration books maintained under Section 2.08 in the name of Cede & Co., as Nominee of DTC, the initial Depository for the Bonds.

With respect to book-entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to the owners of beneficial interests in book-entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the registration books maintained under Section 2.08 hereof, of any notice with respect to book-entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Authority redeems any book-entry Bonds in part or (iv) the payment of any Participant or any other person, other than an Owner as shown in the registration

books maintained under Section 2.08, of any amount with respect to the principal or Redemption Price of, and interest on book-entry Bonds.

The Authority and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the registration books maintained under Section 2.08 as the absolute Owner of such book-entry Bond for the purpose of payment of the principal or Redemption Price of, and interest on such book-entry Bond, for the purpose of giving notices of redemption and other matters with respect to such book-entry Bond, for the purpose of registering transfers with respect to such book-entry Bond and for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of, and interest on the book-entry Bonds only to or upon the order of the respective Owners, as shown in the registration books maintained under Section 2.08, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of the interest on and the principal or Redemption Price of the book-entry Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books maintained under Section 2.08 shall receive a Bond evidencing the obligation of the Authority to make payments of the principal or Redemption Price of, and interest on any book-entry Bond pursuant hereto. Upon delivery by the Depository to the Owner, the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the term Nominee herein shall refer to such new nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry Bonds for the Depository's book entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book entry Bonds other than the Owners, as shown on the registration books required to be kept pursuant to Section 2.08. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee shall take such other actions, not inconsistent herewith, as are reasonably necessary to qualify book entry Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Authority has advised the Depository that it does not wish the Depository to continue as securities depository, then the Authority will discontinue the book entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (d). If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such registration books required to be kept pursuant to Section 2.08 in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Section 2.08.

(d) Transfer of Bonds to Substitute Depository.

(i) Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.11(d) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository not objected to by the Trustee, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or Substitute Depository or its successor) from its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or its Nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds, which the Authority shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Written Request of the Authority, subject to the limitations of Sections 2.02 and 2.03, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such Written Request of the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such depository’s failure to make such notations or errors in making such notations.

Section 2.12. Validity of the Bonds. From and after the issuance of the Bonds, the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority and the City for the financing of the Project, or by any contracts made by the Authority and the City in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance. Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the original purchaser thereof and the purchase price thereof received.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source, upon 45 day notice to the Trustee (or such shorter period agreed to by the Trustee) and mailed notice as provided herein, at a Redemption Price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(b) Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the Redemption Price thereof, plus accrued interest to the date of purchase. All Bonds so purchased shall be delivered to the Trustee for cancellation.

Section 3.02. Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be redeemed at any one time, the Authority shall, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions thereof of the same Maturity Date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in integral multiples of \$5,000. Within each maturity, Bonds shall be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions thereof for redemption shall be conclusive in the absence of fraud.

Section 3.03. Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee shall mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee shall also provide

notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal shall be an action by the holders of the Bonds for specific performance. Each such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all of the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the redemption date, and shall require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Section 9.01 or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys shall not have been so received the notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Section 3.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof at the expense of the Authority a new Bond or Bonds of the same Maturity Date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 3.05. Effect of Redemption of Bonds. If notice of redemption has been duly given pursuant to Section 3.03, and money for the payment of the Redemption Price of the Bonds or portions thereof so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, and the interest accrued thereon to the redemption date.

ARTICLE IV

ASSIGNMENT AND PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Pledge and Assignment of Revenues.

(a) All Revenues and any other amounts held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund) are hereby irrevocably pledged to the payment of the interest on and principal or Redemption Price of the Bonds, as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; except that, out of the Revenues and other moneys, there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund) for the payment of the principal or Redemption Price of, and interest on the Bonds in accordance with the terms hereof and thereof.

(b) The Authority hereby transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all of the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee.

The Trustee hereby accepts such assignment. Subject to Article VI, the Trustee shall take all steps, actions and proceedings required to be taken as provided in any opinion of Bond Counsel delivered to it necessary to maintain in force, for the benefit of the Owners, the Trustee's rights in and priority to the following security granted to it for the payment of the Bonds: the Trustee's rights as assignee of the Installment Payments and other Revenues, interest and other income, and all other rights to security for the Bonds which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out in this Section 4.01(b), rely and shall be protected in acting or refraining from acting upon an opinion of Bond Counsel furnished by the Authority.

Section 4.02. Receipt and Deposit of Revenues in the Debt Service Fund. In order to carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants

that all Revenues when and as received shall be received by the Authority in trust hereunder for the benefit of the Owners and shall be transferred to the Trustee for deposit by the Trustee in the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Debt Service Fund” (the “Debt Service Fund”), which fund the Trustee agrees to establish, maintain and hold in trust, for so long as any Bonds shall be Outstanding hereunder.

All Revenues shall be accounted for through and held in trust in the Debt Service Fund, and the Authority shall have no beneficial right or interest in any of the Revenues, except as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Debt Service Fund. Subject to the provisions of Sections 4.06 and 5.03, and by the Tax Certificate, all money in the Debt Service Fund shall be set aside by the Trustee in the following respective special accounts within the Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Redemption Account.

All money in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Trust Indenture.

The Trustee shall transfer from the Debt Service Fund the following amounts at the times and in the manner hereinafter provided, and shall deposit such amounts in one or more of the following respective funds or accounts, and each of which shall be disbursed and applied only as hereinafter authorized. Such amounts shall be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

(a) Interest Account. On each Interest Payment Date, commencing on April 1, 2021, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date.

No deposit need be made to the Interest Account on any date if the amount contained therein is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Except as otherwise provided herein, all money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest as it shall become due and payable (including accrued interest on Bonds purchased or redeemed prior to their respective Maturity Dates).

(b) Principal Account. On each Maturity Date, the Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the Outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date.

No deposit needs to be made to the Principal Account on any date if the amount contained therein is at least equal to the aggregate principal amount of Outstanding Bonds maturing on such date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal amount of Bonds as they mature.

(c) Redemption Account. All prepayments of Installment Payments made by the City, pursuant to Section 7.1 of the Agreement, shall be deposited in the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of Outstanding Bonds as directed in a Certificate of the City.

Section 4.04. Reserve Funds.

(a) At such time as the Reserve Requirement shall be more than zero dollars (\$0), the Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds Bond Reserve Fund” (the “Bond Reserve Fund”). Moneys in the Bond Reserve Fund shall be applied in accordance with this Section and, with respect to other Series of Participating Bonds, in accordance with the provisions of the Parity Bonds Trust Indentures pursuant to which such Participating Bonds are issued.

(b) Upon establishment of the Bond Reserve Fund, the Trustee hereby agrees and covenants to maintain the Bond Reserve Fund so long as any Participating Bonds remain Outstanding hereunder or outstanding under the Parity Bonds Trust Indenture under which they were issued.

(c) (i) The Trustee shall transfer to and deposit in each Reserve Fund maintained under a Parity Bonds Trust Indenture (on a pro rata basis calculated by reference to the Required Reserve for each such Reserve Fund) such amount of money as shall be required to restore each Reserve Fund to the applicable Required Reserve (including amounts necessary to reinstate the amount available under any Reserve Facility); and for this purpose all investments in any Reserve Fund shall be valued semiannually before each Interest Payment Date. No deposit need be made into any Reserve Fund if the value of the money and investments contained therein is at least equal to the applicable Required Reserve.

(ii) In lieu of making the Required Reserve deposit applicable to one or more Series of Parity Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund, or in substitution of any Reserve Facility that is part of the Required Reserve relating to one or more Series of Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories by at least one of the Rating Agencies, in an amount, that, together with cash, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, will equal the applicable Required Reserve. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section 4.04(c). At least one year prior to the stated expiration of such letter of credit, the Authority shall deliver one of the following to the Trustee: (1) a replacement letter of credit; (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of Section 4.04(c)(iii). Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement letter of credit, extension or replacement Reserve Facility with the Trustee, the Authority shall commence to make deposits with the Trustee so that an amount equal to the applicable Required Reserve will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Required Reserve as of the date following the expiration of the letter of credit is not on deposit in the applicable Reserve Fund one week prior to the expiration date of the letter of credit (excluding the letter of credit from such determination), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

(iii) In lieu of making a Required Reserve deposit in cash or in replacement of moneys then on deposit in a Reserve Fund or in substitution of any Reserve Facility that is part of a Required Reserve for any Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount that, together with moneys, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, is no less than the applicable Required Reserve. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories by at least one of the Rating Agencies. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Parity Bonds in connection with which such surety bond or insurance policy is obtained and shall be non-cancellable. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority shall immediately implement clause (1) or (3) in Section 4.04(c)(ii) or make deposits to the related Reserve Fund so that such Reserve Fund is replenished to the required level as soon as practicable.

(iv) Subject to Section 4.04(c)(v) and Section 4.04(c)(vi), all money in a Reserve Fund (including all amounts that may be obtained from a Reserve Facility on

deposit in the Reserve Fund) shall be used by the Trustee solely for the purpose of (1) paying the interest on or principal of the Parity Bonds secured by that Reserve Fund in the event there is insufficient money available in the Debt Service Fund, in such order, for this purpose, (2) making payments to the provider of any Reserve Facility that is part of the Required Reserve for such Reserve Fund for the purpose of reinstating the amount available under such Reserve Facility, or (3) for the retirement, defeasance or redemption of all or a portion of the Outstanding Parity Bonds secured by that Reserve Fund; provided, however, that if funds on deposit in that Reserve Fund are applied to the retirement, defeasance or redemption of only a portion of the Parity Bonds secured by that Reserve Fund, the amount on deposit in the Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption shall equal the Required Reserve applicable to all Parity Bonds secured by that Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption.

(v) Unless otherwise directed in a Parity Bonds Trust Indenture establishing the terms and provisions of a Series of Parity Bonds, the Trustee shall apply amounts held in cash or investments in a Reserve Fund prior to applying amounts held in the form of Reserve Facilities in that Reserve Fund and the Trustee shall apply all deposits of cash into such Reserve Fund for the purposes of satisfying any deficiency in the Reserve Fund to reinstate the portion of the Reserve Fund held in the form of Reserve Facilities (on a pro rata basis calculated by reference to the maximum amount of each Reserve Facility if more than one Reserve Facility has been drawn upon) prior to reinstating the portion of the Reserve Fund held in cash or investments. If the Trustee has applied all cash and investments and more than one Reserve Facility is being held on deposit in a Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the interest on or principal of the Parity Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has received written notice that any payment of principal of or interest on a Parity Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Parity Bonds of such Series, shall so notify the Authority thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(vi) If as a result of any valuation of a Reserve Fund it is determined that the amount of money in such Reserve Fund exceeds the Required Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such money in the Interest Account of the Debt Service Fund established and maintained under the Parity Bonds Trust Indenture pursuant to which such Reserve Fund was established.

Section 4.05. Cost of Issuance Fund.

(a) The Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Cost of Issuance Fund” (the “Cost of Issuance Fund”). Moneys in the Cost of Issuance Fund shall be expended for Costs of Issuance in accordance with this Section.

(b) There shall be credited to the Cost of Issuance Fund the following amounts:

(i) the proceeds of sale of the Bonds required to be deposited therein pursuant to Section 4.10 hereof; and

(ii) any other funds from time to time deposited by the City with the Trustee to pay Costs of Issuance.

(c) The Trustee shall disburse moneys in the Cost of Issuance Fund from time to time to pay for Costs of Issuance directly or to reimburse the City for payment thereof upon receipt by the Trustee of a Written Request of the City substantially in the form of Exhibit B. The Trustee shall be absolutely protected in making any disbursement from the Cost of Issuance Fund in reliance upon a Written Request of the City.

(d) Upon the earlier of March 1, 2021 or the Trustee’s receipt of a Certificate of the City certifying that all Costs of Issuance have been paid, the Trustee shall withdraw all remaining moneys in the Cost of Issuance Fund (other than any moneys retained therein to pay Costs of Issuance not then due and payable as set forth in the Certificate of the City), transfer such moneys to the Debt Service Fund, and close the Cost of Issuance Fund.

Section 4.06. Rebate Fund. The Trustee shall establish when needed, and maintain, so long as any Bonds remain Outstanding, a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien under this Trust Indenture and shall be governed by this Section 4.06 and Section 5.03, and by the Tax Certificate. The Trustee shall not be deemed to have any knowledge of the provisions of the Tax Certificate, and shall be deemed conclusively to have complied with the Rebate Requirement and its obligations under this Section 4.06 if it follows the directions of the Authority, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the Rebate Requirement and the Tax Certificate.

(a) Within 45 days of the end of each Bond Year, (i) the Authority shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (ii) upon the Authority’s

written direction, the Trustee shall deposit to the Rebate Fund from amounts received from the Authority as Additional Payments by the City pursuant to Section 4.2 of the Agreement, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this paragraph (a) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under paragraph (b) of this Section.

The Authority shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the Authority under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Authority shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a).

(b) Any funds remaining in the Rebate Fund after payment of all the Bonds hereunder and any amounts described in clause (ii) of paragraph (c) of this Section, or provision made therefor, including accrued interest and payment of any applicable fees of the Trustee, shall be transferred by the Trustee to the City pursuant to Section 4.09.

(c) Subject to the exceptions contained in paragraph (a) of this Section to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall, upon the Authority’s written direction, pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Bond Year, and (B) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(d) Each payment required to be made pursuant to paragraph (c) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or other address as may be designated by the Internal Revenue Service) on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 (or other approved form), which shall be completed by or on behalf of the Authority and provided to the Trustee.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Authority as Additional Payments made by the City pursuant to Section 4.2 of the Agreement, equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) In the event that immediately following the calculation required by paragraph (a) of this Section, but prior to any deposit made under that paragraph, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with that paragraph, upon written instructions from the Authority, the Trustee shall transfer the excess from the Rebate Fund to the Sewer Fund.

(g) The Authority shall retain records of all determinations made hereunder until six years after the final payment or discharge of all Bonds.

(h) Notwithstanding anything in this Trust Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

Section 4.07. Additional Payments. In the event the Trustee receives Additional Payments pursuant to Section 4.2 of the Agreement, such Additional Payments shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Payments were received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Agreement or this Trust Indenture.

Section 4.08. Deposit and Investments of Money in Accounts and Funds.

(a) All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Investment Securities at the Written Request of the Authority filed with the Trustee which shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder; provided that, money in the Reserve Fund shall not be invested in any investment with a maturity extending beyond five years from the time of such investment. If no such Written Request of the Authority is received by the Trustee, then, the monies shall be held uninvested. Except as otherwise provided herein, all interest or profits received on any money in any fund or account held hereunder (other than the Rebate Fund) so invested shall be deposited in the Interest Account in the Debt Service Fund.

(b) The Trustee or any of its affiliates may act as principal or agent, sponsor, advisor, principal, agent or manager in connection with any investments made by the Trustee hereunder. For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but shall maintain separate records relating to the investments for fund or account.

(c) The Trustee shall not be liable for any loss from any Investment Securities acquired, held or disposed of in compliance with this Section 4.08.

(d) The Trustee may rely on the investment instructions from the Authority that the instructed investment is an Investment Security for the funds to be invested.

Section 4.09. Repayment to City. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Trustee have been paid or provided for, and all expenses of the Authority relating to this Trust Indenture have been paid or provided for, and all other amounts payable hereunder, including without limitation any Rebate Requirement, and under the Agreement have been paid, and this Trust Indenture has been discharged and satisfied, the Trustee shall pay to the City any amounts remaining in any fund established and held hereunder.

Section 4.10. Application of Bond Proceeds and Other Funds. Upon receipt of the net proceeds of the sale of the Bonds from the purchaser thereof in the amount of \$_____ (representing an aggregate principal amount of \$[Par Amount].00, plus a [net] original issue [premium] of \$_____, less an underwriter's discount of \$_____), the Trustee shall set aside and transfer or deposit such proceeds in the following respective accounts or funds:

(a) The Trustee shall transfer the sum of \$_____ from the proceeds of the sale of the Bonds to the City for deposit in the Capital Improvements Fund established pursuant to Section 4.1 of the Agreement for the construction, acquisition and installation of the Capital Improvements;

(b) The Trustee shall deposit the sum of \$_____ from the proceeds of the sale of the Bonds in the Cost of Issuance Fund; and

(c) The Trustee shall (1) deposit in the Bond Reserve Fund a sum which is equal to the Required Reserve as of the date of issuance of the Bonds, (2) pay or cause to be paid the costs of a Reserve Facility in such amount for the credit of the Bond Reserve Fund or (3) pay or cause to be paid the costs of a Reserve Facility, together with a deposit in the Bond Reserve Fund of an amount that will, in combination, equal the Required Reserve as of the date of issuance of the Bonds, in each case as specified in a Certificate of the City dated the date of issuance of the Bonds; provided, that the Required Reserve may be zero.

ARTICLE V

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01. Compliance with Trust Indenture and the Agreement. The Authority will not suffer or permit any default by it to occur hereunder or under the Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein, in the Agreement and in the Bonds.

Section 5.02. Observance of Laws and Regulations. The Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State,

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or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Tax Covenants.

(a) General. The Authority hereby covenants with the Owners that, notwithstanding any other provisions of this Trust Indenture, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Authority shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the Authority, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The Authority shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The Authority shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the Authority shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The Authority shall not make any use of the proceeds of the Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 5.04. Accounting Records and Reports.

(a) The Trustee will keep proper accounting records in accordance with the Trustee's standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Revenues and the proceeds of the Bonds, and such accounting records shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. Not later than the 15th day of each calendar month, commencing on January 15, 2021, and continuing so long as any Bonds are Outstanding, the Trustee will furnish or cause to be furnished to the Authority a complete statement covering the receipts, investments, deposits, application and disbursements of the Revenues for the immediately preceding calendar month.

Such complete statement shall consist of cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statement will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(b) In accordance with Section 6599.1 of the Government Code, until the October 30 following the final maturity of the Bonds, the Authority shall, not later than October 30 of each year, commencing October 30, 2021, supply the California Debt and Investment Advisory Commission ("CDIAC"), by mail, postage prepaid, with the following information:

- (i) The principal amount of Bonds outstanding.
- (ii) The balance in the Reserve Fund.
- (iii) The costs of issuance, including any ongoing fees.
- (iv) The total amount of administrative fees collected.
- (v) The amount of administrative fees charged to each Member Agency.
- (vi) The interest earnings and terms of all guaranteed investment contracts.
- (vii) Commissions and fees paid on guaranteed investment contracts.
- (viii) Failure by the City to timely pay any Installment Payment or other payment required to be paid under the Agreement.

(c) In accordance with Section 6599.1(c) of the Act, until final maturity of the Bonds, the Authority shall notify CDIAC by mail, postage prepaid, within 10 days if any of the following events occur:

(i) The Authority or the Trustee fails to pay principal and interest due on any scheduled payment date due to insufficient funds.

(ii) Funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds or any Bonds acquired by the Authority.

(d) Neither the Authority, the City, their officers, agents or employees, nor CDIAC shall be liable for any inadvertent error in reporting the information required by Section 5.04(b) or (c).

(e) The failure of the Authority to comply with the provisions of Section 5.04(b) or (c) shall not be an Event of Default hereunder.

Section 5.05. Reserved.

Section 5.06. Amendments to Agreement. The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Agreement except: (a) to the extent such amendment, alteration or modification will cure an ambiguity, supply an omission; or cure or correct a defect or inconsistent provision therein; (b) to the extent such amendment, alteration or modification will insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with this Trust Indenture; (c) if, in the Opinion of Counsel, delivered to the Trustee such amendment, alteration or modification does not materially adversely affect the rights of the Owners; or (d) with the written consent of the Owners of a majority in aggregate principal of the Bonds then Outstanding. Any such written consent shall be obtained in the manner provided herein for amendments to this Trust Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an Opinion of Counsel stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Trust Indenture, and is valid and binding upon the parties thereto in accordance with its terms and, if applicable, containing the opinion described in the above subclause (c). For purposes of this Trust Indenture, no change or revision of Exhibit A to the Agreement, made pursuant to the terms thereof, shall constitute an amendment, alteration or modification of the Agreement.

Section 5.07. Recording and Filing. The Authority shall, at the expense of the Authority, cause the filing, recording, registering, renewing, refilling and rerecording of all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law, in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee.

Section 5.08. Against Encumbrances. So long as any Bonds are Outstanding, the Authority will not create or suffer to be created any pledge of or lien on the Revenues other than the pledge and lien hereof, and will not issue any bonds, notes or obligations payable from the Revenues, or secured by a pledge of or charge or lien upon the Revenues, except the Bonds. Subject to this limitation, the Authority reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other bonds or other obligations for such purposes.

Section 5.09. Notices to Rating Agencies. The Authority shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (a) the resignation or removal of the Trustee; or (b) the acceptance of appointment by a successor trustee hereunder promptly upon its becoming aware of such resignation, removal or acceptance.

Section 5.10. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee (who has no obligation or duty to make such request) or any Owner, the Authority will promptly authenticate and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VI

THE TRUSTEE

Section 6.01. The Trustee.

(a) The Bank of New York Mellon Trust Company, N.A., as the Trustee, shall receive all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the principal or Redemption Price of, and interest on the Bonds presented for payment, and for the purpose of canceling all paid or redeemed Bonds as provided herein. Except during the continuance of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Trust Indenture, and no implied covenants, duties or obligations shall be read into this Trust Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee. The Authority agrees that it will at all times maintain a Trustee having a Corporate Trust Office in California.

(b) The Authority may, upon thirty (30) days' prior written notice, (unless there exists any Event of Default as defined in Section 8.01 hereof), remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a banking association or corporation or trust company doing business in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or State agency. If such banking corporation or trust company publishes a report of condition at least

annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then, for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby. The Trustee under this Trust Indenture shall also be the trustee under each Parity Bonds Trust Indenture.

Section 6.02. Liability of Trustee.

(a) The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same and makes no representation as to the sufficiency or validity hereof or of the Bonds, and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of duty.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or redemption premium, if any, on the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

(e) The Trustee shall not be deemed to have knowledge of any default hereunder or default under the Agreement unless and until it shall have actual knowledge thereof or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly

provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of a default hereunder.

(f) The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at-law or certified public accountant was selected by the Trustee with due care.

(g) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of the proceeds of the Bonds and any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(h) Whether or not therein expressly so provided, every provision hereof, or of the Agreement, or any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee, shall be subject to the provisions of this Article.

(i) The Trustee shall be fully protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(j) Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which Certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(k) No provision of this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

(l) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Bonds.

(m) All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

(n) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to

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which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

(o) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

(p) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall not be answerable for the conduct of the same if appointed with due care hereunder. The permissive right of the Trustee to do things enumerated in this Trust Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(q) In acting or omitting to act pursuant to the Installment Purchase Agreement and any other document executed in connection therewith or herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Indenture and the Installment Purchase Agreement, including, but not limited to, this Article VI. Notwithstanding the effective date of this Trust Indenture or anything to the contrary in this Trust Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Trust Indenture which occurs prior to the date the Trustee formally executes this Trust Indenture and commences acting as Trustee hereunder.

(r) Subject to any additional limitations in this Trust Indenture, the Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Trust Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder). The Authority and/or City may provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the City whenever a person is to be added or deleted from the listing. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit

Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 6.03. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability, suit, claim, cause of action, judgment or expense incurred without negligence, default or willful misconduct on the part of the Trustee arising out of or in connection with (i) the acceptance or administration of the trusts created hereby, or the exercise or performance of any of its powers or duties hereunder, the Installment Purchase Agreement or any other document created in connection herewith or therewith, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including reasonable attorneys' fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder the Installment Purchase Agreement or any other document created in connection herewith or therewith. The rights of the Trustee and the obligations of the Authority under this section shall survive the discharge of the Bonds and this Trust Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Section 6.04. Notices to Rating Agencies. The Trustee shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (i) the discharge of liability on any Bonds pursuant to Section 9.01; (ii) the redemption or purchase of all Bonds; or (iii) an amendment to this Trust Indenture or the Agreement, upon its receipt of written notice of any such amendments. The Trustee shall also notify any Rating Agency of any amendments to any of the

documents to which the Trustee is a party, upon its receipt of written notification of any such changes.

ARTICLE VII

AMENDMENT OF THE TRUST INDENTURE

Section 7.01. Amendment of the Trust Indenture.

(a) Except as provided in subsection (b) and (c) of this Section 7.01, this Trust Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02 hereof, are filed with the Trustee; provided, that, before executing any such Supplemental Trust Indenture under this Section 7.01, the Trustee may first obtain, at the Authority's expense, an Opinion of Counsel that such Supplemental Trust Indenture is authorized or permitted hereunder, and complies with the provisions of this Trust Indenture, on which opinion the Trustee may conclusively rely.

(b) No amendment to this Trust Indenture shall (i) extend the stated maturity of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of any Bond, without the express written consent of the Owner of such Bond, or (ii) reduce the percentage of Bonds required for the written consent to any such amendment without the express written consent of the Owners of all Outstanding Bonds, or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(c) The Trust Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Indenture which shall become binding upon adoption without the consent of any Owners, and only to the extent permitted by law, for any one or more of the following purposes:

(i) to add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith;

(iii) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify this Trust Indenture under the Trust Indenture Act of 1939;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, or the exemption of interest on the Bonds from State of California personal income taxes;

(v) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Bonds by any of the Rating Agencies;

(vi) to add to the rights of the Trustee; or

(vii) for any purpose that will not materially adversely affect the interests of the Owners, as evidenced by the opinion of counsel delivered pursuant to Section 7.01(a) hereof.

Section 7.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article; except that in determining whether the Trustee shall be protected in relying upon any such consent, action or calculation of Outstanding Bonds, only Bonds which the Trustee actually knows to be so owned or held by the Authority or the City shall not be deemed Outstanding, unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Upon the request of the Trustee, the Authority shall specify to the Trustee those Bonds disqualified pursuant to this Section.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bonds and presentation of such Owner's Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bond or Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute a default and an Event of Default:

(a) Failure to make due and punctual payment of any installment of interest upon any Bond when the same shall have become due and payable;

(b) Failure to make due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration;

(c) Any representation or warranty made by the Authority in this Trust Indenture or the Bonds shall be determined by the Trustee to have been untrue in any material respect when made or any failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed and performed under this Trust Indenture or the Bonds, other than as referred to in subsections (a) or (b) of this Section, for a period of 60 days after written notice specifying such breach or failure and requesting that it be remedied, given to the Authority and the Owners by the Trustee, unless the breach or failure is such that it cannot be corrected within the applicable period, corrective action is instituted by the Authority within the applicable period and is being diligently pursued, provided that such breach or failure must be cured within a period of 365 days after written notice of such breach or failure is given to the Authority;

(d) An Agreement Event of Default shall have occurred under Section 8.1 of the Agreement; and

(e) If the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States or America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial parts of its property.

Section 8.02. Acceleration of Maturities. Upon the occurrence of an Event of Default (other than an Event of Default described in subsection (c) of Section 8.01), the Trustee shall, or in the case of an Event of Default described in subsection (c) of Section 8.01, the Trustee may declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in this Trust Indenture or in the Bonds to the contrary notwithstanding.

Upon such acceleration, the Trustee shall provide the Owners with a notice of acceleration; and the Trustee shall take whatever additional action at law or in equity may appear necessary or desirable to the Trustee to collect the money necessary to pay the acceleration price of the Bonds. Thereafter, the Trustee shall take such action as is necessary to pay the Bonds out of such moneys at the earliest possible date after providing the Owners with a notice of redemption as provided in Section 3.03 hereof.

Section 8.03. Application of Proceeds Upon an Event of Default. All amounts received by the Trustee pursuant to an Event of Default under the provisions of this Article and amounts previously held by the Trustee under this Trust Indenture shall be applied by the Trustee in the

following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees and expenses of the Trustee, including costs and expenses of the Trustee in declaring such Event of Default and carrying out the provisions of this Trust Indenture including reasonable compensation of its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts, shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(b) to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Whenever all principal or Redemption Price of, and interest on all Bonds have been paid and all expenses and charges of the Trustee have been paid, and the final calculation of rebate has been made and the appropriate amount transferred to the Rebate Fund, any balance remaining in all funds and accounts created under this Trust Indenture, except amounts on deposit in the Rebate Fund, shall be paid to the City pursuant to Section 4.09.

Section 8.04. Notice of Event of Default. In the event the Trustee has actual knowledge that the Authority is in default, the Trustee shall give notice of such default to the Owners of the Bonds. Such notice shall state that the Authority is in default and shall provide a brief description of such default. The notice provided for in this Section shall be given by mail to the Owners within 30 days of such occurrence of default.

Section 8.05. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and shall, at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, proceed to protect and enforce its rights or the rights of the Owners of Bonds under this Trust Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 8.06. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Trust Indenture and the Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give notice other than such notice as may be required in this Article VIII or by law.

Section 8.07. No Additional Waiver Implied by One Waiver. In the event any provision contained in this Trust Indenture should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.08. Action by Owners. In the event the Trustee fails to take any action to eliminate an Agreement Event of Default, under Section 8.1 of the Agreement, or an Event of Default hereunder, the Owners of a majority in aggregate principal amount of Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Agreement or this Trust Indenture, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within 60 days.

Section 8.09. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Trust Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision of the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds, in respect of which such judgment has been recovered.

Section 8.10. Waivers of Events of Default. Provided that all payments of interest and principal due and owing on the Bonds have been paid, prior to acceleration of the Bonds the Trustee shall, and thereafter the Trustee in its discretion may or, upon the written demand of the Owners of not less than a majority in aggregate principal amount of all Bonds Outstanding shall, waive any Event of Default hereunder and rescind its consequences; provided, however, that the

Trustee may not waive any Events of Default which constitute a breach of a covenant with respect to the tax exempt status of the Bonds. In the case of any such waiver and rescission, the Authority, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Trust Indenture shall be in writing and a copy thereof shall be delivered to the Authority and to the City.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Trust Indenture. When the obligations of the City under the Agreement shall cease pursuant to Section 9.1 of the Agreement (except for the right of the Trustee and the obligation of the City to have the cash and Defeasance Securities mentioned therein applied to the payment of Installment Payments as therein set forth, and the obligation to apply amounts on deposit in the Rebate Fund as provided in Section 4.06), then and in that case the obligations created by this Trust Indenture shall thereupon cease, terminate and become void except for the obligation of the Authority to direct the Trustee to apply amounts on deposit in the Rebate Fund as provided herein which shall continue until such amounts are so applied, the obligation of the Authority to pay the Trustee the amounts due pursuant to Section 6.03, and the right of the Owners to have applied and the obligation of the Trustee to apply such cash and Defeasance Securities to the payment of the Bonds as herein set forth, and subject to application of amounts on deposit in the Rebate Fund as provided in Section 4.06, the Trustee shall pay to the City pursuant to Section 4.09, after provision for payment of amounts due the Trustee hereunder, as an overpayment of Installment Payments, any surplus in the Debt Service Fund and all balances remaining in any other funds or accounts other than cash and Defeasance Securities held for the payment of the Bonds at maturity or upon redemption, which cash and Defeasance Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal or Redemption Price of, and interest on the Bonds, and, after such payment, this Trust Indenture shall, subject to Section 6.03, become void; provided, however, that this Trust Indenture shall not be discharged so long as any Participating Bonds remain outstanding under a Parity Bonds Trust Indenture.

If cash or non-callable Defeasance Securities are deposited with and held by the Trustee, an escrow agent or other fiduciary as hereinabove provided, the Trustee shall within 30 days after such cash or Defeasance Securities shall have been so deposited, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08, setting forth (a) the date fixed for redemption of the Bonds, (b) a description of the cash or Defeasance Securities so held, and that (c) this Trust Indenture has been released in accordance with the provisions of this Section.

Section 9.02. Deposit of Cash or Defeasance Securities with Trustee. Whenever in this Trust Indenture or the Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee, an escrow agent or other fiduciary, cash or non-callable Defeasance Securities (certified to be sufficient by a report of an Independent Certified Public Accountant delivered to the Trustee) in the necessary amount to pay or redeem any Bonds, the cash or non-callable Defeasance Securities to be so deposited or held may include cash or Defeasance

Securities held in the funds and accounts established pursuant to this Trust Indenture, and shall be in an amount equal to the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given pursuant to Section 3.03, or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Redemption Price, and all unpaid interest to such date of redemption on such Bonds; provided that the Trustee shall have been instructed (by the terms of this Trust Indenture or the Agreement, or by Written Request of the Authority) to apply such cash or Defeasance Securities to the payment of such principal or Redemption Price of, and interest on such Bonds.

Section 9.03. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal or Redemption Price of, and interest on any of the Bonds which remain unclaimed for 2 years after the date when the principal or Redemption Price of, and interest on such Bonds have become payable, shall, at the written request of the Authority, be repaid by the Trustee (without liability for interest) to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal or Redemption Price of, and interest on such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the Written Request of the Authority, and at the expense of the Authority, mail a notice to the Owners of the Bonds so payable that such moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

Section 9.04. Surviving Provisions. Notwithstanding the satisfaction and discharge hereof, the Trustee shall retain such rights, powers and privileges hereunder as may be necessary or convenient for the payment of the principal or Redemption Price of, and interest on the Bonds, and for the registration, transfer and exchange of the Bonds.

ARTICLE X

[RESERVED]

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or Redemption Price of the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are special, limited obligations of the Authority and are payable, as to the principal or Redemption Price thereof, and interest thereon upon the redemption thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay the Bonds except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of, and interest on the Bonds as provided herein. Neither the full faith and credit of the Authority or its members (including the City) is pledged for the payment of the interest on or principal or Redemption Price of the Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal or Redemption Price of the Bonds. Neither the payment of the interest on or principal or Redemption Price of the Bonds constitutes a debt, liability or obligation on the Authority or any member of the Authority (including the City) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

Section 11.02. Benefits of this Trust Indenture. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the City and the Owners.

Section 11.03. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, Maturity Date, number and date of holding the same may be proved by the Bond Register. Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price of, and interest on the Bonds by reason of their delivery, but nothing herein contained shall

relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

Section 11.06. Cancellation of Bonds. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation. Whenever in this Trust Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and upon the Authority's request, shall deliver a certificate of such destruction to the Authority.

Section 11.07. Reserved.

Section 11.08. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with this Trust Indenture and customary corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.09. Notices. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the City, the Authority, the Trustee, and the Rating Agencies, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage redeemed, addressed to the appropriate address provided pursuant to this Section, six Business Days after deposit in the United States mail, the initial address for notices, counterparts and other communications hereunder is as follows:

If to the Authority:	Morgan Hill Financing Authority 17555 Peak Avenue Morgan Hill, California 95307 Attention: Chief Administrative Officer
If to the City:	City of Morgan Hill 17555 Peak Avenue Morgan Hill, California 95307 Attention: City Manager
If to the Trustee:	The Bank of New York Mellon Trust Company, N. A. 400 South Hope Street, Suite 400 Los Angeles, California 90071 Attention: Corporate Trust

If to S&P, to:

S&P Global Ratings
55 Water Street, 38th Floor
New York, New York 10041
Attention: Municipal Structured Group

The City, the Trustee, the Authority and the Rating Agencies may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the City, the Trustee, the Authority or the Rating Agencies, any notice required to be given hereunder in writing may be given by any form of electronic notice capable of making a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic notice.

Section 11.10. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto. The Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers.

Section 11.11. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority hereby declares that it would have entered into this Trust Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.12. California Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 11.13. Execution in Several Counterparts. This Trust Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

(Signatures on next page.)

IN WITNESS WHEREOF, the Morgan Hill Financing Authority has caused this Trust Indenture to be executed in its name by the Chief Administrative Officer and attested by its Secretary, and The Bank of New York Mellon Trust Company N.A., as Trustee, has caused this Trust Indenture to be executed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE CITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED NUMBER
No. R-_____

DOLLARS
\$_____

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Interest Rate	Maturity Date	Dated Date	CUSIP No.
%	October 1, ____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The Morgan Hill Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), for value received hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to the Registered Owner set forth above on the Maturity Date set forth above (subject to any right of prior redemption as provided for in the Trust Indenture herein defined) the Principal Amount set forth above, together with interest thereon (computed on a 360-day year, 30-day month basis) from the date of this Bond if this Bond is authenticated and registered on or prior to the first Record Date (defined in the Trust Indenture referenced below as the fifteenth calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day), or if this Bond is authenticated and registered after the first Record Date, it shall bear interest from the Interest Payment Date (as defined in the Trust Indenture) next preceding the date on which this

94864037.3

Bond is authenticated and registered, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date, until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021. The principal or Redemption Price of, and interest on this Bond are payable in lawful money of the United States of America at the Corporate Trust Office of The Bank of New York Mellon Trust Company, N.A., in San Francisco, California, or such other place as it, or its successor, may designate, as trustee for the Bonds (the "Trustee"), as set forth in the Trust Indenture. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the Registered Owner hereof at the close of business on the Record Date next preceding the applicable Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Registered Owner at his address as it appears on such books, provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds then outstanding, upon written request of such Registered Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the Interest Payment will be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Registered Owner.) The principal or Redemption Price of this Bond shall be payable only to the person whose name appears in such registration books as the Registered Owner hereof, such principal or Redemption Price to be paid only upon the surrender of this Bond, at the office of the Trustee where the Bonds are paid by the Trustee, at maturity or prior redemption.

This Bond is one of the duly authorized series of bonds of the Authority designated as "Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020" (the "Bonds") in the aggregate principal amount of \$[Par Amount], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), issued under and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code (together, the "Bond Law"), and the provisions of a trust indenture (the "Trust Indenture"), dated as of December 1, 2020, between the Authority and the Trustee. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Trust Indenture.

All of the Bonds are equally and ratably secured by a pledge of the Revenues in accordance with the terms and conditions of the Trust Indenture, and reference is hereby made to the Bond Law and the Trust Indenture for a description of the terms on which the Bonds are issued, for the provisions with regard to the nature and extent of the security provided for the Bonds and of the nature, extent and manner of enforcement of such security, and for a statement of the rights of the Registered Owners of the Bonds; and all the terms of the Trust Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner from time to time of this Bond, and to all the provisions thereof the Registered Owner of this Bond, by his or her acceptance hereof, consents and agrees; and each Registered Owner hereof shall have recourse to

all the provisions of the Bond Law and the Trust Indenture and shall be bound by all the terms and conditions thereof.

The Revenues consist of Installment Payments and other payments to be made by the City of Morgan Hill (the “City”) and received by the Authority pursuant to an installment purchase agreement (the “Agreement”) between the Authority and the City, as well as interest and other income from any investment of moneys in certain funds and accounts (other than the Rebate Fund) held by the Trustee under the Trust Indenture. Under the Agreement, the City has agreed to purchase the Project from the Authority, and to make Installment Payments and other payments pursuant to the Agreement from the Net Revenues. The obligation of the City to make the Installment Payments is a special obligation of the City payable solely from Net Revenues of the City’s wastewater collection system as provided in the Agreement. The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the Installment Payments under the Agreement.

The City may, as provided in the Agreement, incur additional obligations, payable from the Net Revenues on a parity with the Installment Payments. Copies of the Agreement and the Trust Indenture are on file at the Corporate Trust Office of the Trustee in San Francisco, or such other place as it or its successor may designate.

The Bonds are subject to redemption as provided in the Trust Indenture.

This Bond is transferable or exchangeable for other Authorized Denominations by the Registered Owner hereof, in person or by its duly authorized attorney at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Indenture, and upon surrender and cancellation of this Bond. Upon such transfer or exchange a new fully registered Bond or Bonds, of Authorized Denomination or Denominations, of the same series, tenor, Maturity Date and interest rate for the same aggregate principal amount will be issued to the Registered Owner in exchange hereof.

The rights and obligations of the Authority and of the Registered Owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Trust Indenture, but no such amendment shall: (a) extend the stated maturities of the Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of this Bond, without the express written consent of the Registered Owner of this Bond; (b) reduce the percentage of Bonds required for the written consent to an amendment of the Trust Indenture; or (c) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Trust Indenture.

The Trust Indenture prescribes the manner in which it may be discharged and after which the Bonds will no longer be secured by or entitled to the benefits of the Trust Indenture.

The Bonds do not constitute an indebtedness of the Authority or any member thereof, including the City, within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Authority nor any member thereof, including the City or any officer or employee thereof, shall be liable for the payment of the interest on or principal of or redemption

premiums, if any, on the Bonds otherwise than from the proceeds of the Revenues and certain other funds as provided in the Trust Indenture.

This Bond shall not be entitled to any benefits under the Trust Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually authenticated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law and other laws of the State of California, and that the amount of this Bond, together with all other obligations of the Authority, does not exceed any limit prescribed by the Bond Law or any other laws of the State of California, and is not in excess of the principal amount of the Bonds permitted to be issued under the Trust Indenture.

The Morgan Hill Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary, and has caused this Bond to be dated the Bond Date set forth above.

MORGAN HILL FINANCING AUTHORITY

By: _____
President

Attest:

By: _____
Secretary

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

 (Print or type name, address and social security or other tax identification number of assignee)
 this within-registered bond and all rights thereunder, and hereby irrevocably constitute(s) and
 appoint(s) _____, attorney, to transfer the same on the
 registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

 Signature must be guaranteed by an
 institution which is a participant in the
 Securities Transfer Agent Medallion
 Program (STAMP) or similar
 program.

 Notice: The signature(s) on this
 assignment must correspond
 with the name(s) as it appears
 on the face of the within
 Bond in every particular,
 without alteration,
 enlargement, or any change
 whatsoever.

 Authorized Officer

EXHIBIT B
FORM OF COST OF ISSUANCE FUND REQUISITION

TO: The Bank of New York Mellon, N.A., as Trustee
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

RE: Disbursement from the Cost of Issuance Fund pursuant to Section 4.05 of the Trust Indenture (the "Trust Indenture"), dated as of December 1, 2020, by and between The Bank of New York Mellon, N.A., as trustee (the "Trustee") and the Morgan Hill Financing Authority (the "Authority")

REQUISITION NO. _____

You are hereby instructed to pay, from the Cost of Issuance Fund established pursuant to the Trust Indenture, the amounts set forth in the attachment hereto, to the persons or entities designated therein as Payee. These costs have been properly incurred, are a proper charge against the Cost of Issuance Fund, and have not been the basis of any previous disbursements.

All payments shall be made by check or wire transfer in accordance with the payment instructions set forth in the attachment hereto or the invoice delivered in connection therewith, and the Trustee shall rely on such payment instructions as though given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

Dated: _____, 20__

MORGAN HILL FINANCING AUTHORITY

By: _____
City Manager

ATTACHMENT 1

Upon presentation of an invoice from the Payees listed below, the Trustee is instructed to pay such invoices up to the following amounts and all such payments shall be made by check or wire transfer in accordance with the payment instructions set forth below or in the invoices submitted hereunder and the Trustee may rely on such payment instructions given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein:

Payee	Description	Amount
-------	-------------	--------

NRF DRAFT
10/30/20

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the City of Morgan Hill (the “City”) in connection with the issuance by the Morgan Hill Financing Authority (the “Authority”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued under a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, (the “Trustee”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” each March 31 after the end of the City’s fiscal year.

“*Dissemination Agent*” means initially the City, or any successor Dissemination Agent designated in writing by the City, and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding statements and tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) The information for the most recently completed fiscal year in the form of the following tables in the Official Statement (in each case based on actual results for the most recently-completed fiscal year only; no projections for future years is required):

- (A) Table 3, Customer Accounts and Percentage of Sewer Service Charge Revenues.
- (B) Table 4, Ten Largest Sewer Accounts.
- (C) Table 7, Delinquency Rates for Collection of Payment for Sewer Services.
- (D) Table 10, Historical Summary Statement of Revenues, Expenses and Debt Service Coverage.

(iii) A summary of any changes in the City's sewer service charges for the Enterprise since the date of the previous Annual Report.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

- (vii) Modifications to rights of Bond holders, if material.
- (viii) Bond calls, if material, and tender offers.
- (ix) Defeasances.

- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the City.
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any successor Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (with the prior written consent of the Dissemination Agent, if such amendment affects its rights or duties hereunder), and any provision of this Disclosure Certificate may be waived, provided that the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any

loss, expense, suit, claim, judgment, damages and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall have the same rights, protections and immunities hereunder as afforded to it as Trustee (to the extent that the Dissemination Agent is the Trustee). It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the City.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2020

CITY OF MORGAN HILL

By : _____
Christina Turner,
City Manager

EXHIBIT A**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Morgan Hill Financing Authority (the “Authority”)

Name of Issue: Morgan Hill Financing Authority Sewer Revenue Bonds Series 2020

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the City of Morgan Hill (the “City”) has not provided an Annual Report with respect to the above-captioned Bonds as required by the Continuing Disclosure Certificate dated as of _____, 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

NEW ISSUE - FULL BOOK-ENTRY

RATING: S&P: “_”
See “RATING herein.”

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS.”

[Add City Logo]

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Dated: Date of Delivery

Due: October 1, as shown on inside cover

The bonds captioned above (the “Bonds”) are being issued by the Morgan Hill Financing Authority (the “Authority”) pursuant to resolutions adopted by the Authority Commission of the Authority and City Council of the City of Morgan Hill (the “City”) on November 18, 2020; an Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”); and a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are being issued to provide funds to the City to (i) finance certain public capital improvements to the City’s wastewater collection system (the “Enterprise”); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in this Official Statement). Net Revenues consist of certain revenues of the Enterprise as more fully described in this Official Statement. See “SECURITY FOR THE BONDS” in this Official Statement. No debt service reserve fund will be established for the Bonds.

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption.”

The Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on April 1, 2021, and will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. With respect to any Interest Payment Date, the Record Date is the 15th calendar day of the preceding month, whether or not that day is a Business Day (as defined in the Indenture). The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS.”

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

This cover page contains certain information for quick reference only and is not a summary of information about the Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision relating to the purchase of any Bonds.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Norton Rose Fulbright US LLP, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter’s Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about December ___, 2020.

STIFEL

December ___, 2020

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

\$ _____ * **Serial Bonds**
(Base CUSIP: 61739S)

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†]
-------------------------	---------------------	------------------	-------	-------	--------------------

\$ _____ * _____ % Term Bonds due October 1, _____; Yield _____ %; Price _____ CUSIP[†] No. _____

* Preliminary, subject to change.

† Copyright 2020, American Bankers Association. CUSIP data in this Official Statement are provided for convenience of reference only. None of the City, Authority or Underwriter assumes any responsibility for the accuracy of these CUSIP data. The CUSIP number for a specific maturity is subject to being changed after delivery of the Bonds as a result of various subsequent actions, including a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF MORGAN HILL
COUNTY OF SANTA CLARA, CALIFORNIA**

City Council

Rich Constantine, *Mayor*
Yvonne Martínez Beltrán, *Mayor Pro Tempore*
Larry Carr, *Councilmember*
Rene Spring, *Councilmember*
John K. McKay, *Councilmember*

City Officials and Staff

Christina Turner, *City Manager*
Harjot Sangha, *Assistant to the City Manager*
Dat Nguyen, *Director of Finance*
Chris Ghione, *Public Services Director*
Donald Larkin, *City Attorney*
Irma Torrez CMC, *City Clerk*

MORGAN HILL FINANCING AUTHORITY

Authority Commission

Rich Constantine, *President*
Yvonne Martínez Beltrán, *Vice President*
Larry Carr, *Member*
Rene Spring, *Member*
John K. McKay, *Member*

SPECIAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Bond and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

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OFFICIAL STATEMENT

\$ _____^{*} MORGAN HILL FINANCING AUTHORITY SEWER REVENUE BONDS, SERIES 2020

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of \$ _____^{} Morgan Hill Finance Authority Sewer Revenue Bonds, Series 2020 (the “Bonds”) that are being issued by the City of Morgan Hill, California (the “City”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. Capitalized terms used, but not defined, in this Official Statement have the meanings given to them in the Indenture (as defined below).*

Authority for Issuance and Application of Proceeds

The Bonds are being issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”), resolutions adopted by the Authority Commission and City Council of the City on November 18, 2020, and an Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”). The Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain public capital improvements for the Enterprise (as defined below); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The City and the Enterprise

The City of Morgan Hill (the “City”) is located in Santa Clara County, California (the “County”), against the foothills of the Coastal Ranges near the southern end of the Santa Clara Valley. The City lies about 70 miles south of San Francisco and 20 miles south of San Jose, and sits cradled in a long narrow valley floor between the Santa Cruz Mountains on the west and Mount Hamilton Range on the east. As of January 1, 2020, the City had a population of approximately 46,454. See APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA.”

The Enterprise is administered by the Utilities Division of the City’s Department of Engineering and Utilities and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The City’s wastewater collection system (the “Enterprise”) collects, pumps and transports wastewater, but does not treat or dispose of it.

^{*} Preliminary, subject to change.

The City outsources the treatment of all the wastewater it collects to a wastewater treatment plant (the “SCRWA Treatment Plant”) located in the City of Gilroy (“Gilroy”), which is owned and operated by South County Regional Wastewater Authority (“SCRWA”), a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, entered into and effective on June 1, 1992, by and between the City and Gilroy (the “SCRWA JPA Agreement”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. See “THE ENTERPRISE.”

The Authority

The Morgan Hill Finance Authority (the “Authority”) was established pursuant to (i) Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and (ii) an Amended and Restated Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “JPA Agreement”), by and between the City, and the Parking Authority of the City of Morgan Hill (the “Parking Authority”), which was established pursuant to the Parking Law of 1949 as codified in Streets and Highways Code Section 32500, *et seq.* See “THE AUTHORITY.”

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on April 1 and October 1, commencing April 1, 2021 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued and delivered in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to their maturity, as described herein. See “THE BONDS – Redemption.”

Security for the Bonds

General. The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in “SECURITY FOR THE BONDS – Pledge of Net Revenues; Sewer Fund”). Net Revenues consist of certain revenues of the Enterprise, as more fully described under the heading “SECURITY FOR THE BONDS.” In the Installment Purchase Agreement, the City is also obligated under a rate covenant to fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year as described under the heading “SECURITY FOR THE BONDS – Rate Covenant.”

No debt service reserve fund will be established for the Bonds. The Indenture establishes a Bond Reserve Fund and provides that future issuances of Parity Bonds (defined below) may be secured by the Bond Reserve Fund (the “Participating Bonds”). The Bonds are not Participating Bonds, and the Bond

Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any other reserve fund established in connection with any other series of Parity Bonds (a “Parity Bonds Series Reserve Fund”).

Limited Obligations. The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

Parity Debt

The Authority may at any time issue bonds, secured by obligations of the City that are secured by a pledge of Net Revenues on a parity with the Installment Payments (“Parity Obligations”), that are issued pursuant to the Indenture or another indenture (“Parity Bonds”). On the delivery date of the Bonds, the Authority’s \$15,690,000 Sewer Revenue Bonds, Series 2015 (the “Series 2015 Bonds”), currently outstanding in the aggregate principal amount of \$8,775,000 are the only Parity Bonds.

Subject to certain conditions contained in the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations on a parity (“Parity Obligations”) with the Installment Payments, the payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, in addition to the obligations under the Installment Purchase Agreement. On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Obligations Payable From Net Revenues.”

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” [assumes FY 2020 audit is included in the OS]

Further Information

The summaries and references of the Indenture, the Installment Purchase Agreement and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

THE BONDS

General

The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement. Principal of the Bonds will be payable in accordance with the maturity schedule shown on the inside of the front cover of this Official Statement, subject to any optional redemptions prior to maturity. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021 (each an “Interest Payment Date”). The Bonds will initially be delivered as one fully registered certificate for each maturity and will be delivered by means of the book-entry system of DTC, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Each Bond that is authenticated and registered on or prior to the first Record Date (defined below) will bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond that is authenticated and registered after the first Record Date will bear interest from the Interest Payment Date next preceding its date of authentication and registration, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it will bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond will bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid. “Record Date” means, with respect to any interest payment date, the 15th day of the month preceding the Interest Payment Date.

Redemption*

Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the redemption price, plus accrued interest to the date of purchase. All Bonds so purchased will be delivered to the Trustee for cancellation.

Selection of Bonds for Redemption. If less than all the outstanding Bonds are to be redeemed at any one time, the Authority will, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions of Bonds of the same maturity date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in

* Preliminary, subject to change.

integral multiples of \$5,000. Within each maturity, Bonds will be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions of Bonds for redemption shall be conclusive in the absence of fraud.

Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee will mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee will also provide notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal will be an action by the holders of the Bonds for specific performance. Each such notice will state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed, and will give notice that further interest on such Bonds or the portions of the Bonds to be redeemed will not accrue from and after the redemption date, and will require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any related redemption notice, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption is not redeemable in whole, such notice will also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds are deemed to have been paid in accordance with the Indenture or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys has not been so received the notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner of such Bond at the expense of the Authority a new Bond or Bonds of the same maturity date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, and money for the payment of the redemption price of the Bonds or portions of Bonds so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the Bonds or such portions of Bonds so called for redemption will cease to accrue and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price of such Bonds, and the interest accrued on such Bonds to the redemption date.

DEBT SERVICE REQUIREMENTS

The principal of and interest payable on the Bonds and the Series 2015 Bonds is set forth on the following table.

Fiscal Year Ending June 30	Series 2015 Bonds			Bonds			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$1,520,000.00	\$419,500.00	\$1,939,500.00	\$	\$	\$	\$
2022	1,600,000.00	341,500.00	1,941,500.00				
2023	1,520,000.00	263,500.00	1,783,500.00				
2024	335,000.00	217,125.00	552,125.00				
2025	350,000.00	201,750.00	551,750.00				
2026	365,000.00	185,625.00	550,625.00				
2027	380,000.00	167,000.00	547,000.00				
2028	400,000.00	147,500.00	547,500.00				
2029	420,000.00	129,100.00	549,100.00				
2030	440,000.00	113,550.00	553,550.00				
2031	450,000.00	98,525.00	548,525.00				
2032	470,000.00	82,425.00	552,425.00				
2033	485,000.00	65,712.50	550,712.50				
2034	500,000.00	48,162.50	548,162.50				
2035	520,000.00	29,675.00	549,675.00				
2036	540,000.00	10,125.00	550,125.00				
2037	--	--	--				
2038	--	--	--				
2039	--	--	--				
2040	--	--	--				
2041	--	--	--				
2042	--	--	--				
2043	--	--	--				
2044	--	--	--				
2045	--	--	--				
2046	--	--	--				
2047	--	--	--				
2048	--	--	--				
2049	--	--	--				
2050	--	--	--				
Total	\$10,295,000.00	\$2,520,775.00	\$12,815,775.00	\$	\$	\$	\$

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of Bonds	\$
Plus/Less Premium/Discount	
Total	\$ _____

Uses:

Deposit to Project Fund	\$
Deposit to Cost of Issuance Fund ⁽¹⁾	
Total	\$ _____

⁽¹⁾ Costs of issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee, printing expenses, rating fee, underwriter's discount and other miscellaneous costs.

FINANCING PLAN

The Bonds are being issued to provide funds to (i) finance the acquisition and construction of public capital improvements for the Enterprise (the "Wastewater Projects"); and (ii) pay the costs of issuing the Bonds. The Wastewater Projects include repair and replacement of pipes, sewer main upgrades, SCRWA plant expansion and improvements, sewer trunk repair and replacement, and new sewer mains and trunk line.

The Wastewater Projects may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by an opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds.

SECURITY FOR THE BONDS

Pledge of Revenues under Indenture

The Bonds are payable from, and secured by, a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. "Revenues" means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Installment Purchase Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Indenture.

Under the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Installment Purchase Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee.

Pledge of Net Revenues; Sewer Fund

Pursuant to the Installment Purchase Agreement, all Net Revenues (defined below) are, pursuant to Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto, irrevocably pledged to the payment of the Installment Payments and will not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations (defined below under the heading “- Additional Obligations from Net Revenues”), will, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues.

Under the Installment Purchase Agreement, the City covenants that all Gross Revenues will be received by the City in trust and, except for the proceeds of any casualty insurance or condemnation award after the payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds (the “Net Proceeds”), will be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has theretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Installment Purchase Agreement. The City may designate one or more existing funds to satisfy the foregoing requirements. As of the date of this Official Statement, the Sewer Fund consists of the Sewer Operating Fund and Sewer Impact Fund, as accounted for by the City for budget purposes. See “THE ENTERPRISE - Enterprise Funds.” The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund are required to be used and applied by the City in accordance with the Installment Purchase Agreement.

Certain Definitions. The terms “Net Revenues,” “Gross Revenues” and “Operation and Maintenance Costs” are defined in the Installment Purchase Agreement as follows:

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year. Amounts transferred from the Rate Stabilization Fund and System Replacement Fund may also be included in Net Revenues as described under the heading “- Rate Stabilization Fund.”

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Installment Purchase Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than

Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

Special Obligations

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

No Debt Service Reserve Fund

No debt service reserve fund will be established for the Bonds.

The Indenture establishes a Bond Reserve Fund and provides that Participating Bonds may be secured by the Bond Reserve Fund. The Bonds are not Participating Bonds, and the Bond Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any Parity Bonds Series Reserve Fund.

Allocation of Gross Revenues

Under the Installment Purchase Agreement, the City covenants to, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund will be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes provided in the Installment Purchase Agreement and, as to funds held under the Indenture, the Indenture.

Installment Payments. Not later than each Installment Payment Date, the City will, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City will also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

Reserve Fund. If Parity Bonds are issued in the future, on or before the first Business Day of each month, the City will, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in the Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore:

- (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due under the Installment Purchase Agreement or to pay installment payments pledged to the payment of other Participating Bonds;

- (ii) any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and
- (iii) the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained in the Bond Reserve Fund;

provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Indenture, transfers under the Installment Purchase Agreement to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

Under the Indenture, “Required Reserve” means \$0; provided that, (1) with respect to any issuance of Participating Bonds in the future, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to the issuance of any Parity Bonds Series Reserve Fund in the future, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations contained in the Installment Purchase Agreement, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and Sewer System Replacement Fund. See “THE ENTERPRISE - Enterprise Funds.”

Application of Revenues under Indenture

Except as provided in the Indenture, all money in the Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the Debt Service Fund to be maintained by the Trustee, in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Redemption Account.

All money in each of such accounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Indenture and described below. The Trustee will transfer from the Debt Service Fund the following amounts at the times and in the manner provided below, and will deposit such amounts in one or more of the following respective funds or accounts, and each of which will be disbursed and applied only as authorized in the Indenture and described below. Such amounts will be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

Interest Account. On each Interest Payment Date, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee will set aside from the Debt Service Fund and deposit into the Interest Account the amount of money that is equal

to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date. No deposit need be made to the Interest Account on any date if the amount contained in the Interest Account is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Principal Account. On each Bond maturity date, the Trustee will set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date. No deposit need be made to the Principal Account on any date if the amount contained in the Principal Account is at least equal to the aggregate principal amount of outstanding Bonds maturing on such date.

Redemption Account. All prepayments of Installment Payments made by the City under the Installment Purchase Agreement will be deposited into the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of outstanding Bonds as directed by the City.

Rate Stabilization Fund and System Replacement Fund

The Installment Purchase Agreement provides that the City may, at any time, determine to deposit into the Rate Stabilization Fund and System Replacement Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund and System Replacement Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund and System Replacement Fund must be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund and System Replacement Fund will be included as Net Revenues. See “THE ENTERPRISE – Enterprise Funds - Sewer Rate Stabilization Fund and System Replacement Fund.”

Rate Covenant

The City covenants under the Installment Purchase Agreement that it will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

- (i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- (ii) The Installment Payments, all other Parity Obligation Payments (defined below under the heading “- Additional Obligations Payable from Net Revenues”), and all Subordinate Obligation Payments as they become due and payable;
- (iii) All payments, if any, required for compliance with the terms of the Installment Purchase Agreement or of any Parity Bonds Trust Indenture requiring restoration of the Bond Reserve Fund to an amount equal to the Required Reserve; and
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

In addition to the requirements described above, the City will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but will not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described above.

Insurance

Coverage Requirement. Under the Installment Purchase Agreement, the City covenants to procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise, to the extent insurance is available for reasonable premiums from a reputable insurance company; provided, that such insurance coverage may be satisfied under a self-insurance program.

The City also covenants to procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its City Council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance will afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

Use of Net Proceeds. If all or any part of the Enterprise is damaged or destroyed, the Net Proceeds realized by the City as a result of such damage or destruction will be deposited by the City with the Trustee in a special fund that the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited into the Sewer Fund and applied as provided in the Installment Purchase Agreement; provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments will be subject to any similar provisions for Parity Obligations on a pro rata basis. If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Eminent Domain

Under the Installment Purchase Agreement, if all or any part of the Enterprise is taken by eminent domain proceedings, the Net Proceeds realized by the City from such proceedings will be deposited by the City with the Trustee in a special fund which the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited in the Sewer Fund and applied as provided in the Installment Purchase Agreement, provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings will be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City will deposit such proceeds into the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Parity Bonds

The Authority may from time to time issue Parity Bonds. On the delivery date of the Bonds, the Series 2015 Bonds are the only Parity Bonds outstanding.

Additional Obligations Payable from Net Revenues

Under the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations, the payments under which ("Parity Obligation Payments") are Parity Obligations, in addition to the obligations under the Installment Purchase Agreement, so long as certain conditions are met, including that the Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued will be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations. *On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding.*

The City may adjust the foregoing Net Revenues to reflect:

- An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise that was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but that, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;
- An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

THE AUTHORITY

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and the JPA Agreement. The governing board of the Authority is the Authority Commission and is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the financing of certain public improvements and to issue the Bonds under the Bond Law. The Authority has no taxing power.

The Authority and City are each separate and distinct legal entities, and their respective debts and obligations are not debts or obligations of the other entity. The JPA Agreement provides that the members of the Authority are the City and Parking Authority. The City has covenanted in the Installment Purchase Agreement to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

THE ENTERPRISE

General

The Enterprise is administered by the Sewer Division of the City's Department of Utilities and Engineering and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The Enterprise collects, pumps and transports wastewater, but does not treat or dispose of it. The City outsources the treatment of all the wastewater it collects to the SCRWA Treatment Plant located in Gilroy, as described below under the heading "– Treatment of Wastewater by SCRWA."

The average daily flow, peak day flow and treatment capacity of the Enterprise, each as measured in million gallons per day (“mgd”), are shown in the table below for calendar years 2015 through 2019.

Table 1
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL OPERATING STATISTICS
CALENDAR YEARS 2015 THROUGH 2019⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Daily Flow	2.36	2.39	2.68	2.29	2.5
Peak Day Flow	3.77	3.77	6.39	3.22	4.09
Treatment Capacity ⁽²⁾	3.56	3.56	3.56	3.56	3.56

⁽¹⁾ Amounts shown are in mgd.

⁽²⁾ 41.9% of 8.5mgd plant capacity.

Source: City of Morgan Hill.

COVID-19 Pandemic Impact

The impact of the COVID-19 on projected income and expenses for the Enterprise are currently expected to be [within range of management expectations for _____ that were developed prior to the COVID-19 pandemic]. The California Governor’s Executive Order suspending the public water system’s ability to disconnect water service to residences and small business is having some impact on delinquencies for the Enterprise. The number of delinquent accounts increased to about 500 accounts as of _____ compared to [a [monthly] average of approximately] 200 accounts in prior years. The delinquent accounts represent approximately \$300,000 or 2% of current year budgeted sewer service fees. See, “Table 7 – City of Morgan Hill Enterprise Delinquency Rates for Collection of Payment for Sewer Services for Fiscal Years 2015-16 through 2019-20” for delinquency rates in recent years.

Management

Set forth below are biographies of members of senior staff of the City with responsibility for the Enterprise. Operations of the Enterprise are carried out under the general supervision of the City’s Public Services Director.

Christina Turner, City Manager.

Chris Ghione, Public Services Director.

Harjot Sangha, Assistant to the City Manager.

Dat Nguyen, Director of Finance.

Existing Facilities

The Enterprise’s facilities consist of a wastewater collection system that includes approximately 170 miles of sewer lines and 14 lift stations that are used to transport wastewater to the SCRWA Treatment Plant.

Treatment of Wastewater by SCRWA

General. All wastewater collected by the City is conveyed to and treated by SCRWA, a joint exercise of powers authority formed by the SCRWA JPA Agreement, whose members are the City and Gilroy (each, a “Member Agency”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. The City has 42% capacity rights in the SCRWA Treatment Plant.

SCRWA Governance. SCRWA is governed by a Board of Directors (the “Board”) consisting of five board members (each, a “Director”). Of the five board members, two are City Council members of the City and three are City Council members of Gilroy. Each Director is entitled to cast one vote on any measure, and a majority of votes present and qualified to vote (comprised of at least one Director from each Member Agency) is required to pass the measure.

SCRWA Annual Budget Process. The SCRWA JPA Agreement requires a budget to be prepared at or prior to each May meeting of the Board for the ensuing fiscal year (being each July 1st to and including the following June 30th); be submitted, immediately after preliminary approval by the Board, to the city councils of the Member Agencies for incorporating into their respective annual budgets; and receive final approval by the Board by July 1st of such fiscal year.

Expenses Relating to SCRWA. SCRWA’s revenues and expenses are shared among the Member Agencies based on a formula or formulas determined by the Board, as expressed in SCRWA’s budget. In the two-year budgets for fiscal years 2017-18 and 2018-19 (the “2017-18 and 2018-19 Budget”), adopted by the Board on June 7, 2017, and fiscal years 2019-20 and 2020-21 (the “2019-20 and 2020-21 Budget”), adopted by the Board on June 5, 2019, the cost allocations are as follows:

	FY 2017-18 Cost Allocation		FY 2018-19 Cost Allocation		FY 2019-20 Cost Allocation		FY 2020-21 Cost Allocation	
	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>
Operational Costs:	61.0%	39.0%	59.0%	41.0%	62.0%	38.0%	60.0%	40.0%
Capital Costs:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%
Contributions for SCRWA Reserve:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%

Source: City of Morgan Hill.

The City treats the “Operational Costs” and “Contributions for the SCRWA Reserve” that it pays to SCRWA as operations and maintenance expenses for accounting purposes. It also treats “capital costs” that it pays to SCRWA as capital expenditures that, if paid from Net Revenues, would be payable on a subordinate basis to debt service for the Bonds under the Indenture.

A five-year history of the City's costs is shown in the table below.

<u>Fiscal Year</u>	<u>Operational Costs⁽¹⁾</u>	<u>Capital Costs</u>	<u>Total</u>
2015-16	\$3,790,244	\$5,569,952	\$9,360,196
2016-17	3,786,134	2,982,386	6,768,520
2017-18	3,860,578	1,163,995	5,024,573
2018-19	3,699,152	2,376,089	6,075,241
2019-20	4,078,112	1,072,394	5,150,506

⁽¹⁾ Includes annual contributions to SCRWA reserve of \$104,750, \$104,750, \$41,900, \$104,750 and \$125,700 for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, respectively.

Source: City of Morgan Hill.

The SCRWA JPA Agreement provides that the amounts a Member Agency is required to pay to SCRWA are due and payable 30 days after receipt of monthly billing from the Board. It also provides that SCRWA may determine to bill in advance of expenditures based on the approved budget. Any surplus moneys (reflecting the difference between budgeted amounts and actual costs) must be returned in cash or by way of a credit to that Member Agency in proportion to the funds provided. Amounts billed are due and payable, and become delinquent, 30 days after a bill is rendered and, thereafter, incur a delinquency penalty or interest charge until paid. The delinquency charge or interest rate charge is set by written policy of the Board. The City has never incurred a delinquency penalty or interest charge.

SCRWA Power to Issue Indebtedness. The SCRWA is empowered by the SCRWA JPA Agreement to issue bonds for the purpose of raising funds necessary to accomplish its purposes under the SCRWA JPA Agreement and to enter into appropriate agreements or leases to secure such bonds, or issue any other forms of indebtedness in accordance with the provisions of the Bond Law or other State law, but only with the consent of the Member Agencies. Any obligations of the City in connection with such bonds or other forms of indebtedness would be Parity Obligations.

SCRWA Financial Documents. As of the date of this Official Statement, the 2019-20 and 2020-21 SCRWA Budget may be obtained on the Internet at the following address: <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

For SCRWA's financial statements for the fiscal year ended June 30, 2019, see <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

Enterprise Capital Improvement Program

The City expects to fund the CIP from amounts on deposit in the Sewer Impact Fund and Sewer System Replacement Fund (the amount in which will include proceeds of the Bonds). The CIP budget for the Enterprise for the fiscal years shown is summarized below.

Table 2
CITY OF MORGAN HILL ENTERPRISE
RECOMMENDED CAPITAL IMPROVEMENT PROGRAM
(Dollars in Thousands)

Project	FY 20-21 Recommended	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected	Total
Sanitary Sewer Rehabilitation	\$9,500,000	\$4,396,786	\$2,393,700	\$2,393,700	\$2,393,700	\$21,077,886
Sewer Plant Expansion Project	3,937,500	7,875,000	7,875,000	7,875,000	3,937,500	31,500,000
Sewer Plant Improvement	2,400,000	1,060,000	-	-	-	3,460,000
Lift Station Rehabilitation	2,080,000	-	-	-	-	2,080,000
New Trunk Line	50,000	100,000	14,500,000	14,500,000	-	29,150,000
New Sewer Mains	859,099	-	2,474,622	-	-	3,333,721
Total	\$18,826,599	\$13,431,786	\$27,243,322	\$24,768,700	\$6,331,200	\$90,601,607

Source: City of Morgan Hill.

SCRWA Capital Improvement Budget

In the [2019-20 and 2020-21 Budget,] SCRWA's capital improvement budget ("CIB") provides a six-year window of projects to be completed within the CIB horizon. Capital costs are allocated between the cities of Gilroy and Morgan Hill at 58.1% and 41.9%, respectively. In May 2015, the Board reviewed and approved the major capital improvements program consistent with the timeline recommendations of a 2014 flow projection report based in part on planned land use reflected by the City's and Gilroy's respective General Plans. The findings indicated that the anticipated increase in the treatment capacity is not needed until 2021.] The City and Gilroy are currently reviewing and updating their respective General Plans.

The most up-to-date CIB is reflected in the Enterprise's capital improvement plan, which is discussed under the heading "– Capital Improvement Program."

Regulatory Issues [under review]

Enterprise Operations. The regulatory requirements applicable to the Enterprise are contained in or imposed by regulation pursuant to the following statutes, which are administered through the Regional Water Quality Control Board:

- Federal Water Pollution Control Act, as amended (33 U.S.C. §1311 et seq.);
- Resource Conservation and Recovery Act (42 U.S.C. §6901 et. seq.); and
- State of California Porter-Cologne Water Quality Control Act of 1969, as amended.

The Enterprise is also subject to the following regulations, which contain no stated expiration date:

- Order No. 2006-0003-DWQ, which is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2006/wqo/wqo2006_0003.pdf.
- State Board Monitoring and Reporting Requirements Order No. WQ 2008-0002-EXEC, entitled “Adopting Amended Monitoring and Reporting Requirements for Statewide General Discharge Requirements for Sanitary Sewer Systems” (amending Order No. 2006-0003-DWQ), promulgated by the State Water Resources Control Board (“SWRCB”). Order No. WQ 2008-0003-EXEC is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2008/wqo/wqo2008_0002_exec.pdf.

The references to the Internet websites made above are for convenience only. The information contained within the websites may not be current, has not been reviewed by the City and is not incorporated by reference in this Official Statement.

Other Enterprise Permitting Requirements. The City is not itself subject to any permitting requirements because it does not treat or dispose of wastewater. Unlike a treatment plant, the City operates under the overall SWRCB Order No. 2006-0003-DWQ as an enrollee; it is not regulated under individual “operating permit” such as a National Pollutant Discharge Elimination System (“NPDES”) permit. However, on an ongoing basis, pump station generators must annually obtain a Permit to Operate permit from the Bay Area Air Quality Management District, and the fuel storage for large fuel tanks is periodically inspected under the Santa Clara County Certified Unified Program Agency. For construction projects, the City must require its contractor to obtain a General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities (Order No. 2009-0009-DWQ) for all categories of construction storm water discharges. This is done through the State of California Storm Water Multiple Application and Report Tracking System (or SMARTS) program. In addition, construction requires permits from other agencies depending on the nature of the work; this includes, but is not limited to, the California Department of Fish and Wildlife, U.S. Army Corps of Engineers, the Regional Water Quality Control Board (relating to the 401 Certification), and local road agency encroachment permits.

Regulation Relating to SCRWA. [under review]

Recycled Water - General. SCRWA’s recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code and regulations promulgated by the California Department of Health Services. On February 3, 2009, the SWRCB adopted a statewide Policy for Water Quality Control for Recycled Water to support increased sustainable local water supplies by increased production and use of recycled water.

SCRWA NPDES Permits. SCRWA operates its treatment plant pursuant to the following NPDES permits:

- (i) On March 18, 2010, the Central Coast Control Board adopted the Waste Discharge Requirements for SCRWA’s treatment plant. This permit expired on March 18, 2015, but has been extended until the Central Coast Water Board adopts a new permit.
- (ii) For discharges of storm water from the site of the SCRWA Treatment Plant, SCRWA is required to seek authorization to discharge under and meet the requirements of the

SWRCB's Water Quality Order 97-3-DWQ, NPDES General Permit No. CAS000001, Waste Discharge Requirements for Dischargers of Storm Water Associated with Industrial Activities Excluding Construction Activities (the "Storm Water Discharge Requirements"). The permit essentially prohibits any non-storm water discharges from entering the storm drain system. Failure to comply with any of the provisions written in the Storm Water Discharge Requirements permit would subject SCRWA to notices of violation and fines. The City does not expect the Discharge Requirements permit to impact SCRWA (or the Enterprise) because the facility is operated in compliance with the conditions and requirements of the established NPDES permits.

No Adverse Impact Anticipated. The City is not aware of any environmental or regulatory issues that would adversely impact its ability to collect wastewater in the City, or SCRWA's ability to treat wastewater, and pay debt service on the Bonds.

ENTERPRISE REVENUES AND DEBT SERVICE COVERAGE

Customer Base

The following table shows the historical number of residential customers and combined commercial and industrial customers, as well as the approximate percentages of service charge revenues derived from the residential (single family and multifamily) use and combined commercial and industrial use for the five fiscal years ended June 30, 2016, through June 30, 2020.

Table 3
CITY OF MORGAN HILL ENTERPRISE
CUSTOMER ACCOUNTS AND PERCENTAGE OF
SEWER SERVICE CHARGE REVENUES FOR
FISCAL YEARS ENDED JUNE 30, 2016, THROUGH 2020

Fiscal Year Ended June 30	Residential		Commercial/Industrial	
	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues
2016	11,487	75%	758	25%
2017	11,682	73	762	27
2018	11,787	72	766	28
2019	12,528	74	777	26
2020	12,704	77	787	23

Source: City of Morgan Hill.

Ten Largest Accounts. The City's 10 largest customer sewer accounts for the fiscal year ended June 30, 2020, are shown below. These accounts represented an aggregate of 6.48% of total sewer service charge revenues for fiscal year 2019-20. **[Please confirm account names and amounts]**

Table 4
CITY OF MORGAN HILL ENTERPRISE
TEN LARGEST SEWER ACCOUNTS FOR FISCAL YEAR ENDED JUNE 30, 2020

<u>Name of Account</u>	<u>Type of Business</u>	<u>Sewer Service Charge Revenue</u>	<u>% of Total Sewer Service Charge Revenue</u>
Woodland Estates	Mobile Home	\$ 209,071	1.43%
Madrone Mobile Estates	Mobile Home	167,846	1.15
Village Avante	Apartments	124,954	0.86
Safeway	Grocery	74,766	0.51
Sun Basket	Food Distribution	68,363	0.47
Hacienda Valley Mobile Estates	Mobile Home	63,968	0.44
Morgan Hill Retirement Residence	Retirement Residence	62,087	0.43
Santa Clara County	County	60,833	0.42
The Ford Store	Auto Sales	59,332	0.41
		55,169	0.38
Total Top Ten		\$ 946,389	6.48
Total Sewer Service Charge Revenue		\$14,600,504	6.48%

Source: City of Morgan Hill.

Rates and Charges

Rate-Making Authority. The City Council of the City establishes the rates for the Enterprise, and the rates prescribed by the City Council are not subject to approval or regulation by any other governmental entity. The City's Department of Public Works administers and executes the policies and rates established by the City Council. The Public Works Director oversees the Department of Public Works and serves at the direction of the City Manager.

The City adopts its rates and charges on an annual basis in accordance with Articles XIIC and XIID of the California Constitution. This process is usually done each year during the budget review process. See "BOND OWNERS' RISKS - Articles XIIC and XIID of the California Constitution."

Sewer Service Charges. The City adopted its current rate schedule for sewer service charges pursuant to Ordinance No. 1345 N.S., which the City Council enacted on July 16, 1997 (the "Rate Ordinance"). The Rate Ordinance provides a schedule of sewer charge rates and was revised by Resolution No. [19-024] (the "Rate Resolution"), which the City Council adopted on May 1, 2019, in accordance with the requirements of Articles XIIC and XIID of the California Constitution.

[According to the rate schedule, all residential accounts pay a monthly sewer service charge consisting of a base fee of \$21.44 and usage fee of \$4.55 per hundred cubic feet ("HCF") as of July 1, 2019, and a base fee of \$23.37 and usage fee of \$4.95 per HCF as of July 1, 2020.]

The Rate Ordinance provides that the residential sewer usage fee is based on the average measured volume of water usage for the three consecutive low water usage months between the months of November 1st and April 30th, with a minimum of two HCF per dwelling unit and a maximum of 13 HCF per dwelling unit. The three low water usage months are annually determined by the City's Finance Director based on the total water consumed by all customers. See "BOND OWNERS' RISKS - Demand and Usage; Drought."

The charge for commercial users consists of a base rate plus a usage fee per HCF based on the measure volume of water usage per HCF. Commercial and industrial users pay a pre-treatment fee that is used by the City to pay for inspection, administration and enforcement costs.

Commercial base rates as of July 1, 2019, and July 1, 2020, are shown below and determined based on meter size:

<u>Meter Size</u>	<u>Base Rate as of July 1, 2019</u>	<u>Base Rate as of July 1, 2020</u>
5/8" & 3/4"	\$ 21.44	\$ 23.37
1"	21.44	23.37
1½"	80.26	87.48
2"	127.78	139.28
3"	278.38	303.43
4"	500.02	545.02
6"	1,109.82	1,209.70
8"	1,714.46	1,868.76
10"	2,143.08	2,335.96

[Commercial usage fees are determined based on commercial or industrial categorizations and range between \$4.35 and \$13.92 per HCF as of July 1, 2019, and \$4.74 and \$15.17 per HCF as of July 1, 2020. The Rate Ordinance provides that the sewer volume charge for commercial and industrial users is based on actual monthly water usage.]

Impact Fees. New users who are connected to the sewer system are charged an impact fee. See Table 9 for a five-year history of receipts in the Sewer Impact Fund, which receives impact fee revenues. The fee schedule as of January 15, 2020, is shown below:

<u>Classification</u>	<u>Fee Amount</u>
Single-Family Residential (Subdivision)	\$15,315
Single-Family Residential (No Subdivision)	15,315
Multifamily Residential (Subdivision)	12,962
Multifamily Residential (No Subdivision)	12,962
Senior/Downtown/Secondary Unit (Subdivision)	12,962
Senior/Downtown/Secondary Unit (No Subdivision)	12,962
Commercial	52.44
Industrial	50.43
Office	50.43

Historical Rates. The following table shows a 10-year history of the City's sewer rate (including base fee and usage fee, but excluding impact fee) increases.

Table 5
CITY OF MORGAN HILL ENTERPRISE
TEN-YEAR HISTORY OF SEWER SERVICE CHARGES

<u>As of January 1,</u>	<u>Percentage Change</u>
2011	6.0%
2012	10.0
2013	3.5
2014	3.5
2015	3.5
2016	0.0
2017	2.0
2018 ⁽¹⁾	2.0
2019	9.0
2020	9.0

⁽¹⁾ As of July 1, 2018.

Source: City of Morgan Hill.

The Rate Resolution provides for a further 9% increase in sewer service charges as of July 1, 2020, over the prior year.

Future Revisions to Rates. In April 2019, the City Council received a Final Wastewater Rate Study Report ("2019 Rate Study") from NBS, Temecula, California. The Rate Resolution is based on the 2019 Rate Study and sets rates through the five year period beginning July 1, 2019, as reflected in the discussion under the heading "- Sewer Service Charges" above.

Comparative Rates. The following table sets forth the monthly sewer service charges charged to single family residential customers within the City and the comparable charges charged to such customers in certain other regional municipalities as of the dates shown below.

Table 6
CITY OF MORGAN HILL ENTERPRISE
MONTHLY SINGLE FAMILY RESIDENTIAL SEWER SERVICE CHARGES FOR THE
CITY AND CERTAIN OTHER CITIES

<u>Local Agency</u>	<u>Effective Date</u>	<u>Monthly Sewer Service Charges</u>
City of Morgan Hill⁽²⁾	7/1/2020	\$63.00
City of Milpitas ⁽¹⁾	7/1/2020	55.54
West Valley Sanitation District	7/1/2020	51.63
City of Gilroy	7/1/2019	46.64
City of Santa Clara	6/23/2020	44.53
City of San José	7/1/2020	41.64

⁽¹⁾ Extrapolated from bi-monthly charge of \$111.07.

⁽²⁾ Estimated monthly sewer service charge for the average single-family residence (having 8 HCF of contributed flow). Sewer service charges consist of a fixed charge of \$23.37 per month and a usage fee of \$39.60 per HCF as of July 1, 2020.

Source: Respective websites of the cities listed above.

Billing and Collection Procedures. The City sends out sewer and water usage billings in a consolidated bill in four cycles on the first, second, third, and fourth Fridays of each month, so that each customer receives a billing once a month. Payment is due from each customer within 25 days after the billings are mailed. A delinquent notice, including a delinquent charge, is mailed out if a payment is not paid by the due date. If payment is not paid within two weeks following mailing of the delinquent notice, a shut-off notice, along with an additional delinquent fee (which is retained by the City's Water Fund), is mailed to the customer. The customer has an additional 10 days to pay the past-due amount. If not paid, water services are disconnected four days later. Past-due water and sewer charges must be paid before services are restored.

The delinquency rates for collection of payment for sewer services of the City (expressed as a percentage of annual total revenues received by the City for the use of sewer services) for the five fiscal years ended June 30, 2016, through June 30, 2020, are set forth in the following table. The City averages approximately 55 customer accounts being shut off each month.

Table 7
CITY OF MORGAN HILL ENTERPRISE
DELINQUENCY RATES FOR
COLLECTION OF PAYMENT FOR SEWER SERVICES
FOR FISCAL YEARS 2015-16 THROUGH 2019-20

<u>Fiscal Year</u>	<u>Delinquency Rate for Sewer Services</u>
2015-16	4.6%
2016-17	2.5
2017-18	2.7
2018-19	1.0
2019-20	1.0

Source: City of Morgan Hill.

Employee Costs

General. The Enterprise pays a portion of certain City employee costs (“Employee Costs”). The Employee Costs are: (i) labor costs of employees of the Enterprise; and (ii) costs allocated to the Enterprise for services provided to the Enterprise by other departments in the City (e.g., accounting, legal, payroll, human resources, *et al.*). The costs allocated to the Enterprise include a variety of benefit costs, the largest of which are costs relating to the City’s retirement plans consisting of a defined benefit pension plan and other post-employment benefits (“OPEB”). See “– Employee Retirement Plans” for information about the City’s employee retirement plans.

The following table shows the number of Enterprise full-time employees and the employee costs (including a variety of benefits that include costs relating to the City’s employee retirement plans) for the past five fiscal years:

<u>Fiscal Year</u>	<u>Enterprise Employees (FTEs)</u>	<u>Employee Costs</u>
2015-16	14.48	\$ 997,264
2016-17	14.48	1,560,448
2017-18	14.48	1,674,372
2018-19	14.26	1,907,193
2019-20	14.30	1,922,993

Source: City of Morgan Hill.

Labor Relations. The employees of the Enterprise (excluding management employees) are members of American Federation of State, County and Municipal Employees. The City is subject to a two-year collective bargaining agreement with American Federation of State, County and Municipal Employees, which extends through December 31, 2021, but would remain in effect until replaced. Under the agreement, the City provides a contribution towards health, dental and vision insurance, depending on coverage level. The City also pays for life insurance, long-term disability, short-term disability, worker’s compensation, and a defined benefit plan contribution.

Employee Retirement Plans. All permanent City employees, including those assigned to the Enterprise, are eligible to participate in the Public Employee’s Retirement Fund of the California Public Employees Retirement System (“PERS”). The Enterprise’s total contributions to PERS as of June 30, 2020, 2019 and 2018 were \$253,715 \$197,277 and \$155,523, respectively.

The City contracts with PERS to provide OPEB consisting of integrated medical/prescription drug coverage under the Public Employees’ Medical and Hospital Care Act. The Enterprise’s total contributions to OPEB as of June 30, 2020, 2019 and 2018 were \$68,684, \$30,097 and \$7,974, respectively.

For information about the City’s employee retirement plans, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 - Note ____.” and APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA – Employee Retirement Plans.”

Enterprise Funds

For internal accounting purposes, the City maintains four separate funds for the Enterprise. For purposes of the City’s Comprehensive Annual Financial Report, three of these funds – the Sewer Operations Fund, Sewer Rate Stabilization Fund and Sewer Replacement Fund – are consolidated into a single fund and shown as the Sewer Operations Fund. The four funds are described below.

Sewer Operations Fund. The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance and debt service are charged to the Sewer Operations Fund.

Sewer Rate Stabilization Fund. The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund. The balance on deposit in the Rate Stabilization Fund was \$2,700,000 as of June 30, 2020. See “SECURITY FOR THE BONDS – Rate Stabilization Fund.”

Sewer System Replacement Fund. This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. The fund was initially funded with one-time revenues. The initial contribution to the Sewer System Replacement Fund was \$3,500,000 from the Sewer Operations Fund. The balance on deposit in the Sewer System Replacement Fund was \$9,200,000 as of June 30, 2020. Future funding will come from transfers from the Sewer Operations Fund when available.

Sewer Impact Fund. The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. Fund is subject to the restrictions of AB 1600.

Enterprise Reserves

The City’s current wastewater reserve policies are to make every effort to maintain a minimum reserve level of 25% of the appropriated operating budget for the Sewer Operations Fund in that fund, and to keep a minimum reserve level of 20% of the annual estimated utility usage revenue accounted for in the Enterprise’s operating budget in the Sewer Rate Stabilization Fund and 3% of net depreciable capital assets in the Sewer System Replacement Fund. The City is currently in compliance with these policies. The City’s reserve policies are subject to change. The City can provide no assurance that its financial policies will not change in the future or that it will continue to maintain reserves at existing levels.

Balance Sheets

The following tables show the comparative statements of net assets for the Enterprise for periods ending June 30, 2019, and June 20, 2020:

Table 8
CITY OF MORGAN HILL ENTERPRISE
STATEMENT OF NET POSITION

	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
ASSETS				
Current assets:				
Pooled cash and investment	\$11,419,845	\$18,877,841		
Restricted pooled cash and investments	2,885,398	--		
Cash with fiscal agents	--	--		
Receivables:	--	--		
Accrued interest	59,501	62,362		
Other accounts receivable	1,633,587	4,437		
Notes receivable-current	--	228,994		
Total current assets	15,998,331	19,173,634		
Non-current assets:				
Capital assets, net	--	--		
Non-Depreciable	2,476,292	2,998,173		
Depreciable and Sewer capacity rights	24,011,911	28,937,955		
Total non-current assets	26,488,203	31,936,128		
Total assets	42,486,534	51,109,762		
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	572,696	--		
Total Deferred Outflows	572,696			
LIABILITIES				
Current liabilities:				
Accounts payable	46,725	885,097		
Accrued liabilities	286,404	6,763		
Customer deposits	1,330	31,764		
Unearned revenue	--	4,752		
Interest payable	6,622	125,816		
Current obligations for:				
Bonds payable (Note 7)	1,445,000	--		
Capacity rights payable	--	--		
Total current liabilities	1,786,081	1,054,192		
Non-current liabilities:				
Long-term liabilities for:				
Bonds payable (Note 7)	11,613,474	--		
Net pension liability (Note 8)	2,463,827	--		
OPEB payable	--	--		
Net OPEB obligation (Note 9)	446,519	--		
Capacity rights payable	--	--		
Total noncurrent liabilities	14,523,820	--		
Total liabilities	16,309,901	1,054,192		
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 8)	78,801	--		
Total Deferred Inflows	78,801			
Net position:				
Net investment in capital assets	17,760,127	31,936,128		
Restricted net position-debt service	--	--		
Restricted net position-capital expansion		18,119,442		
Unrestricted	8,910,401	--		
Total net position	\$26,670,528	\$50,055,570	\$	\$

Source: City of Morgan Hill Comprehensive Annual Financial Statements Fiscal Years Ended June 30, 2019, and June 30, 2020.

Historical Financial Results

The following table presents a summary of the operating results of the Enterprise for the five fiscal years ended June 30, 2016, through June 30, 2020.

For additional information on the financial results of the Enterprise, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020.”

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Table 9
CITY OF MORGAN HILL ENTERPRISE

	FY 15-16 Sewer Operations	FY 15-16 Sewer Impact	FY 16-17 Sewer Operations	FY 16-17 Sewer Impact	FY 17-18 Sewer Operations	FY 17-18 Sewer Impact	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
Operating Revenues:										
Charges for services ⁽¹⁾	\$ 10,471,572	\$ 35,125	\$ 10,755,87	\$ -	\$ 10,829,471	\$ -	\$ 11,998,859	\$ -	\$	\$
Other Operating Income					23,486	4,172,476	-	4,876,920		
Developer Contributions		4,808,865		1,756,909						
Total Operating Revenues	10,471,572	4,843,990	10,755,875	1,756,909	10,852,957	4,172,476	11,998,859	4,876,920		
Operating Expenses:										
Salaries and benefits	997,264		1,560,448		1,674,372		1,907,193			
Utilities and taxes	39,537		51,965		53,143		57,291			
Operations and maintenance	4,627,661	16,084	4,406,723	8,920	4,570,583	15,534	4,790,293	16,709		
Depreciation	1,513,886	1,119,377	1,565,861	1,248,154	1,619,067	1,308,480	1,220,184	1,328,079		
Amortization of sewer capacity rights	944,917		944,917		944,917		944,917			
Administrative charges	201,485	12,652	211,572	13,284	222,132	13,944	266,436	54,468		
Total Operating Expenses	8,324,750	1,148,113	8,741,486	1,270,358	9,084,214	1,337,958	9,186,314	1,399,256		
Operating Income (Loss)	2,146,822	3,695,877	2,014,389	486,551	1,768,743	2,834,518	2,812,545	3,477,664		
Non-Operating Revenues/(Expenses):										
Investment earnings	100,576	123,697	121,818	153,397	207,814	229,257	318,041	344,622		
Interest (expense)	(625,940)		(440,495)	(145,648)	(343,116)	(190,976)	(485,708)	16,328		
Total nonoperating revenues (expenses)	(525,364)	123,697	(318,677)	7,749	(135,302)	38,281	(167,667)	360,950		
Income (loss) before operating transfers	1,621,458	3,819,574	1,695,712	494,300	1,633,441	2,872,799	2,644,878	3,838,614		
Capital Contributions										
Transfers in	63,368				232,776		232,692			
Transfers (Out)	(652,935)	(66,182)	(870,268)	(7,704)	(891,912)	(240,480)	(845,172)	(240,396)		
Change in net position	1,031,891	3,753,392	825,444	486,596	974,305	2,632,319	2,032,398	3,598,218		
Total Net Position-Beginning	22,076,830	39,585,045	23,108,721	43,338,437	23,663,825	43,825,033	24,638,130	46,457,352		
Restatement										
Total Net Position-Beginning, Restated										
Total Net Position-Ending	\$23,108,721	\$43,338,437	\$23,934,165	\$43,825,033	\$24,638,130	\$46,457,352	\$26,670,528	\$50,055,570	\$	\$

⁽¹⁾ In addition to sewer service charge revenues, includes investment earnings, reimbursement of expenses (such as property damage, cost sharing), penalties, lift station charges, and front footage fees.

Source: City of Morgan Hill Comprehensive Annual Financial Statement Fiscal Years Ended June 30, 2016, through June 30, 2020.

The following table presents a summary of the operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ended June 30, 2016, through June 30, 2020, calculated in accordance with the provisions of the Indenture.

Table 10
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2016, THROUGH JUNE 30, 2020

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Gross Revenues:					
Charges for current services	\$10,506,697	\$10,755,875	\$10,852,957	\$11,998,859	\$
Impact Fees	4,808,865	1,756,909	4,172,476	4,876,920	
Investment earnings	224,273	275,215	437,071	318,041	
Total Revenues	\$15,539,835	\$12,787,999	\$15,462,504	\$17,193,820	\$
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$ 997,264	\$1,560,448	\$1,674,372	\$1,907,193	\$
Operations and maintenance ⁽²⁾	4,643,745	4,415,643	4,586,117	4,790,293	
Administrative charges	214,137	224,856	236,076	266,436	
Total Operating Expenses	\$5,855,146	\$6,200,947	\$6,496,565	\$6,963,922	\$
Net Revenues ⁽³⁾	\$9,684,689	\$6,587,052	\$8,965,939	\$10,229,898	\$
Series 2015 Bonds Debt Service ⁽⁴⁾	\$528,074	\$1,936,300	\$1,939,800	\$1,939,125	\$1,938,625
Debt Service Coverage ⁽⁵⁾	18.34	3.40	4.62	5.28%	%
Net Revenues Less Impact Fees	\$4,875,824	\$4,830,143	\$4,793,463	\$5,352,978	\$
Coverage Without Impact Fees	9.23	2.49	2.47	2.76%	%

⁽¹⁾ Excludes depreciation, amortization and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁴⁾ Excludes earnings on the reserve fund for the 2002 SCRWA bonds.

⁽⁵⁾ Equals Net Revenues divided by Series 2015 Bonds Debt Service.

Source: City of Morgan Hill.

Projected Financial Results

The following table presents a summary of the projected operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ending June 30, 2020, through June 30, 2024, calculated in accordance with the provisions of the Indenture. The following table represents the City's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. The obligation of the City to pay debt service on the Bonds is limited to Net Revenues and the City is not obligated to apply any other revenues to pay debt service on the Bonds.

The projections assume a final rate adjustment of 5% in [2021 through 2023] and no rate adjustments thereafter, and a 2% annual growth in the number of sewer accounts and no change in flow and strength by non-residential users. The impact fees shown in the projections are based on a projected increase in development activities. The projections also assume annual Operation and Maintenance Costs of the Enterprise will increase at an average of 2% annually, primarily as a result of inflation, increased pension

costs and increased costs for operation and maintenance. In addition, the projections assume annual interest earnings on Enterprise funds of 1.5%.

Table 11
CITY OF MORGAN HILL ENTERPRISE
PROJECTED SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2020, THROUGH JUNE 30, 2024

	Projected <u>2020-21</u>	Projected <u>2021-22</u>	Projected <u>2022-23</u>	Projected <u>2023-24</u>	Projected <u>2024-25</u>
Gross Revenues:					
Charges for current services	\$13,394,453	\$14,238,146	\$15,141,760	\$16,104,201	
Impact Fees	6,225,545	6,845,919	4,890,147	5,014,637	
Investment earnings	370,194	377,598	385,150	392,853	
Total Revenues	\$19,990,192	\$21,461,663	\$20,417,057	\$21,511,691	
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$2,184,238	\$2,265,081	\$2,327,774	\$2,388,481	
Operations and maintenance ⁽²⁾	5,585,062	5,758,591	5,873,773	5,991,258	
Administrative charges	347,058	355,734	362,849	370,106	
Total Operating Expenses	\$8,116,357	\$8,379,406	\$8,564,395	\$8,749,845	
Net Revenues ⁽³⁾	\$11,873,835	\$13,082,257	\$11,852,662	\$12,761,846	
Series 2015 Bonds Debt Service					
Total Debt Service	\$1,939,500	\$1,941,500	\$1,783,500	\$552,125	
Total Debt Service Coverage ⁽⁵⁾	6.12	6.74	6.65	23.11	
Net Revenues Less Impact Fees	\$5,648,290	\$6,236,338	\$6,962,515	\$7,747,209	
Coverage Without Impact Fees	2.91	3.21	3.90	14.03	

⁽¹⁾ Excludes depreciation and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁵⁾ Equals Net Revenues divided by Total Debt Service.

Source: City of Morgan Hill.

RISK FACTORS

This section describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider these special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal of and interest on the Bonds.

Demand and Usage; Drought

There can be no assurance that the local demand for services provided by the Enterprise will continue according to historical levels. In addition, drought conditions and voluntary or mandatory water conservation measures could decrease usage of the services of the Enterprise. However, the impact of the potential drought on the Enterprise is expected to nominal because sewer service charges to residential consumers are established by measuring water consumption based on the three lowest months of water consumption in a year. As explained under the heading “THE ENTERPRISE – Rates and Charges – Sewer Service Charges,” the three-month usage is averaged together for each customer to determine the average volume of wastewater discharge. The calculated average is applied to each month of the 12-month period and represents consistent, essential internal usage. Historically, the discharge volume does not vary greatly. Of the \$63.00 that makes up the Average Monthly Single Family Residential Bill (“AMSFB”), 61% is the variable charge that is based on the average volume of wastewater discharge. The remaining 39% of the AMSFB consists of a fixed monthly charge scaled to the water meter size. On July 1, 2021, a 5.0% rate adjustment will increase the AMSFB to \$66.15.] See “THE ENTERPRISE – Rates and Charges.”

Any reduction in the level of demand or usage could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City’s rate covenants. Such rate increases could increase the likelihood of nonpayment.

Enterprise Operation and Maintenance Expenses and Net Revenues

There can be no assurance that the City’s operation and maintenance expenses for the Enterprise will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs passed on to the City by SCRWA, could reduce the City’s Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the City has covenanted to prescribe, revise and collect rates and charges for the Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Bonds.

The ability of the City to comply with its covenants under the Installment Purchase Agreement and generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “- Articles XIIIIC and XIID of the California Constitution.” The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Environmental Laws and Regulations

Wastewater collection treatment disposal and re-use facilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Bonds. See “THE ENTERPRISE – Regulatory Issues.”

Natural Disasters

Seismic. The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. There are a number of active and potentially active faults that are located within the vicinity of the City. These include the Calaveras Fault, which is a major branch of the San Andreas Fault located about three miles east of the City. There are also smaller faults, which appear to be connected to the Calaveras Fault, including the Silver Creek Fault, the Coyote Creek Thrust Fault and the Range Front Fault, which are all located from one half mile to one mile east of the City.

Flood Zone Mapping. Approximately 26 percent of the City’s redevelopment project area has been designated by Federal Emergency Management Agency (“FEMA”) as a Special Flood Hazard Area. According to FEMA, a home in such a floodplain has a 26 percent chance of suffering damage during a 30-year period. Any new residential construction in this area must have the lowest floor flood-proofed or raised at least one foot above the base flood elevation. Any substantial improvement to an existing structure in this area must be constructed to the same standard as new construction.

Wildfire Risks. In recent years, wildfires have become an increasing risk for communities throughout the State, led in part due to drought conditions in the State and in part to other climactic conditions. A wildfire impacting the City could have a material adverse impact on property values, sales tax revenue and otherwise within the City. The City contains wildland-urban-interface (WUI) areas as well as CAL FIRE-recommended Local Responsibility Area very high fire hazard severity zones (FHSZs). In addition, some of the unincorporated area surrounding the City is also designated a high FHSZ. Fires with the highest rates of spread and intensity usually occur in areas of high and very high FHSZ. A major wildfire occurred in September 2007 in Henry W. Coe State Park, several miles outside of the City. It began on September 3 and was fully contained by September 11. The burnt areas were entirely outside of the City limits, mostly in uninhabited territory. Other wildfires have also occurred in the County since 2007. Additionally, a portion of the easternmost area of the City was under an evacuation warning due to a the nearby SCU Lightning Complex wildfire which originated in mid-August 2020, however no actual evacuation occurred.

Anderson Dam and Reservoir Flooding Risks. Anderson Dam and Reservoir is a major water supply facility located approximately one mile east of the City that is owned and operated by the Santa Clara Valley Water District (the “District”). In 2011, the District announced the results of a seismic study of the Anderson Dam, which concluded that the dam could be affected if a major earthquake were to occur on the Calaveras Fault, which is located within two kilometers of the dam. Anderson Dam, which also sits atop the Coyote Creek-Range Front Fault Zone, is an earth and rockfill structure constructed in 1950 creating the Anderson Reservoir, the largest surface water reservoir in the County of Santa Clara. The study stated that the analysis found loosely compacted layers of liquefiable materials in the foundation of the dam that are susceptible to a reduction in strength when subjected to severe earthquake shaking. If the foundation were damaged, part of the dam could experience 15 to 25 feet of vertical deformation, with an additional 15 feet of potential cracking. The study stated that if the reservoir were full at the time, there could be an

uncontrolled release of water downstream from the dam. Anderson Dam Inundation Maps of the District show probable maximum flood depths of 25 to 35 feet on either side of US Highway 101.

Given the seismic concerns related to the Anderson Dam, the water level in the Anderson Reservoir is currently limited to about 58% of its capacity and the District is undertaking a Seismic Retrofit Project. The project will make improvements necessary to stabilize the dam embankment for the maximum credible earthquake on the Calaveras and Coyote Creek Faults, repair or replace the outlet works to protect against potential fault rupture risk from these faults and incorporate other measures to address safety deficiencies. The project has been ongoing for many years, and the estimated costs have increased significantly during that time. The District estimates construction of the Retrofit Project will cost approximately \$550 million, with the design and engineering phase currently underway and the construction phase projected to commence in 2022 and end by 2027.

Anderson Dam is regulated by the State of California Division of Safety of Dams, which performs yearly reviews and requires maintenance and safety standards to be enforced by the dam owners and operators, as well as the Federal Energy Regulatory Commission (“FERC”), which has dam safety jurisdiction at Anderson Dam. In February 2020, FERC issued a dam safety directive requiring that the District begin a full drawdown of the Anderson Reservoir by October 1, 2020. The dam safety directive indicated that, based on documents that had been recently submitted by the District to FERC, the seismic risk to the Anderson Dam was greater than previously understood and the risk of a dam failure to downstream life and property was extreme. The directive indicated that risk remained to the downstream population even with a fully drained reservoir, but a full drawdown reduced the risk as much as possible given the current condition of the Anderson Dam. The City cannot predict the success of the Retrofit Project being undertaken by the District or the implications of FERC’s demand that all water in the Anderson Reservoir be drawn-down.

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease which was first reported in China in late 2019, has since spread to other countries, including the United States, and is considered a pandemic by the World Health Organization. The United States State Department and the Center for Disease Control and Prevention (“CDC”), as well as other governmental authorities, have issued restrictions and warnings for the United States and a number of countries in Asia, Europe, South American and Africa, and similar restrictions and warnings may be extended to other countries in the future. The outbreak has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The outbreak has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the County. Unemployment in the United States has dramatically increased as a result of the outbreak. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the outbreak.

[discuss before posting] [The City does not presently anticipate a material impact to the operations or financial position of the Enterprise as a result of COVID-19, in part because revenues have remained steady and there is no presently expected material increase in expenses or operational challenges.] Nonetheless, the City cannot predict (i) the severity, duration or extent of the COVID-19 outbreak; (ii) the duration or expansion of governmental restrictions imposed by governmental entities other than the City that affect the City; (iii) what effect any such COVID-19 related restrictions or warnings may have on the finances or operations of the City or the Enterprise; (iv) the extent to which the COVID-19 outbreak may result in changes in demand for the services or products of the Enterprise or the ability of the Enterprise’s customers to pay for such services or products; or (v) whether or to what extent the City may provide

deferrals, forbearances, adjustment or other changes to the Enterprise's arrangements with its customers in the future but any of the foregoing factors alone or in combination with others could result in material adverse impacts to the finances or operations of the City and the Enterprise.

Cybersecurity

The City, like many other public and private entities, rely on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that their efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of any entity, including with respect to the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Limitations on Remedies; Bankruptcy

The City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the owners of the Bonds.

If the Net Revenues are "special revenues" under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Indenture. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The owners of the Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the owners of the Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the City may be able to use Net Revenues to pay necessary operating expenses of the Enterprise that are greater than or different from the Operation and Maintenance Costs defined in the Indenture before the remaining Net Revenues are made available to the Trustee to pay amounts owed to the owners of the Bonds. It is not clear which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, then the City's creditors (including the Trustee on behalf of owners of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the owners of the Bonds from funds in the Trustee's possession. The rate covenant (see "SECURITY FOR THE BONDS – Rate Covenant") may not be enforceable in bankruptcy by the Trustee or the owners of the Bonds.

The provisions of the Installment Purchase Agreement that provide that the commencement of a bankruptcy case by the City is an event of default and that certain other insolvency-related events with

respect to the City are also events of default may be unenforceable. This may limit the ability of the Trustee to require the City to turn over to the Trustee Net Revenues and may allow the City to continue to spend Net Revenues for any purpose permitted by law as provided in the Installment Purchase Agreement, free and clear of the lien of the Installment Purchase Agreement, notwithstanding that the City is in bankruptcy.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Net Revenues), which lien could have priority over the lien of the Installment Purchase Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected. The City may be able to cause some of the Net Revenues to be released to it, free and clear of the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the owners of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Bonds, while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Articles XIIC and XIID

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other

than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before they take effect and is distinct from the Article XIID protest procedures described above and the legal process for initiative measures discussed below.

In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds

voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The City believes its Enterprise rates and charges are not taxes under Proposition 26. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the user charges of the Enterprise imposed by the City do not exceed the costs the City reasonably bears in providing the wastewater service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Enterprise’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

Loss of Tax-Exemption

As highlighted under the heading “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Installment Purchase Agreement and the Indenture.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City and the Authority with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and assuming compliance with covenants and representations regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not included in the gross income of the owners of the Bonds for federal income tax purposes. Failure by the City or the Authority to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Bond Counsel’s opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no

right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a Bond at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a Bond purchaser of purchasing a Bond with bond premium. Persons considering the purchase of Bonds with bond premium should consult with their own tax advisors with respect to the determination of bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of Bonds of a particular maturity over the initial offering price to the public of the Bonds of that maturity at which a substantial amount of the Bonds of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Bond. Original issue discount on a Bond or a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Bond accruing during each period is added to the adjusted basis of such Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Bonds other than at the initial offering price.

Bond Counsel is not opining on the accounting for or consequence to a Bond purchaser of bond premium or original issue discount. Accordingly, persons considering the purchase of Bonds with bond premium or original issue discount should consult with their own tax advisors with respect to the determination of bond premium or original issue discount on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Information Reporting and Backup Withholding

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to

be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Bonds of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or of the exemption of interest on the Bonds from State of California personal income taxation. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as APPENDIX E.

FINANCIAL STATEMENTS OF THE CITY

Included in this Official Statement, as APPENDIX B, are the audited financial statements of the City for the fiscal year ended June 30, 2020, together with the report dated _____ of Maze and Associates Accountancy Corporation, certified public accountants (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

CERTAIN LEGAL MATTERS

Norton Rose Fulbright US LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will also be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter's Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. The fees paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds.

ABSENCE OF MATERIAL LITIGATION

In connection with issuance of the Bonds, each of the City and Authority will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to its knowledge after reasonable investigation, threatened against or affecting it or its assets, properties or operations that, if determined adversely to it or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Purchase Agreement or the Indenture, or upon its financial condition, assets, properties or operations.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise (the "Annual Report") by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of certain listed events is set forth in APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The initial Dissemination Agent will be the City.

The City has entered into prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with its undertakings. The City is aware of the following instances of non-compliance by itself, with the requirements of its continuing disclosure undertakings during the past five years:

[to come]

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority and City under which the Underwriter has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____)), plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Authority Commission and the City Council of the City.

MORGAN HILL FINANCING AUTHORITY

By : _____
Christina Turner
Chief Administrative Officer

CITY OF MORGAN HILL

By : _____
Christina Turner
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2915 : Adopt Resolution Authorizing The

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY FOR FISCAL YEAR ENDING JUNE 30, 2020**

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2915 : Adopt Resolution Authorizing The

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA

The following information concerning Santa Clara County (the “County”) and the City of Morgan Hill (the “City”) is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the City, the State of California (the “State”) or any of its political subdivisions, and none of the County, the City or the State or any of its political subdivisions is liable therefor.

The economic and demographic data contained in this appendix are the latest available, but, unless otherwise noted, are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the City, the County or the region. See “RISK FACTORS – COVID-19 Pandemic” in the forepart of this Official Statement.

General

The City. The City is approximately 24 miles south of downtown San Jose, 13 miles north of Gilroy, and 15 miles inland from the Pacific coast. Lying in a roughly 4-mile wide southern extension of the Santa Clara Valley, it is bounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Due to the moderating influence of the Pacific Ocean, the City enjoys a mild, Mediterranean climate. Summer months are characterized by coastal fog which arrives from the ocean around 10 p.m. and dissipates the next morning by 10 a.m. Winter months have many sunny and partly cloudy days, with frequent breaks between rainstorms.

The County. The County covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, 20 miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley". Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

Population

The following table shows population estimates for the City, the County and the State for the last five calendar years.

**CITY OF MORGAN HILL, COUNTY OF SANTA CLARA
AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2016 through 2020**

As of Each January 1	City of Morgan Hill	County of Santa Clara	State of California
2016	43,592	1,925,306	39,214,803
2017	43,934	1,936,052	39,504,609
2018	44,653	1,947,798	39,740,508
2019	45,742	1,954,286	39,927,315
2020	46,454	1,961,969	39,782,870

Source: State Department of Finance estimates.

Principal Employers

The following table lists the principal employers within the City for fiscal year 2018-19.

[Update to fiscal year 2019-20 when available].

**CITY OF MORGAN HILL
Principal Employers
Fiscal Year 2018-19**

Employer Name	No. of Employees
Morgan Hill Unified School District	900
Velodyne Lidar, Inc	453
Anritsu Company	403
Paramit Corporation	381
Mission Bell Mfg, Inc.	314
Lusamerica Foods, Inc.	293
Specialized Bicycle Components	280
Toray Advanced Composites USA	216
Cree, Inc.	203
City of Morgan Hill	196

Source: City of Morgan Hill Comprehensive Annual Financial Report Year Ending June 30, 2019.

The following tables list the largest manufacturing and non-manufacturing employers within the County as of September 2020.

COUNTY OF SANTA CLARA
Largest Employers
September 2020
(In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adobe Inc	San Jose	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
Ebay Inc	San Jose	E-Commerce
Flextronics International	Milpitas	Semiconductor Devices (mfrs)
Fujitsu Laboratories of Amer	Sunnyvale	Laboratories-Research & Development
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Physicians & Surgeons Equip & Supls-Mfrs
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Maxim Integrated Products Inc.	San Jose	Printed & Etched Circuits-Mfrs
NASA	Mountain View	Federal Government-Space Research/Tech
Netapp Inc	Sunnyvale	Computer Storage Devices (mfrs)
Palo Alto Ctr	Palo Alto	Surgical Centers
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Industry and Employment

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 7.1 percent in September 2020, down from 7.3 percent in August 2020, and above the year-ago estimate of 2.6 percent. This compares with an unadjusted unemployment rate of 10.8 percent for California and 7.9 percent for the nation during the same period. The unemployment rate was 8.7 percent in San Benito County, and 7.0 percent in Santa Clara County.

SAN JOSE-SUNNYVALE-SANTA CLARA MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2015 through 2019
Annual Averages
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	1,042,000	1,058,200	1,069,300	1,074,900	1,085,200
Employment	997,700	1,017,400	1,034,100	1,045,600	1,057,400
Unemployment	44,200	40,800	35,200	29,300	27,800
Unemployment Rate	4.2%	3.9%	3.3%	2.7%	2.6%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	5,500	6,100	5,800	5,800	5,500
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing, Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Finance and Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate and Rental and Leasing	13,500	14,200	14,500	15,200	15,800
Professional and Business Services	223,700	232,600	236,600	237,000	242,900
Educational and Health Services	156,600	162,900	169,200	173,400	175,500
Leisure and Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300
Total all Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State of California and the United States for the period 2016 through 2020.

CITY OF MORGAN HILL AND SANTA CLARA COUNTY Effective Buying Income As of January 1, 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	City of Morgan Hill	\$1,584,853	\$79,263
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Morgan Hill	\$1,575,789	\$78,745
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Morgan Hill	\$1,742,509	\$83,518
	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Morgan Hill	\$1,844,216	\$87,755
	Santa Clara County	91,332,099	92,773
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Morgan Hill	\$2,012,351	\$93,818
	Santa Clara County	97,710,060	98,882
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the first quarter of calendar year 2020 in the City were reported to be \$166,649,903 a 17.13% decrease in total taxable sales of \$201,087,074 reported during the first quarter of calendar year 2019. Annual figures are not yet available for calendar year 2020.

CITY OF MORGAN HILL
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	733	\$598,582	1,332	\$736,476
2016	801	615,625	1,375	772,485
2017	817	649,256	1,417	828,316
2018	842	697,280	1,498	873,551
2019	820	678,396	1,479	854,656

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	20,057	\$23,700,907	50,573	\$41,231,759
2016	30,146	24,158,590	50,519	41,831,669
2017	30,263	24,862,883	50,812	42,805,399
2018	30,266	26,885,138	52,994	45,353,074
2019	30,266	26,885,138	53,312	46,887,483

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables.

**CITY OF MORGAN HILL
Building Permit Valuation
For Calendar Years 2015 through 2019
(Dollars in Thousands)⁽¹⁾**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$85,439.8	\$47,410.1	\$45,126.7	\$ 66,764.3	\$48,485.1
New Multi-family	33,568.0	22,069.9	8,598.7	48,388.6	14,930.1
Res. Alterations/Additions	<u>4,801.4</u>	<u>4,675.1</u>	<u>6,178.3</u>	<u>7,668.9</u>	<u>4,684.7</u>
Total Residential	\$123,809.2	\$74,155.1	\$59,903.7	\$122,821.8	\$68,099.9
 New Commercial	 \$11,010.9	 \$14,849.8	 \$13,301.1	 \$20,505.1	 \$29,825.4
New Industrial	520.0	0.0	0.0	0.0	0.0
New Other	15,047.7	6,008.9	14,659.1	14,242.9	5,291.1
Com Alterations/Additions	<u>6,322.5</u>	<u>9,654.1</u>	<u>9,713.3</u>	<u>8,914.2</u>	<u>8,388.5</u>
Total Nonresidential	32,901.1	\$30,512.8	\$37,673.5	\$43,662.2	\$43,508.6
 <u>New Dwelling Units</u>					
Single Family	296	168	164	202	179
Multiple Family	<u>234</u>	<u>105</u>	<u>47</u>	<u>317</u>	<u>62</u>
TOTAL	530	273	211	519	241

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY
Building Permit Valuation
For Calendar Years 2016 through 2020
(Dollars in Thousands)⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$ 653,970.2	\$ 660,301.6	\$ 732,652.1	\$ 728,590.6	\$ 693,032.6
New Multi-family	706,781.1	564,761.0	1,760,303.9	1,098,643.3	567,726.7
Res. Alterations/Additions	<u>505,844.7</u>	<u>484,820.1</u>	<u>547,991.7</u>	<u>558,024.6</u>	<u>555,483.0</u>
Total Residential	\$1,866,596.0	\$1,709,882.7	\$3,040,947.7	\$2,385,258.0	\$1,816,242.3
New Commercial	\$1,258,808.7	\$2,327,643.2	\$1,150,170.4	\$1,962,366.5	\$2,664,298.3
New Industrial	100,301.2	44,268.9	118,567.1	32,080.0	41,875.8
New Other	533,644.5	282,966.1	303,729.1	120,557.4	273,529.1
Com Alterations/Additions	<u>1,697,046.2</u>	<u>2,072,862.8</u>	<u>1,786,849.8</u>	<u>2,017,142.3</u>	<u>2,467,939.0</u>
Total Nonresidential	\$3,589,800.6	\$4,727,741.0	\$3,359,316.3	\$4,132,146.2	\$5,447,644.9
<u>New Dwelling Units</u>					
Single Family	1,710	1,608	2,022	2,011	1,814
Multiple Family	<u>3,906</u>	<u>3,297</u>	<u>6,629</u>	<u>6,342</u>	<u>3,216</u>
TOTAL	5,616	4,905	8,651	8,353	5,030

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E
FORM OF BOND COUNSEL OPINION

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2915 : Adopt Resolution Authorizing The

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

BOND PURCHASE AGREEMENT

December 8, 2020

Morgan Hill Financing Authority
 17575 Peak Avenue
 Morgan Hill, CA 95037

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

Ladies and Gentlemen:

The undersigned, an authorized representative of Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), hereby offers to enter into this bond purchase agreement (the "Bond Purchase Agreement") with the Morgan Hill Financing Authority (the "Authority") and the City of Morgan Hill (the "City"). Upon the acceptance hereof by the Authority and the City, this offer will be binding upon the Authority, the City and the Underwriter. This offer is made subject to (a) the written acceptance hereof by the Authority and the City, and (b) withdrawal by the Underwriter upon written notice (given electronically or otherwise) delivered to the Authority and the City at any time prior to the acceptance hereof by each of the Authority and the City.

The Authority and City acknowledge that the Underwriters have made the statements in the following clauses (i) through (ii) and acknowledge and agree with respect to clauses (iii) and (iv): (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the Authority and City and the Underwriter and the Underwriter has financial and other interests that differ from those of the Authority and City; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisors or fiduciary to the Authority or City and has not assumed any advisory or fiduciary responsibility to the Authority or City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations the Underwriter has to the Authority and City with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement and as otherwise required by law; and (iv) each of the Authority and City has consulted with its own financial and/or municipal, legal,

accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

The Authority and the City hereby acknowledge receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning a complex municipal securities financing, if any.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase on the Closing Date (as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter on the Closing Date, the \$_____ aggregate principal amount of Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 (the "Bonds").

The Bonds shall be dated their date of delivery, and shall have the maturities, bear interest at the rates, have reoffering yields, and be subject to the redemption terms as shown on Exhibit A hereto.

The aggregate purchase price to be paid by the Underwriter for the Bonds is hereby agreed to be \$_____, which amount represents the principal amount of the Bonds of \$_____, less \$_____, representing the Underwriter's discount, plus \$_____, representing an original issue premium. Such payment and delivery of the Bonds and the other actions contemplated hereby to take place at the time of such payment and delivery are herein sometimes called the "Closing" or "Closing Date."

The Bonds are being issued pursuant to Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "Marks-Roos Act"), a resolution of the Authority authorizing the issuance of the Bonds, adopted on November 18, 2020 (the "Authority Resolution"), and a Trust Indenture, dated as of December 1, 2020 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Section 1.01 of the Indenture.

The Bonds are being issued by the Authority to (a) finance the acquisition and construction of additions, betterments, extensions and improvements to the City's municipal sewer system (the "Sewer System"), and (b) pay costs of issuance of the Bonds.

The Bonds are special obligations of the Authority payable from revenues (the "Revenues"), consisting primarily of installment payments (the "Installment Payments") payable by the City under an installment purchase agreement, dated as of December 1, 2020, between the Authority, as seller, and the City, as purchaser (the "Installment Purchase Agreement"). The City's obligation to make the Installment Payments will be on a parity with its obligation to make installment payments under an installment purchase agreement, dated as of June 1, 2015 (the "2015 Installment Purchase Agreement"), by and between the Authority and the City, which secure the Authority's outstanding Sewer Revenue Bonds, Series 2015.

The City is legally required under the Installment Purchase Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Sewer System. "Net Revenues" with respect to the Sewer System as, for any period of computation, the amount of the Gross Revenues during such period, less the amount of Operation and Maintenance Costs of

the Sewer System during such period. The Installment Payments are scheduled in an amount sufficient to pay, when due, the principal of and interest on the Bonds. In addition to the Installment Payments, Net Revenues are pledged, ~~as a first and prior lien thereon,~~ to payments with respect to payments with respect to any parity obligations hereafter issued or incurred by the City. The City has covenanted under the Installment Purchase Agreement to prescribe, revise and collect such charges from the services and facilities of the Sewer System which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times the aggregate of the payments with respect to the Installment Payments and payments with respect to any parity obligations heretofore or hereafter issued or incurred by the City in such Fiscal Year. The Installment Payments are not subject to abatement.

All of the Authority's right, title and interest in and to the Installment Purchase Agreement (except for the right to receive Additional Payments to the extent payable to the Authority and certain rights to indemnification), including the right to receive Installment Payments under the Installment Purchase Agreement, are assigned to the Trustee for the benefit of the Owners of the Bonds.

A preliminary official statement of the Authority and the City, dated November 25, 2020 (together with the Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"), has been prepared for use in marketing the Bonds, and a final Official Statement of the Authority and the City to be dated the date hereof, as amended to conform to the terms of this Bond Purchase Agreement, and with such changes and amendments as are mutually agreed to by the Authority, the City and the Underwriter, including the cover page, the appendices and all information incorporated therein by reference, is herein collectively referred to as the "Official Statement," will be prepared which shall be in substantially the form of the Preliminary Official Statement, with such changes and amendments thereto as may be mutually agreed upon by the Underwriter, the Authority and the City.

It shall be a condition to the Authority's obligation to sell and to deliver the Bonds to the Underwriter and to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds that the entire \$_____ aggregate principal amount of the Bonds as authorized by the Indenture shall be sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter may change the offering prices (or yields) of the Bonds from time to time at any time. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The obligation of the Authority to sell and deliver the Bonds to the Underwriter shall also be conditioned upon the delivery by Norton Rose Fulbright LLP, Bond Counsel ("Bond Counsel"), of its approving legal opinions with respect to the Bonds.

The Authority and the City hereby authorize the Underwriter to use and distribute the Installment Purchase Agreement, the Indenture, the Preliminary Official Statement and the Official Statement and the information contained in such documents in connection with the public offering and sale of the Bonds. The Authority and the City have authorized the use of the Preliminary Official Statement in connection with the public offering of the Bonds by the Underwriter prior to the date hereof.

2. Bona Fide Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement (defined below) and in accordance with the priority of order instructions from the City or Authority, if any, or as otherwise applicable in accordance with the rules of the MSRB. The Underwriters shall take all required steps to ensure that orders

submitted during any retail order period meet the requirements of the City or the Authority, if any, and the requirements of the MSRB rules. Subject to Section 3(c), the Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices; provided, however, that the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to resell the Bonds to the public on terms consistent with this Bond Purchase Agreement, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriters to the Authority for the Bonds.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority and the City in establishing the issue price of the Bonds and shall execute and deliver to the Authority and the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority and the City under this Section 3 to establish the issue price of the Bonds may be taken on behalf of the Authority and the City by the City's municipal advisor identified herein and any notice or report to be provided to the Authority and the City may be provided to the City's municipal advisor.

(b) The Authority and the City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority and the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority and the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) The Underwriter confirms that any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority and the City acknowledge that, in making the representation set forth in this subsection, the Underwriter

will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Authority and the City further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(d) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section 3. Further, for purposes of this Section 3:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority and the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

4. The Bonds. The Bonds will be issued, executed and delivered pursuant to the Indenture. The City Council of the City adopted a resolution on November 18, 2020, relating to the Bonds (the “City Resolution”). This Bond Purchase Agreement, the Installment Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined), are collectively referred to as the “City Documents.” This Bond Purchase Agreement, the Indenture and the Installment Purchase Agreement are collectively referred to as the “Authority Documents.”

5. Official Statement, Continuing Disclosure.

(a) The Authority and the City represent that they have deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount,

principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

(b) The Underwriter agrees that, prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent electronically or by first class mail (or other equally prompt means) not later than the second business day following the date upon which each such request is received.

(c) The Authority agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the final Official Statement relating to the Bonds as the Underwriter shall reasonably request as necessary for the Underwriter to comply with paragraph (b)(4) of the Rule and with Rule G-32, Rule G-36 and all other applicable rules of the MSRB. The Authority agrees to deliver such Official Statements within seven business days after the execution hereof. The Underwriter agrees to give notice to the Authority on the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule, which date shall be no earlier than 25 days after the "end of the underwriting period," as determined in accordance with subsection (e) herein.

(d) Prior to the earlier of (i) receipt of notice from the Underwriter that no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule or (ii) 25 days after the date of the Closing, the Authority and the City shall provide the Underwriter with such information regarding the Authority and the City, each of their current financial conditions and ongoing operations as the Underwriter may reasonably request.

(e) The Authority and the City agree that, for a period of 25 days after the "end of the underwriting period" (as defined in the Rule), if any event of which it has actual knowledge occurs as a result of which the information in the Official Statement as then in existence would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Authority and the City shall promptly prepare, or cooperate in the preparation of, an amendment or supplement to the Official Statement which will correct such statement or omission. The Authority and the City shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. The Authority and the City shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. Unless the Underwriter otherwise advises the Authority and the City that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date. If such notification shall be subsequent to the Closing, the Authority and the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The Authority and the City hereby covenant and agree that it is a condition precedent to the Underwriter's obligation to purchase the Bonds that, on or prior to the Closing Date, it will enter into an agreement or contract for the benefit of the owners of the Bonds in which the

Authority and the City will undertake to provide financial information, operating data and notices of material events as required by paragraph (d)(2)(ii) of the Rule substantially in the applicable form in Appendix C to the Official Statement (the "Continuing Disclosure Certificate").

(g) The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system or as otherwise provided by the Securities Exchange Commission or MSRB within one business day after receipt thereof from the Authority, but in no event later than the Closing Date.

6. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees as follows:

(a) The City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority (i) to enter into, execute and deliver the City Documents; and (ii) to carry out and consummate the transactions on its part contemplated by the City Documents and the Official Statement.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents, and the consummation by it of all other transactions contemplated by the City Documents, all pursuant to the City Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the members of the City Council of the City was continuously present. The City Resolution has not been modified, amended or rescinded since the date of its adoption. When executed and delivered by the City, the City Documents will constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the City Documents) or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as provided by the City Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents or the consummation by it of all other transactions contemplated by the City Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Bond Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the City the validity or enforceability of the Bonds or the City Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the City to cause the execution and delivery by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the City of the City Documents.

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(h) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (k) of this Section 6) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the City executing this Bond Purchase Agreement has knowledge shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(l) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the City Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(m) So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the City will not issue or sell, or cause to be issued or sold, any bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from Installment Payments.

(n) The City shall honor all other covenants on its part contained in the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

(o) Except as described in the Preliminary Official Statement and Official Statement, the City has never failed to comply in all material respects with any undertaking of the City pursuant to the Rule.

(p) The audited financial statements of the City appended to the Official Statement for the year ended June 30, 2020, and any unaudited financial information presented in the body thereof, fairly present the financial position and results of the City as of the dates and for the periods set forth. Prior to the Closing Date, there will have been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City. The City is not a party to any litigation or other proceeding pending, or to its knowledge, threatened, which if, decided adversely to the City, would have a materially adverse effect on the financial condition of the City.

7. Representations, Warranties and Agreements of the Authority. The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to a Joint Exercise of Powers Agreement between the City and the Parking Authority of the City of Morgan Hill, dated as of May 1, 2015 (the "JPA Agreement").

(b) The Authority has full legal right, power and authority (i) to enter into, execute and deliver the Authority Documents and to sell and deliver the Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the issuance of the Bonds and the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the execution and delivery of the Bonds on its part contained in the Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the execution and delivery of the Bonds, all pursuant to the Authority Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the board members of the Authority was continuously present. The Authority Resolution has not been modified, amended or rescinded since the date of its adoption and each Authority Document is the valid and binding obligation of the Authority. When executed and delivered by the Authority, the Authority Documents will constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or the JPA Agreement, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Authority Documents) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Bonds or the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, Bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Authority Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of

the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the execution and delivery of the Bonds under the Authority Documents or the consummation by it of all other transactions contemplated by the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Bonds and the Authority Documents have been duly obtained.

(f) The Bonds, when executed, issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly executed and outstanding obligations, entitled to the benefits of the Indenture, and upon such execution and delivery, the Indenture will provide, for the benefit of the Owners from time to time of the Bonds, the legally valid and binding security interest it purports to create.

(g) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bonds or the Authority Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority to cause the execution and delivery of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the Authority of the Bonds or the Authority Documents.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(i) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (l) of this Section 7) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended pursuant to paragraph (l) of this Section 7, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the Authority executing this Bond Purchase Agreement has knowledge shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(m) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(n) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any Bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from the Revenues.

(o) The Authority shall honor all other covenants on its part contained in the Indenture and the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

8. Closing. At 8:00 A.M., Pacific Standard time, on December 22, 2020, or on such other date time, as may be mutually agreed upon by the Authority, the City and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC"), or at such other place as the Authority, the City and the Underwriter may mutually agree, the Bonds in definitive, fully registered form (one Bond for each maturity), duly executed and registered in the name of Cede & Co. as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter shall wire to the Trustee Federal Reserve Bank funds in the amount of the purchase price of the Bonds.

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements the officers and other officials of the Authority and of the City, authorized Representative of Bond Counsel, the Trustee, counsel to the Authority and counsel to the City made in any certification or other documents furnished pursuant to the provisions hereof, and shall also be subject to the following additional conditions:

(a) The respective representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) All necessary official action of the Authority, the City and of the other parties thereto relating to the City Documents and the Authority Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the City or the Bonds, as the foregoing are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds; and

(e) At or prior to the Closing Date, the Underwriter shall have received copies of each of the following documents:

- (i) the Bonds;
- (ii) the Official Statement and each supplement or amendment, if any, thereto, executed by authorized officers of the Authority and the City;
- (iii) a copy of the Indenture, executed by the parties thereto;
- (iv) a copy of the Installment Purchase Agreement, executed by the parties thereto;
- (v) a copy of the Continuing Disclosure Certificate, executed by the City;
- (vi) a certified copy of the JPA Agreement;
- (vii) receipts for Bonds and the Bond proceeds;

that: (viii) a certificate or certificates of the City, dated the Closing Date, to the effect

(A) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the City has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the City at or prior to the Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the City Resolution, or (iii) the execution and delivery of the City Documents and performance of its obligations thereunder, has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2020, and prior to Closing, there have been no material adverse changes in the financial position of the City;

(D) no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(E) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(F) no consent is required for the inclusion of the City's audited financial statements for the Fiscal Year ended June 30, 2020, in the Official Statement;

(G) The City has the power and authority to operate the Sewer System and has complied, and is in compliance in all material respects, with the terms of the Act and the City Documents;

(H) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE 2020 BONDS" and the proceeds of sale of the Bonds will be applied as described in the Official Statement under the caption "FINANCING PLAN—Wastewater Projects;" and

(I) Except as described in the Preliminary Official Statement and Official Statement, there is no lawsuit, regulatory or other action now pending, or, to the best knowledge of the City, threatened, to attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting revenues, including Net Revenues, and other income, or the anticipated receipt of Net Revenues;

(ix) a certificate or certificates of the Authority, dated the Closing Date, to the effect that:

(A) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the Authority has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the Authority at or prior to Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the Authority Resolution, or (iii) the execution and delivery of the Authority Documents, has been repealed, modified, amended, revoked or rescinded;

(C) no event affecting the Authority has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and

(D) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(x) an opinion, dated the Closing Date and addressed to the Underwriter and the Authority, of the City Attorney, to the effect that:

(A) the City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the City Documents have been duly approved by resolutions of the City adopted at meetings duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at

which a quorum of the members of the City Council of the City was continuously present and such resolutions have not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the City Council of the City or officer of the City to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the City Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the City of, or the performance by the City of its legal obligations under, the City Documents or in which a final adverse decision could materially adversely affect the operations of the City; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the City of, and the performance by the City of its obligations under, the City Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the City is a party or by which it is bound and of which such counsel has knowledge;

(E) the City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery of the City Documents by the parties thereto other than the City, the City Documents constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency within the State having jurisdiction over the City required for the issuance of the Bonds or the consummation by the City of the other financial transactions contemplated by the Official Statement and the City Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the City, (ii) the representations and warranties contained in each closing certificate of the City, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the City.

(xi) an opinion or opinions, dated the Closing Date and addressed to the Underwriter, of counsel for the Authority, to the effect that:

(A) the Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to the JPA Agreement;

(B) the Authority Documents have been duly approved by a resolution of the Authority adopted at a meeting duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at which a quorum of the members of the Board of Directors of the Authority was continuously present and such resolution has not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the Board of Directors of the Authority or officer of the Authority to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the Authority Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the Authority of, or the performance by the Authority of its legal obligations under, the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the Authority of, and the performance by the Authority of its obligations under, the Authority Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Authority is a party or by which it is bound and of which such counsel has knowledge;

(E) the Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Authority Documents by the parties thereto other than the Authority, the Authority Documents constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency having jurisdiction over the Authority required for the issuance of the Bonds or the consummation by the Authority of the other financial transactions contemplated by the Official Statement and the Authority Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the Authority, (ii) the representations and warranties contained in each closing certificate of the Authority, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the Authority.

(xii) an opinion, dated the Closing Date and addressed to the Authority, of Bond Counsel, substantially in the form set forth in Appendix E to the Official Statement,

together with a letter from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(xiii) a supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that:

(A) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(B) the Bond Purchase Agreement has been duly executed and delivered by the Authority and the City and is a valid and binding agreement of the Authority and the City; and

(C) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS" and "TAX MATTERS," in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" and in APPENDIX E—"FORM OF OPINION OF BOND COUNSEL," insofar as such statements expressly summarize certain provisions of the Indenture, the Installment Purchase Agreement, certain tax matters relating to the Bonds and the final opinion of Bond Counsel, are accurate in all material respects;

(xiv) a letter, dated the Closing Date and addressed to the Authority and the Underwriter of Nixon Rose Fulbright LLP, as disclosure counsel ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement, and except to the extent set forth in their supplemental opinions such counsel advises that during the course of such representation of the Authority as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement and the Official Statement as of its respective date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion (except opinions of Bond Counsel), the information in Appendices B or F to the Preliminary Official Statement and the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xv) the opinion of Quint & Thimmig LLP, as Underwriter's counsel, satisfactory to Underwriter;

(xvi) a certificate of an authorized officer of the Trustee satisfactory to the Underwriter, certifying substantially as follows:

(A) the Trustee is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into the Indenture and to perform its duties under the Indenture;

(B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture and, when executed by the other parties thereto, the Indenture will constitute a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms;

(C) the Bonds have been duly authenticated and delivered to the Underwriter pursuant to direction from the Authority;

(D) the Trustee is not in breach of or default under any law or administrative rule or regulation of the State of California or of any department, division, agency or instrumentality thereof, of any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Indenture;

(E) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the execution, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds or the Indenture;

(F) the execution and delivery of the Indenture will not conflict with or constitute a breach of or default under the Trustee's duties under such documents, or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(G) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication and delivery of the Bonds, the execution and delivery of the Indenture, the performance of the Trustee's duties under the Indenture or the consummation by the Trustee of the other transactions contemplated by the Indenture, except as such may be required under the state securities or blue sky laws in connection with the distribution of the Bonds by the Underwriter;

(xvii) an opinion of counsel to the Trustee in form and substance acceptable to the Underwriter and Disclosure Counsel;

(xviii) 15c2-12 certificates of the City and the Authority;

(xix) certified copies of the City Resolution and the Authority Resolution;

(xx) evidence that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, has assigned the rating of "___" to the Bonds;

(xxi) evidence required filings with the California Debt and Investment Advisory Commission;

(xxii) an Arbitrage Certificate relating to the Bonds in a form satisfactory to Bond Counsel;

(xxiii) an issue price certificate substantially in the form attached to this Bond Purchase Agreement as Exhibit B;

(xxiv) a certificate or certificates of the City, dated the Closing Date, evidencing satisfaction of the requirements of the 2015 Installment Purchase Agreement for the incurrence of the Installment Purchase Agreement as a Parity Obligation (as defined in the 2015 Installment Purchase Agreement);

(xxv) transcripts of all proceedings relating to the authorization, issuance, execution and delivery of the Bonds; and

(xxvi) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's and the Authority's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City and the Authority on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by each of them.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel, Disclosure Counsel and the Underwriter.

If the Authority and the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter, the Authority or the City shall be under any further obligation hereunder.

10. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City in writing, of its election to do so, if, after the execution hereof and prior to the Closing:

(a) the United States has become engaged in, or there has been an escalation of, hostilities which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(c) an event shall have occurred, or been discovered as described in paragraph (k) of Section 6 or paragraph (l) of Section 7 hereof, which in the opinion of the Underwriter requires

the preparation and publication of disclosure material or a supplement or amendment to the Official Statement;

(d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the Authority's or the City's obligations;

(f) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the execution, issuance, delivery, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement;

(g) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(h) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers;

(i) trading in securities on the New York Stock Exchange or other national securities exchange or association shall have been suspended or limited or minimum prices have been established on either such exchange;

(j) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States municipal securities market; or as of the date hereof that in the Underwriter's reasonable opinion materially adversely affects the marketability or market price of the Bonds; or

(k) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets.

If this Bond Purchase Agreement shall be terminated pursuant to this Section 10, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligations hereunder is not satisfied or because of any refusal, inability or failure on the part of the City or the Authority to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the City or the

Authority shall be unable to perform all of its respective obligations under this Bond Purchase Agreement, neither the City nor the Authority shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement. The Underwriter may, in its sole discretion, waive any of the conditions set forth in Section 9 or this Section 10.

11. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing.

12. Payment of Costs and Expenses.

(a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter shall be payable by the Authority from the proceeds of the Bonds, including, but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) reasonable meals and travel expenses of the City and Authority paid for by the Underwriter, but not entertainment expenses; (iii) the fees and expenses of the City, its counsel, municipal advisor and consultants; (iv) the fees and expenses of the Authority, its counsel and consultants; (v) the fees and expenses of Bond Counsel; (vi) the fees and expenses of Disclosure Counsel; (vii) all expenses in connection with the preparation and printing of the Bonds; (viii) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (ix) the initial fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel; and (x) the fees and expenses of any rating agency rating the Bonds.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's Counsel, and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, including, air travel and hotel accommodations in connection with the pricing of the Bonds; investor meetings, rating agency trips and meetings; the Closing; meals and transportation for the Underwriter during rating agency, investor meetings; pricing and Closing trips; expenses of the Underwriter related to attending working group meetings, such as parking, meals and transportation and any other miscellaneous costs associated with the Closing; (iii) all other expenses incurred by the Underwriter in connection with the public offering and distribution of Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the City; and (iv) the fees of the California Debt and Investment Advisory Commission.

The Authority and the City acknowledge that they have had an opportunity, in consultation with such advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

13. Notices. Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing:

If to Authority and the City:	City of Morgan Hill 17575 Peak Avenue Morgan Hill, CA 95037 Attention: City Manager Phone: (408) 776-7382
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To the Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Ms. Eileen Gallagher, Managing Director
Phone: (415) 364-6829

14. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriter; (b) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (c) any termination of this Bond Purchase Agreement.

15. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the end of the underwriting period for the Bonds shall mean the earlier of (a) the Closing Date unless the City and the Authority have been notified in writing by the Underwriter, on or prior to the Closing Date, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the Closing Date, or (b) the date on which notice is given to the City and the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City and the Authority pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the Closing Date, the Underwriter agrees to notify the City and the Authority in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule. The Underwriter agrees to file a copy of the Official Statement with each of the nationally recognized municipal securities information repositories.

16. No Assignment. This Bond Purchase Agreement is entered into between the City, the Authority and the Underwriter, and is solely for the benefit of the City, the Authority, the Underwriter and their respective successors or assigns, and no person other than the foregoing shall acquire or have any right under or by virtue of this Bond Purchase Agreement. All of the representations, warranties and agreements contained in this Bond Purchase Agreement shall survive the delivery of and payment for the Bonds and any termination thereof.

17. Effectiveness. This Bond Purchase Agreement shall become effective upon the execution of the acceptance by an authorized representative of the City and an authorized representative of the Authority and shall be valid and enforceable at the time of such acceptance.

18. Headings. The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

19. Governing Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

20. Counterparts; Electronic Delivery of Documents. This Bond Purchase Agreement (i) shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance and (ii) contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements, prior writings and representations with respect thereto.

This Bond Purchase Agreement may be executed in several counterparts, including counterparts that are manually executed and counterparts that executed with an electronic signature, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. The person associated with any such signature shall be deemed to have had the intent to sign this Bond Purchase Agreement with an electronic signature and that agrees that execution of this Bond Purchase Agreement by electronic signature is attributable to such person. All parties executing this Bond Purchase Agreement expressly agree under the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that this Bond Purchase Agreement and all other agreements, certificates, opinions and similar records ("documents") relating to the Bonds constitute a "transaction" under the UETA and expressly agree to allow all aspects of the transaction to which the UETA can apply to be conducted by electronic means. For these purposes, a signature by fax, e-mail, or other electronic technology on a document relating to the Bonds shall constitute an "electronic signature" to an "electronic record" under the UETA with respect to this specific transaction.

An electronic signature means a signature that is executed by symbol attached to or logically associated with a record and includes facsimile signatures or signatures transmitted by electronic mail in so-called PDF format. All parties to this Bond Purchase Agreement (a) agree that an electronic signature, whether digital or encrypted, of a party to this Purchase Bond Agreement or any other electronic record associated with the Bonds is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document relating to the Bonds sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Bond Purchase Agreement or any other document related to Series 2020 Bonds based on the foregoing forms of signature.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the City, the Authority and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher,
Managing Director

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

MORGAN HILL FINANCING
AUTHORITY

By _____
Christina Turner
City Manager

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

CITY OF MORGAN HILL

By _____
Christina Turner
Executive Director

EXHIBIT A

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
_____	_____	_____	_____	_____

* Term Bond

Redemption Provisions*Optional Redemption*

The Bonds maturing on or before October 1, ____, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, ____, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after October 1, ____, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Special Mandatory Redemption from Insurance and Sale Proceeds

The Bonds are subject to mandatory redemption, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the City under the Installment Purchase Agreement, at a redemption price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the redemption date.

Mandatory Sinking Account Redemption

The Bonds maturing on October 1, ____, and October 1, ____, (the "Term Bonds") are also be subject to redemption, by lot, on October 1 in each of the years as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed pursuant to paragraphs described above, the total amount of all future payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

EXHIBIT B

ISSUE PRICE CERTIFICATE

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), based on the information available to the Underwriter, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (collectively, the “Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated the Sale Date, between the Underwriter and the Issuer, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Underwriter has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) “General Rule Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the Morgan Hill Financing Authority.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than the Underwriter or a related party to the Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means December 8, 2020.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation of the Underwriter of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter makes no representation as to the legal sufficiency of the factual matters set forth herein.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Managing Director

Dated: December 22, 2020

SCHEDULE A TO ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

Hold-the- Offering Price Maturities	General Rule Maturities	Maturity Date (June 1)	Principal Amount	Interest Rate	Reoffering Price
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* Term Bond

Attachment: Bond Purchase Agreement (2015 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)

SCHEDULE B TO ISSUE PRICE CERTIFICATE
PRICING WIRE OR EQUIVALENT COMMUNICATION

Attachment: Bond Purchase Agreement (2015 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Michelle Bigelow, Deputy City Clerk
APPROVED BY: City Manager

ADOPT RESOLUTION ACCEPTING THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL 571

RECOMMENDATION(S)

Adopt resolution accepting the State of California's campaign contribution limits for local campaigns as set forth in the provisions of AB 571.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Fostering a Positive Organizational Culture
Preserving and Cultivating Public Trust

REPORT NARRATIVE:

The 1974 Political Reform Act (the "Act") requires disclosure of campaign contributions and expenditures in connection with state and local elections. The Act authorizes local agencies to enact campaign regulations that do not prevent compliance with the Act itself, and a number of local jurisdictions do so.

In 2019, Assembly Bill 571 (AB 571) was signed into law amending the Act to create default campaign contribution limits for elective city office candidates. This assembly bill requires cities to adopt their own limits by January 1, 2021 or default to the State limit. Under State law the default campaign contribution limit is \$4,700 (Cal. Gov. Code Section 85306) from an individual, business entity, or committee/PAC. This Statewide default contribution limit will be adjusted for inflation in January of every odd-numbered year and is based on the change in the Consumer Price Index.

Prior to AB 571, while State law established contribution limits for candidates running for State office, there were no contribution limits in place for candidates running for local office in 78% of the cities and 72% of the counties in California. Under AB 571, jurisdictions adopting their own contribution limits, whether higher or lower, would not be subject to the State default limit.

An additional notable characteristic of AB 571 is that it extends contribution restrictions regarding personal loans and committees created to oppose recall measures to elective county or city office. Unless a city adopts its own limits, AB 571 would impose a limit of \$100,000 on personal loans from a candidate to the candidate's campaign.

The City currently does not have any established campaign contribution limits. There are several options that may be considered when discussing campaign contribution limits.

- The first option would be to set no campaign contribution limit and default to the State limit. Under this scenario, as of January 1, 2021, assuming the City has not adopted its own local limitations, the Statewide campaign contribution restriction of \$4,700 per calendar year shall be imposed by default on those running for elective City office. Under AB 571, the Fair Political Practices Commission (FPPC) will have expanded administration and enforcement authority regarding the default contribution limits and violations of default contribution limits within the FPPC's purview would be punishable as a misdemeanor. Under the State limit, a local candidate may lend their own campaign a balance of up to \$100,000 from the candidate's personal funds.
- The second option would be to set campaign contribution limits that are higher or lower than the State limits. AB 571 permits the City to establish its own campaign contribution limits by resolution or ordinance. Should the Council recommend setting campaign contribution limits for the City, a sample resolution (attachment 3) without a set contribution limit amount has been attached for your reference.

It should be noted that under AB 571 the City cannot remove the contribution limit altogether. If no local contribution limit is established, the City limit will default to the State limit. The Council may provide direction on a campaign contribution limit that is higher or lower than the State.

If the City adopts its own limit, the Council will also need to establish how those restrictions would be enforced. AB 571 does not permit the FPPC to enforce locally established campaign contribution limitations. The sample resolution does not address this issue. If the Council desires to set a limit, staff will return with a revised resolution for the Council's consideration at the December 2, 2020 City Council meeting.

Staff recommends that the City Council adopt the attached resolution (attachment 2) accepting and defaulting to the State of California's campaign contribution limits effective January 1, 2021.

COMMUNITY ENGAGEMENT: Inform

This report serves to inform the public of the City Council's consideration of local campaign contribution limits.

ALTERNATIVE ACTIONS:

The Council could direct staff to bring back a resolution setting campaign contribution limits for the City of Morgan Hill.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Not applicable.

FISCAL AND RESOURCE IMPACT:

There is no fiscal impact associated with defaulting to the State limit as the duty to enforce the limit is imposed on the FPPC. If the Council chooses to set a limit, enforcement responsibilities would shift to the City and may require the use of additional staff time and resources. Those costs cannot be estimated at this time without further direction regarding campaign contribution limitations and enforcement standards, but they would be analyzed, developed, and reported on once those variables were known.

CEQA (California Environmental Quality Act):

Not a Project. This is an administrative activity that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. AB 571
2. Resolution accepting State contribution limits
3. Sample Resolution setting campaign contribution limits

Assembly Bill No. 571

CHAPTER 556

An act to amend and repeal Sections 10003 and 10202 of the Elections Code, and to amend Section 85301 of, to amend, repeal, and add Sections 85305, 85306, 85307, 85315, 85316, 85317, and 85318 of, and to add Section 85702.5 to, the Government Code, relating to the Political Reform Act of 1974.

[Approved by Governor October 8, 2019. Filed with Secretary
of State October 8, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

AB 571, Mullin. Political Reform Act of 1974: contribution limits.

The Political Reform Act of 1974 prohibits a person, other than a small contributor committee or political party committee, from making to a candidate for elective state office, for statewide elective office, or for the office of Governor, and prohibits those candidates from accepting from a person, a contribution totaling more than a specified amount per election. For a candidate for elective state office other than a candidate for statewide elective office, the limitation on contributions is \$3,000 per election, as that amount is adjusted by the Fair Political Practices Commission in January of every odd-numbered year.

Existing law authorizes a county, city, or district to limit campaign contributions in local elections. Existing law authorizes the governing board of a school district or of a community college district to limit campaign expenditures or contributions in elections to district offices. The act specifies that it does not prevent the Legislature or any other state or local agency from imposing additional requirements on a person if the requirements do not prevent the person from complying with the act, and that the act does not nullify contribution limitations or prohibitions by any local jurisdiction that apply to elections for local elective office, as specified.

This bill, commencing January 1, 2021, instead would prohibit a person from making to a candidate for elective county or city office, and would prohibit a candidate for elective county or city office from accepting from a person, a contribution totaling more than the amount set forth in the act for limitations on contributions to a candidate for elective state office. This bill would also authorize a county or city to impose a limitation that is different from the limitation imposed by this bill. This bill would make specified provisions of the act relating to contribution limitations applicable to a candidate for a elective county or city office, except as specified.

The act makes a violation of its provisions punishable as a misdemeanor and subject to specified penalties.

This bill would add the contribution limitation imposed by the bill to the act's provisions, thereby making a violation of the limitation punishable as a misdemeanor and subject to specified penalties. However, the bill would specify that a violation of a limitation imposed by a local government is not subject to the act's enforcement provisions. The bill would authorize a local government that imposes a limitation that is different from the limitation imposed by this bill to adopt enforcement standards for a violation of the limitation imposed by the local government agency, including administrative, civil, or criminal penalties. By expanding the scope of an existing crime with regard to a violation of a contribution limitation imposed by the bill, the bill would impose a state-mandated local program.

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

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes upon a $\frac{2}{3}$ vote of each house of the Legislature and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

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

SECTION 1. The Legislature finds and declares all of the following:

(a) Most states impose limitations on contributions to candidates for elective county and city offices. California is among the minority of states without these contribution limitations.

(b) Most counties and cities in this state have not independently imposed limitations on contributions to candidates for elective offices in those jurisdictions.

(c) In counties and cities in this state that have not imposed limitations on contributions, candidates for elective offices in those jurisdictions often receive contributions that would exceed the limitations for a state Senate campaign, even though most counties and cities contain far fewer people than the average state Senate district.

(d) In counties and cities in this state that have not imposed limitations on contributions, candidates for elective office in those jurisdictions sometimes raise 40 percent or more of their total campaign funds from a single contributor.

(e) A system allowing unlimited contributions to a candidate for elective county or city office creates the risk and the perception that elected officials in those jurisdictions are beholden to their contributors and will act in the best interest of those contributors at the expense of the people.

(f) This state has a statewide interest in preventing actual corruption and the appearance of corruption at all levels of government.

(g) This act establishes a limitation on contributions to a candidate for elective office in a city or county in which the local government has not established a limitation. However, a local government may establish a different limitation that is more precisely tailored to the needs of its communities.

SEC. 2. Section 10003 of the Elections Code is amended to read:

10003. (a) A county may by ordinance or resolution limit campaign contributions in county elections.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 3. Section 10202 of the Elections Code is amended to read:

10202. (a) A city may, by ordinance or resolution, limit campaign contributions in municipal elections.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 4. Section 85301 of the Government Code is amended to read:

85301. (a) A person, other than a small contributor committee or political party committee, shall not make to a candidate for elective state office other than a candidate for statewide elective office, and a candidate for elective state office other than a candidate for statewide elective office shall not accept from a person, a contribution totaling more than three thousand dollars (\$3,000) per election.

(b) Except to a candidate for Governor, a person, other than a small contributor committee or political party committee, shall not make to a candidate for statewide elective office, and except a candidate for Governor, a candidate for statewide elective office shall not accept from a person other than a small contributor committee or a political party committee, a contribution totaling more than five thousand dollars (\$5,000) per election.

(c) A person, other than a small contributor committee or political party committee, shall not make to a candidate for Governor, and a candidate for Governor shall not accept from any person other than a small contributor committee or political party committee, a contribution totaling more than twenty thousand dollars (\$20,000) per election.

(d) (1) A person shall not make to a candidate for elective county or city office, and a candidate for elective county or city office shall not accept from a person, a contribution totaling more than the amount set forth in subdivision (a) per election, as that amount is adjusted by the Commission pursuant to Section 83124. This subdivision does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(2) This subdivision shall become operative on January 1, 2021.

(e) The provisions of this section do not apply to a candidate's contributions of the candidate's personal funds to the candidate's own campaign.

SEC. 5. Section 85305 of the Government Code is amended to read:

85305. (a) A candidate for elective state office or committee controlled by that candidate shall not make any contribution to any other candidate for elective state office in excess of the limits set forth in subdivision (a) of Section 85301.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 6. Section 85305 is added to the Government Code, to read:

85305. (a) A candidate for elective state, county, or city office or committee controlled by that candidate shall not make a contribution to any other candidate for elective state, county, or city office in excess of the limits set forth in subdivision (a) of Section 85301. This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(b) This section shall become operative on January 1, 2021.

SEC. 7. Section 85306 of the Government Code is amended to read:

85306. (a) A candidate may transfer campaign funds from one controlled committee to a controlled committee for elective state office of the same candidate. Contributions transferred shall be attributed to specific contributors using a “last in, first out” or “first in, first out” accounting method, and these attributed contributions when aggregated with all other contributions from the same contributor may not exceed the limits set forth in Section 85301 or 85302.

(b) Notwithstanding subdivision (a), a candidate for elective state office, other than a candidate for statewide elective office, who possesses campaign funds on January 1, 2001, may use those funds to seek elective office without attributing the funds to specific contributors.

(c) Notwithstanding subdivision (a), a candidate for statewide elective office who possesses campaign funds on November 6, 2002, may use those funds to seek elective office without attributing the funds to specific contributors.

(d) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 8. Section 85306 is added to the Government Code, to read:

85306. (a) A candidate may transfer campaign funds from one controlled committee to a controlled committee for elective state, county, or city office of the same candidate. Contributions transferred shall be attributed to specific contributors using a “last in, first out” or “first in, first out” accounting method, and these attributed contributions when aggregated with all other contributions from the same contributor shall not exceed the limits set forth in Section 85301 or 85302.

(b) Notwithstanding subdivision (a), a candidate for elective state office, other than a candidate for statewide elective office, who possesses campaign funds on January 1, 2001, may use those funds to seek elective office without attributing the funds to specific contributors.

(c) Notwithstanding subdivision (a), a candidate for statewide elective office who possesses campaign funds on November 6, 2002, may use those funds to seek elective office without attributing the funds to specific contributors.

(d) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(e) This section shall become operative on January 1, 2021.

SEC. 9. Section 85307 of the Government Code is amended to read:

85307. (a) The provisions of this article regarding loans apply to extensions of credit, but do not apply to loans made to a candidate by a commercial lending institution in the lender's regular course of business on terms available to members of the general public for which the candidate is personally liable.

(b) Notwithstanding subdivision (a), a candidate for elective state office shall not personally loan to the candidate's campaign, including the proceeds of a loan obtained by the candidate from a commercial lending institution, an amount, the outstanding balance of which exceeds one hundred thousand dollars (\$100,000). A candidate shall not charge interest on any loan the candidate made to the candidate's campaign.

(c) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 10. Section 85307 is added to the Government Code, to read:

85307. (a) The provisions of this article regarding loans apply to extensions of credit, but do not apply to loans made to a candidate by a commercial lending institution in the lender's regular course of business on terms available to members of the general public for which the candidate is personally liable.

(b) Notwithstanding subdivision (a), a candidate for elective state, county, or city office shall not personally loan to the candidate's campaign, including the proceeds of a loan obtained by the candidate from a commercial lending institution, an amount, the outstanding balance of which exceeds one hundred thousand dollars (\$100,000). A candidate shall not charge interest on any loan the candidate made to the candidate's campaign. This subdivision does not apply to a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(c) This section shall become operative on January 1, 2021.

SEC. 11. Section 85315 of the Government Code is amended to read:

85315. (a) Notwithstanding any other provision of this chapter, an elected state officer may establish a committee to oppose the qualification of a recall measure, and the recall election. This committee may be established when the elected state officer receives a notice of intent to recall pursuant to Section 11021 of the Elections Code. An elected state officer may accept campaign contributions to oppose the qualification of a recall measure, and if qualification is successful, the recall election, without regard to the campaign contributions limits set forth in this chapter. The voluntary

expenditure limits do not apply to expenditures made to oppose the qualification of a recall measure or to oppose the recall election.

(b) After the failure of a recall petition or after the recall election, the committee formed by the elected state officer shall wind down its activities and dissolve. Any remaining funds shall be treated as surplus funds and shall be expended within 30 days after the failure of the recall petition or after the recall election for a purpose specified in subdivision (b) of Section 89519.

(c) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 12. Section 85315 is added to the Government Code, to read:

85315. (a) Notwithstanding any other provision of this chapter, an elected state, county, or city officer may establish a committee to oppose the qualification of a recall measure, and the recall election. This committee may be established when the elected state, county, or city officer receives a notice of intent to recall pursuant to Section 11021 of the Elections Code. An elected state, county, or city officer may accept campaign contributions to oppose the qualification of a recall measure, and if qualification is successful, the recall election, without regard to the campaign contribution limits set forth in this chapter. The voluntary expenditure limits do not apply to expenditures made to oppose the qualification of a recall measure or to oppose the recall election.

(b) After the failure of a recall petition or after the recall election, the committee formed by the elected state, county, or city officer shall wind down its activities and dissolve. Any remaining funds shall be treated as surplus funds and shall be expended within 30 days after the failure of the recall petition or after the recall election for a purpose specified in subdivision (b) of Section 89519.

(c) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(d) This section shall become operative on January 1, 2021.

SEC. 13. Section 85316 of the Government Code is amended to read:

85316. (a) Except as provided in subdivision (b), a contribution for an election may be accepted by a candidate for elective state office after the date of the election only to the extent that the contribution does not exceed net debts outstanding from the election, and the contribution does not otherwise exceed the applicable contribution limit for that election.

(b) Notwithstanding subdivision (a), an elected state officer may accept contributions after the date of the election for the purpose of paying expenses associated with holding the office provided that the contributions are not expended for any contribution to any state or local committee. Contributions received pursuant to this subdivision shall be deposited into a bank account established solely for the purposes specified in this subdivision.

(1) A person shall not make, and an elected state officer shall not receive from a person, a contribution pursuant to this subdivision totaling more than the following amounts per calendar year:

(A) Three thousand dollars (\$3,000) in the case of an elected state officer of the Assembly or Senate.

(B) Five thousand dollars (\$5,000) in the case of a statewide elected state officer other than the Governor.

(C) Twenty thousand dollars (\$20,000) in the case of the Governor.

(2) An elected state officer shall not receive contributions pursuant to paragraph (1) that, in the aggregate, total more than the following amounts per calendar year:

(A) Fifty thousand dollars (\$50,000) in the case of an elected state officer of the Assembly or Senate.

(B) One hundred thousand dollars (\$100,000) in the case of a statewide elected state officer other than the Governor.

(C) Two hundred thousand dollars (\$200,000) in the case of the Governor.

(3) Any contribution received pursuant to this subdivision shall be deemed to be a contribution to that candidate for election to any state office that the candidate may seek during the term of office to which the candidate is currently elected, including, but not limited to, reelection to the office the candidate currently holds, and shall be subject to any applicable contribution limit provided in this title. If a contribution received pursuant to this subdivision exceeds the allowable contribution limit for the office sought, the candidate shall return the amount exceeding the limit to the contributor on a basis to be determined by the Commission. None of the expenditures made by elected state officers pursuant to this subdivision shall be subject to the voluntary expenditure limitations in Section 85400.

(4) The Commission shall adjust the calendar year contribution limitations and aggregate contribution limitations set forth in this subdivision in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index. Those adjustments shall be rounded to the nearest one hundred dollars (\$100).

(c) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 14. Section 85316 is added to the Government Code, to read:

85316. (a) Except as provided in subdivision (b), a contribution for an election may be accepted by a candidate for elective state, county, or city office after the date of the election only to the extent that the contribution does not exceed net debts outstanding from the election, and the contribution does not otherwise exceed the applicable contribution limit for that election.

(b) Notwithstanding subdivision (a), an elected state officer may accept contributions after the date of the election for the purpose of paying expenses associated with holding the office provided that the contributions are not expended for any contribution to any state or local committee. Contributions received pursuant to this subdivision shall be deposited into a bank account established solely for the purposes specified in this subdivision.

(1) A person shall not make, and an elected state officer shall not receive from a person, a contribution pursuant to this subdivision totaling more than the following amounts per calendar year:

(A) Three thousand dollars (\$3,000) in the case of an elected state officer of the Assembly or Senate.

(B) Five thousand dollars (\$5,000) in the case of a statewide elected state officer other than the Governor.

(C) Twenty thousand dollars (\$20,000) in the case of the Governor.

(2) An elected state officer shall not receive contributions pursuant to paragraph (1) that, in the aggregate, total more than the following amounts per calendar year:

(A) Fifty thousand dollars (\$50,000) in the case of an elected state officer of the Assembly or Senate.

(B) One hundred thousand dollars (\$100,000) in the case of a statewide elected state officer other than the Governor.

(C) Two hundred thousand dollars (\$200,000) in the case of the Governor.

(3) Any contribution received pursuant to this subdivision shall be deemed to be a contribution to that candidate for election to any state office that the candidate may seek during the term of office to which the candidate is currently elected, including, but not limited to, reelection to the office the candidate currently holds, and shall be subject to any applicable contribution limit provided in this title. If a contribution received pursuant to this subdivision exceeds the allowable contribution limit for the office sought, the candidate shall return the amount exceeding the limit to the contributor on a basis to be determined by the Commission. The expenditures made by elected state officers pursuant to this subdivision shall not be subject to the voluntary expenditure limitations in Section 85400.

(4) The Commission shall adjust the calendar year contribution limitations and aggregate contribution limitations set forth in this subdivision in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index. Those adjustments shall be rounded to the nearest one hundred dollars (\$100).

(c) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(d) This section shall become operative on January 1, 2021.

SEC. 15. Section 85317 of the Government Code is amended to read:

85317. (a) Notwithstanding subdivision (a) of Section 85306, a candidate for elective state office may carry over contributions raised in connection with one election for elective state office to pay campaign expenditures incurred in connection with a subsequent election for the same elective state office.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 16. Section 85317 is added to the Government Code, to read:

85317. (a) Notwithstanding subdivision (a) of Section 85306, a candidate for elective state, county, or city office may carry over contributions raised in connection with one election for elective state, county, or city office to pay campaign expenditures incurred in connection with a subsequent election for the same elective state, county, or city office. This section does not apply

in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(b) This section shall become operative on January 1, 2021.

SEC. 17. Section 85318 of the Government Code is amended to read:

85318. (a) A candidate for elective state office may raise contributions for a general election before the primary election, and for a special general election before a special primary election, for the same elective state office if the candidate sets aside these contributions and uses these contributions for the general election or special general election. If the candidate for elective state office is defeated in the primary election or special primary election, or otherwise withdraws from the general election or special general election, the general election or special general election funds shall be refunded to the contributors on a pro rata basis less any expenses associated with the raising and administration of general election or special general election contributions. Notwithstanding Section 85201, candidates for elective state office may establish separate campaign contribution accounts for the primary and general elections or special primary and special general elections.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 18. Section 85318 is added to the Government Code, to read:

85318. (a) A candidate for elective state, county, or city office may raise contributions for a general election before the primary election, and for a special general election before a special primary election, for the same elective state, county, or city office if the candidate sets aside these contributions and uses these contributions for the general election or special general election. If the candidate for elective state, county, or city office is defeated in the primary election or special primary election, or otherwise withdraws from the general election or special general election, the general election or special general election funds shall be refunded to the contributors on a pro rata basis less any expenses associated with the raising and administration of general election or special general election contributions. Notwithstanding Section 85201, candidates for elective state, county, or city office may establish separate campaign contribution accounts for the primary and general elections or special primary and special general elections.

(b) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(c) This section shall become operative on January 1, 2021.

SEC. 19. Section 85702.5 is added to the Government Code, to read:

85702.5. (a) A county or city may, by ordinance or resolution, impose a limit on contributions to a candidate for elective county or city office that is different from the limit set forth in subdivision (d) of Section 85301. The limitation may also be imposed by means of a county or city initiative measure.

(b) A county or city that establishes a contribution limit pursuant to subdivision (a) may adopt enforcement standards for a violation of that limit, which may include administrative, civil, or criminal penalties.

(c) The Commission is not responsible for the administration or enforcement of a contribution limit adopted pursuant to subdivision (a).

(d) This section shall become operative on January 1, 2021. A county or city's limit on contributions to a candidate for elective county or city office that is in effect on the operative date of this section shall be deemed to be a limit imposed pursuant to subdivision (a).

SEC. 20. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 21. The Legislature finds and declares that this bill furthers the purposes of the Political Reform Act of 1974 within the meaning of subdivision (a) of Section 81012 of the Government Code.

O

RESOLUTION NO. 20-0XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ACCEPTING AND DEFAULTING TO THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL (AB) 571

WHEREAS, the City of Morgan Hill does not currently have campaign contribution limits; and

WHEREAS, Assembly Bill No. 571 ("Ab 571") imposes a default campaign contribution limit upon cities and counties without campaign contribution limits beginning January 1, 2021; and

WHEREAS, the default contribution limit amount is set at the same amount as for State elected officials as that amount is adjusted by the Fair Political Practices Commission ("FPPC") pursuant to Government Code Sections 85301 and 83124, which is currently \$4,700 per election; and

WHEREAS, the State limitation on personal loans from a candidate to the candidate's campaign is limited to an outstanding balance of \$100,000; and

WHEREAS, Elections Code Section 10202 (automatically repealed on January 1, 2021) and Government Code Section 85702.5 (effective on January 1, 2021) further permits the City to establish its own campaign contribution limits that are different from what is established by Government Code Sections 85301 and 83124 by resolution or ordinance; and

WHEREAS, based upon the forgoing, the City Council desires to accept and default to the State's contribution limit amount pursuant to Elections Code Section 10202 and Government Code Section 85702.5; and

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

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

Section 2. Approval and Authorization. That the City Council of the City of Morgan Hill does hereby accept and default to the State's contribution limit amount pursuant to Elections Code Section 10202 and Government Code Section 85702.5.

Section 4. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the ___ day of _____ 2020 by the following vote:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TORREZ, City Clerk

∞ **CERTIFICATION** ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No.20-0XX, adopted by the City Council at the meeting held on _____, 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO. 20-0XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ESTABLISHING CAMPAIGN CONTRIBUTION LIMITS

WHEREAS, the City of Morgan Hill does not currently have campaign contribution limits; and

WHEREAS, Assembly Bill No. 571 (“Ab 571”) imposes a default campaign contribution limit upon cities and counties without campaign contribution limits beginning January 1, 2021; and

WHEREAS, the default contribution limit amount is set at the same amount as for State elected officials as that amount is adjusted by the Fair Political Practices Commission (“FPPC”) pursuant to Government Code Sections 85301 and 83124, which is currently \$4,700 per election; and

WHEREAS, the State limitation on personal loans from a candidate to the candidate’s campaign is limited to an outstanding balance of \$100,000; and

WHEREAS, Elections Code Section 10202 (automatically repealed on January 1, 2021) and Government Code Section 85702.5 (effective on January 1, 2021) further permits the City to establish its own campaign contribution limits that are different from what is established by Government Code Sections 85301 and 83124 by resolution or ordinance; and

WHEREAS, based upon the forgoing, the City Council desires to establish a campaign contribution limit amount pursuant to Elections Code Section 10202 and Government Code Section 85702.5; and

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

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

Section 2. Approval and Authorization. That the City Council of the City of Morgan Hill does hereby adopt a campaign contribution limit of XXXX and a candidate for elective city office for the City of Morgan Hill shall not accept from a person, a contribution totaling XXXX per election.

Section 3. That a candidate may personally loan to the candidate’s campaign an amount the outstanding balance of which shall not exceed XXXX.

Section 4. This Resolution shall take effect immediately upon adoption.

City of Morgan Hill
 Resolution No. 20-0XX
 Page 2 of 2

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the ___ day of _____ 2020 by the following vote:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TORREZ, City Clerk

∞ **CERTIFICATION** ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No.20-0XX, adopted by the City Council at the meeting held on _____, 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

Attachment: Sample Resolution setting campaign contribution limits [Revision 2] (2016 : Campaign Contribution Limits)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Angie Gonzalez, Council Services Assistant
APPROVED BY: City Manager

ADOPT ORDINANCE AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2317, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Preserving and Cultivating Public Trust

2020-2021 Strategic Priorities

Economic Development

Fiscal Sustainability

GUIDING DOCUMENTS

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

On October 28, 2020, the City Council introduced Ordinance No. 2317 New Series, by the following roll call vote: AYES: Carr, McKay, Spring, Martinez Beltran, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

The Ordinance, as introduced, prohibits heavy distribution (fulfillment centers), parcel sorting facilities, and local delivery services in all zones within the City. In addition, the Ordinance makes minor changes to the definitions of warehouse and distribution uses to further distinguish traditional warehousing. The Ordinance also clarifies that the Planning Commission must approve site and design review for projects that include more than 75,000 square feet of new floor area, are 40 feet or higher, and/or include more than 100 units of new housing.

COMMUNITY ENGAGEMENT: Inform

Residents on the City's e-mail lists were notified of the proposed ordinance on September 16, 2020. At that time, copies of the staff report and draft ordinance were posted to the City's website. The Planning Commission held a public hearing to consider the proposed ordinance on September 22, 2020.

This staff report was posted to the project webpage, all City social media accounts, and sent to the community via City email blast on October 9, 2020 in advance of the October 21 City Council hearing.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

A public hearing was held before the Planning Commission on September 22, 2020.

A public hearing was held before the City Council on October 21, 2020 and continued to October 28, 2020.

FISCAL AND RESOURCE IMPACT:

Significant staff time will be required from the City Attorney's Office and Development Services Department to implement the ordinance changes. However, this work will be absorbed into the existing work plans.

CEQA (California Environmental Quality Act):

This ordinance is categorically exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, the proposed text amendment to the Morgan Hill Zoning Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis.

LINKS/ATTACHMENTS:

1. 2020 Zoning Code Amendments--City Council Final

ORDINANCE NO. 2317, NEW SERIES

**AN ORDINANCE OF THE CITY OF MORGAN HILL
AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN
THE INDUSTRIAL ZONING DISTRICTS) OF SECTION
18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26
(INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040
(DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT
REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL
USES) AND 18.124.060 (TRANSPORTATION,
COMMUNICATION, AND UTILITY USES) OF CHAPTER
18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF
THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL
REGARDING E-COMMERCE DISTRIBUTION USES AND
DESIGN REVIEW FOR LARGE PROJECTS**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS
FOLLOWS:**

Section 1. Table 18.26-1 (Permitted Land Uses in the Industrial Zoning Districts) of Section 18.26.020 (Land Use Regulations) of Chapter 18.26 (Industrial Zoning Districts) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in strikeout):

18.26.020– Land Use Regulations

- A. Permitted Land Uses.** Table 18.26-1 identifies land uses permitted in the industrial zoning districts.

TABLE 18.26-1 PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS

Key P Permitted Use A Administrative Use Permit required C Conditional Use Permit required – Use not allowed	Zoning District					Additional Regulations
	CI	IO	IC	IL	IG	
Residential Uses						
Caretaker Quarters	–	–	–	C	C	
Public and Quasi-Public Uses						
Colleges and Trade Schools	C	C	C	C	C	
Community Assembly	C	–	–	C	C	
Instructional Services	A	–	–	–	–	
Medical Offices and Clinics	A	–	–	–	–	
Parks and Recreational Facilities	C	–	–	C	C	
Public Safety Facilities	C	–	–	C	C	
Commercial Uses						

Adult Businesses	-	-	P	P	P	18.92.020
Animal-Related Commercial Uses						
Animal Boarding	C	-	-	C	C	
Veterinarian Clinics and Hospitals	A	A	A	C	C	
Banks and Financial Institutions	C [4]	-	-	-	-	
Business Support Services	P	C	P	P	P	
Cinemas and Theaters	A	-	-	-	-	
Commercial Recreation, Indoor						
≤ 15,000 sq. ft.	P	C	C	C	C	
> 15,000 sq. ft.	C	C	C	C	C	
Eating and Drinking Uses						
Restaurants, Fast Food	C [4]	- [5]	- [5]	- [5]	- [5]	
Restaurants, Sit-Down	C [4]	- [5]	- [5]	- [5]	- [5]	
Tasting Rooms	P [6]	-	-	A [6]	A [6]	
Lodging Facilities						
Hotels and Motels	P	-	-	-	-	
Mini-Storage	-	-	-	C	C	18.92.100
Personal Service	C [4]	- [5]	- [5]	- [5]	- [5]	
Plant Nurseries	C	-	-	P	P	
Professional Offices	P	P	P	P	P	
Retail						
Building Materials	C	-	-	P	P	
Convenience Markets	C [4]	- [5]	- [5]	- [5]	- [5]	
General Retail	C [4]	- [5]	- [5]	- [5]	- [5]	
Home Improvement Centers	C	-	-	C	C	
Large Commodity Retail	C	-	-	C	C	
Vehicle-Related Uses						
Towing and Impound	-	-	-	C	P	
Vehicle Repair and Maintenance, Major	-	-	-	C	P	
Vehicle Repair and Maintenance, Minor	-	-	-	P	P [1]	
Wholesaling	P	-	-	P	P	
Retail						
Building Materials	C	-	-	P	P	
Convenience Markets	C [4]	- [5]	- [5]	- [5]	- [5]	
General Retail	C [4]	- [5]	- [5]	- [5]	- [5]	
Home Improvement Centers	C	-	-	C	C	
Large Commodity Retail	C	-	-	C	C	
Vehicle-Related Uses						
Towing and Impound	-	-	-	C	P	

Vehicle Repair and Maintenance, Major	–	–	–	C	P	
Vehicle Repair and Maintenance, Minor	–	–	–	P	P [1]	
Wholesaling	P	–	–	P	P	
Industrial Uses						
Construction and Material Yards	C	C	C	P	P	18.36.030.C
Food and Beverage Production						
< 5,000 sq. ft. [7]	A [2]	A [2]	A [2]	P [2]	P [2]	
5,000 sq. ft. to 10,000 sq. ft. [7]	C [2]	C [2]	C [2]	P [2]	P [2]	
> 10,000 sq. ft.	C	C	C	P [2,8]	P [2,8]	
Manufacturing, Light	P	C [3]	C	P	P	
Manufacturing, General	–	–	–	–	C	
Research and Development	P	P	P	P	P	
Salvage and Wrecking	–	–	–	–	C	
Warehousing and Distribution						
Warehousing and Distribution, Large	C	C [3]	C [3]	C	P	
Warehousing and Distribution, Small	C	C [3]	C [3]	P	P	
Warehousing and Distribution with Outdoor Storage	C	–	–	C	C	
Heavy Distribution	–	–	–	–	–	
Parcel Sorting Facilities	–	–	–	–	–	
Parcel Hub Small < 75,000 sq. ft.	–	–	–	–	–	
Parcel Hub Large > 75,000 sq. ft.	–	–	–	–	–	
Recycling Facilities						
Reverse Vending Machine	P	C	C	P	P	
Recycling Collection Facility	C	–	–	C	C	
Recycling Processing Facility	–	–	–	–	C	
Utilities, Major	–	–	–	C	C	
Wireless Communications Facilities	See Chapter 18.96					
Agriculture and Natural Resource Uses						
Crop Cultivation	–		–			
Other Uses						
Accessory Uses	See Chapter 18.44					
Temporary Uses	See Section 18.92.150					

Notes:

- [1] Retail sale of automotive products allowed only when ancillary to a vehicle repair and maintenance use. Retail display areas for automotive products may not exceed 25 percent of the building floor area.
- [2] Must be 150 feet or more from a residential zoning district, otherwise requires a CUP.
- [3] Permitted only when ancillary to another permitted use.
- [4] Allowed as a primary use only when the Planning Commission finds that the use supports the primary job-generating uses within a business park setting.
- [5] Allowed when accessory to a permitted primary use subject to the limitations in Section 18.26.020.D (Accessory Uses).
- [6] Allowed only when accessory to a brewery, winery, or other alcoholic beverage production facility. Tasting rooms must be located

within the building occupied by the primary use and may not exceed 5,000 square feet or 10 percent of the gross floor area of the building, whichever is less.

[7] On-site wholesale or retail sales required.

[8] Conditional Use Permit required when the type of food being produced will emit a generally offensive odor. Examples include primary processing of seafood, coffee roasting, pickled foods, or processes involving primarily fat and oils.

Section 2. Section 18.108.040 (Design Permit) of Chapter 18.08 (Specific Permit Requirements) of Title 18 (Zoning) is hereby amended to read as follows:

18.108.040 – Design Permit

A. Purpose. A Design Permit is a discretionary action that enables the City to ensure that proposed development exhibits high quality design consistent with the General Plan and any other applicable specific plan or area plan adopted by the City Council. The Design Permit process is also intended to ensure that new development and uses are compatible with their surroundings and minimize negative impacts on neighboring properties.

B. Review Authority.

1. Except as provided below, the Community Development Director shall review and act on all Design Permit applications.
2. The Community Development Director may elevate any Design Permit application under their authority to the Planning Commission for review and final decision.
3. The City Council shall review and act on all Design Permit applications for new City projects (e.g., new municipal buildings, parks) determined by the Community Development Director to be significant in accordance with Subsection D below.
4. Except for new City projects, the Planning Commission shall act on any Design Permit Application for any other projects determined by the Community Development Director to be significant in accordance with Subsection D below.

C. When Required. The following types of projects require a Design Review permit:

1. Three or more new residential units.
2. One or more new residential unit on a sensitive site as defined in Subsection E (Sensitive Sites) below.
3. New non-residential buildings, structures physical site improvements determined to be significant in accordance with Subsection D (Significant Projects) below.
4. Additions to existing buildings, structures, or other physical site improvements visible from a public right-of-way and determined to be significant in accordance with Subsection D (Significant Projects) below. Single-family homes are exempt unless the home is on a sensitive site as defined in Subsection E below.

5. Additions to existing residences located on a sensitive site as defined in Subsection E below.
6. Site alterations that change the topography of the currently developed site area on a sensitive site as defined in Subsection E below.
7. Relocation of existing buildings, structures or other physical site improvements.
8. Exterior changes to existing buildings, structures or other site improvements determined to be significant in accordance with Subsection D (Significant Projects) below. Single-family homes are exempt unless the home is on a sensitive site as defined in Subsection E below.
9. Grading of more than 50 cubic yards on slopes greater than ten percent.
10. New accessory structures including secondary dwelling units or guest homes on a sensitive site as defined in Subsection E below.
11. City projects, including but not limited to municipal buildings, parks and open spaces, landscaping within the right-of-way, and street furniture.
12. Other projects determined by the Community Development Director to be significant or which may adversely affect the environment or adjacent development.

D. Significant Projects.

1. The Community Development Director shall determine whether a project in Subsection C above is significant and thus requires a Design Review permit. When determining if a project is significant, the Community Development Director shall consider:
 - a. The visual prominence of the project when viewed from the public right-of-way and/or private property;
 - b. The project height, mass, and area of site disturbance;
 - c. The type, character, and proximity of adjacent development; and
 - d. The potential of the project to create adverse impacts on adjacent uses or the community at large.
2. Any structure with more than 75,000 square feet of floor area or a building height greater than 40 feet, not including projections allowed by-right under Table 18.56-1, is presumed to be significant for purposes of this Chapter.
3. Any residential development of more than 100 units is presumed significant for purposes of this chapter.
4. The Community Development Director's determination that a project is significant may be appealed to the Planning Commission in accordance with Chapter 18.112 (Appeals).

E. Sensitive Sites.

1. The Community Development Director may require a Design Permit for a project located on a sensitive site where a Design Permit may not otherwise be required.
2. The Community Development Director's determination that a site is sensitive and that a Design Permit is required may be appealed to the Planning Commission in accordance with Chapter 18.112 (Appeals).
3. The City shall consider a site to be sensitive if the site:
 - a. Contains a notable natural feature such as a hillside, ridgeline, watercourse, major drainage way or floodplain;

Section 3. Section 18.124.050 (Industrial Uses) of Chapter 18.124 (Land Use Definitions) of Title 18 (Zoning) is hereby amended to read as follows:

18.124.050 – Industrial Uses

- A. Construction and Material Yards.** Storage of construction materials and/or heavy equipment on a site other than a construction site.
- B. Food and Beverage Production.** A manufacturing establishment producing or processing food products or beverages for off-site consumption and wholesale distribution where the processing of food is primarily from previously prepared or farmed ingredients.
- C. Heavy Distribution.** A fulfillment center or similar use with a minimum gross floor area of 100,000 square feet and a minimum ceiling height of 24 feet. The fulfillment center's primary purpose is storage and distribution of e-commerce products to consumers or end-users, either directly or through a Parcel Hub. Heavy Distribution is prohibited in all zones in the City of Morgan Hill.
- D. Manufacturing, Light.** The manufacture, predominantly from previously prepared materials, of finished products or parts, including processing, fabrication, assembly, treatment, and packaging of such products, and incidental storage, sales and distribution of such products, but excluding basic industrial processing and custom manufacturing. Includes manufacture of electric and electronic instruments and devices. Excludes saw and planing mills and manufacturing uses involving primary production of wood, metal or chemical products from raw materials.
- E. Manufacturing, General.** Manufacturing of products from extracted or raw materials or recycled or secondary materials, or bulk storage and handling of such products and materials. Includes operations such as agriculture processing, apparel manufacturing; photographic processing plants; leather and allied product manufacturing; wood product manufacturing; paper manufacturing; chemical manufacturing; plastics and rubber products manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product

manufacturing; and automotive and heavy equipment manufacturing.

- F. **Parcel Hub.** A “last mile” facility or similar establishment for the processing and/or re-distribution of parcels or products. A Parcel Hub’s primary function is moving a shipment from one mode of transport to vehicles with rated capacities less than 10,000 pounds, for delivery directly to consumers or end-users primarily within the Morgan Hill zip code.
 - 1. **Parcel Hub, Large.** A parcel hub facility that occupies 75,000 square feet or more in building area.
 - 2. **Parcel Hub, Small.** A parcel hub facility that occupies less than 75,000 square feet in building area.
- G. **Parcel Sorting Facilities.** Establishments for the sorting and or re-distribution of parcels or products from Heavy Distribution (fulfillment centers) to a Parcel Hub via intramodal transit truck to truck.
- H. **Research and Development.** A facility for scientific research and the design, development, and testing of electrical, electronic, magnetic, optical, pharmaceutical, chemical, and biotechnology components and products in advance of product manufacturing. Includes assembly of related products from parts produced off site where the manufacturing activity is secondary to the research and development activities.
- I. **Salvage and Wrecking.** Storage and dismantling of vehicles and equipment for sale of parts, as well as their collection, storage, exchange or sale of goods including, but not limited to, any used building materials, used containers or steel drums, used tires, and similar or related articles or property.
- J. **Warehousing and Distribution.** A use engaged in storage, wholesale and distribution of manufactured products, supplies, and equipment to retailers; to industrial, commercial, institutional, farm, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies. Includes merchant wholesalers; agents, merchandise or commodity brokers, and commission merchants; assemblers, buyers and associations engaged in the cooperative marketing of farm products; and bottling works.
 - 1. **Warehousing and Distribution, Large.** A warehousing distribution facility 75,000 square feet or more in building/or use area.
 - 2. **Warehousing and Distribution, Small.** A warehousing distribution facility less than 75,000 square feet in building area, or as a secondary/companion use of no more than 75,000 sf ancillary to another activity contained within a larger building area.

3. **Outdoor Storage.** Storage of commercial goods in open lots.

Section 4. Subsection B (Light Fleet Based Services) of Section 18.124.060 (Transportation, Communication, and Utility Uses) of Chapter 18.124 (Land Use Definitions) of Title 18 (Zoning) is hereby amended to read as follows:

- A. Light Fleet-Based Services.** Passenger transportation services, medical transport, and other businesses that rely on fleets of three or more vehicles with rated capacities less than 10,000 pounds. Includes parking, dispatching, and offices for taxicab and limousine operations, ambulance services, nonemergency medical transport, local messenger and document delivery services, and similar businesses. Excludes towing operations (see “Towing and Impound”) or delivery services with two or fewer fleet vehicles on site (see “Business Support Services”).

Section 5. Severability. Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 6. Effective Date; Posting. This Ordinance shall take effect on _____, 2020. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 28th DAY OF OCTOBER 2020, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 18th DAY OF NOVEMBER 2020, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TOREZ, City Clerk

∞ CERTIFICATE OF THE CITY CLERK ∞

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 Ordinance No. 2317, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 18th day of November 2020.

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

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Angie Gonzalez, Council Services Assistant
APPROVED BY: City Manager

ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Preserving and Cultivating Public Trust

2020-2021 Strategic Priorities

Economic Development

GUIDING DOCUMENTS

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

On November 4, 2020, the City Council introduced Ordinance No. 2318 New Series, by the following roll call vote: AYES: Carr, McKay, Spring, Martinez Beltran, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

The applicant applied for a Zoning Map Amendment to establish a Planned Development (PD) Combining District and Master Plan on November 1, 2019. The project, as amended, includes a 4,500 square foot urgent care facility, a 10,000 square foot cancer center, a 100,000 square foot medical office/hospital with 55 beds, a parking deck, a 10,000 square foot commercial retail/restaurant building, and a maximum 150-unit residential development.

Ordinance 2318 would approve Zoning Map Amendment ZA2019-0016: Juan Hernandez – MH Medical Properties (Lillian Commons) and change the zoning designation of the subject parcels (APNs 817-09-041, 817-09-039 and 817-09-040) from Service Commercial (CS) and PD to Mixed-Use Flex (MU-F) and PD and establish

a master plan for a mixed-use development project.

Council conditioned approval of the ordinance on an agreement by the applicant to either 1) construct the infrastructure necessary to support a medical campus, or 2) be halfway through the OSHPD approval process for a hospital prior to issuance of building permits for the housing development.

~~The OSHPD approval process is not a defined period and continues throughout the construction of a hospital building. Because the halfway point is not something that can be determined, staff is recommending that the second criteria be changed to require a purchase and sale agreement with a hospital system in lieu of having to make a determination that the project is halfway through the OSHPD permitting process.~~

~~This agreement has been incorporated into the language of the ordinance. The revised ordinance will be supplemented prior to the November 18th City Council meeting.~~

The OSHPD approval process is not a defined period and continues throughout the construction of a hospital building. Because the halfway point is not something that can be determined, staff originally considered that the second criteria be changed to require a purchase and sale agreement with a hospital system in lieu of having to make a determination that the project is halfway through the OSHPD permitting process.

However, upon further research and conversations with other hospitals, requiring an application to OSHPD would be a much further step towards the creation of a medical campus. The OSHPD application requires full construction drawings to move forward - there is no preliminary or conceptual step. Therefore, the following has been added to the agreement: Developer and healthcare provider have filed application with OSHPD, paid application fee and submitted construction documents and specifications to a warm shell standard.

These revised conditions have been incorporated into the language of the ordinance (Section 4.4 of Exhibit A – supplement 1).

COMMUNITY ENGAGEMENT: Inform

The proposed project was publicly noticed including a mailing to property owners within 600 feet of the project and a display ad in the newspaper for the minimum 10-day period and a sign was posted on the project site pursuant to the Planning Division requirements. Residents on the Planning Commission notify me email list were notified of the proposed ordinance on Friday, September 25, 2020. At that time, copies of the staff report and draft ordinance were posted to the City's website. A second notice was sent to residents on the City's e-mail lists on September 28, 2020. The Planning Commission held a public hearing to consider the proposed ordinance on September 29, 2020 and October 13, 2020.

This staff report was posted to the project webpage, all City social media accounts, and send to the community via City email blast on October 29, 2020 in advance of the November 4, 2020 City Council hearing.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Prior to the Planning Commission September 29, 2020 and October 13, 2020 meetings, the Planning Commission reviewed the preliminary application associated with this project at their January 28, 2020 meeting. As required by Section 18.30.050 (Planned Development Combining District) of the Morgan Hill Municipal Code, the applicant submitted an application for preliminary input from the Planning Commission on the proposed Planned Development on November 1, 2019. At the time, the applicant was requesting a Preliminary Review Application for a 4,500 square foot urgent care facility, a 10,000 square foot cancer center, a 100,000 square foot medical office/hospital with 55 beds, a parking deck, a 10,000 square foot commercial retail/restaurant building, and a 200 to 220-unit multifamily residential development.

A public hearing was held before the City Council on November 4, 2020.

FISCAL AND RESOURCE IMPACT:

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

CEQA (California Environmental Quality Act):

An Initial Study/Mitigated Negative Declaration (IS/MND) dated June 2020 was prepared for the project by David J. Powers in conformance with the California Environmental Quality Act (CEQA). The IS/MND was circulated for 30-days from June 30, 2020 to July 30, 2020. In summary, the comments received on the IS/MND did not raise any new issues about the project's environmental impacts, or provide information indicating the project would result in new environmental impacts or impacts substantially greater in severity than disclosed in the IS/MND.

LINKS/ATTACHMENTS:

1. Draft Ordinance 2318 Lillian Commons
2. 2318 Lillian Commons Exhibit A - As introduced on 11/4/20
3. Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption

Ordinance subject to change per direction of City Council from 11/4/2020 Public Hearing

ORDINANCE NO. 2318

AN ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

The project complies with the allowed density range for units and floor area ratio on the site in accordance with the General Plan.

SECTION 2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

The project is a mixed-used development that would provide health care services, retail and housing opportunities within the City.

SECTION 3. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.

The project is a mixed development proposal consisting of medical, retail and residential development. The project builds off the existing medical offices on the site to provide a complete medical services center; provides a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community; provide housing for the medical office/hospital uses that would be affordable to the

employees of these uses; provide housing in proximity to a school, commercial services and employment opportunities.

SECTION 4. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.

The proposed development is consistent with the policies established by the General Plan and Zoning Code.

SECTION 5. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.

The development will allow a mix of compatible uses, including a residential component to provide sustainability to the remainder of the uses, and a retail and medical office/hospital component to provide work opportunities to the neighborhood and community.

SECTION 6. The proposed project will provide a substantial public benefit. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.

Several public benefits include a medical center featuring medical offices, urgent care/pharmacy, and hospital beds; high-density housing to achieve Regional Housing Needs Allocation by providing lower income housing units; open space, courtyards, and plazas available to the public that provide opportunities for people to informally meet and gather; pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood; locate housing in proximity to parks, school, retail and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions; provide green buildings and sustainable development features, including photovoltaic renewable energy and exceeding Title 24 standards by three to five percent; and provide accessible parks and open space beyond the minimum required.

SECTION 7. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

The project site is 19.67-acres and will have a density of 7 to 24 dwelling units per acre and a floor area ratio of 0.42 to 0.5. The size and shape of the site will accommodate the proposed medical, retail, residential and open space uses.

SECTION 8. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

The site fronts Juan Hernandez Drive and Barrett Avenue. There are wet and dry utilities and infrastructure in the surrounding area that will support the project.

SECTION 9. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.

The project is compatible with the surrounding single-family residential uses and Barrett Elementary School and will not have a substantial adverse effect with Conditions of Approval and Mitigation Measures included. The open space and residential uses will provide a suitable buffer between the adjacent single-family residences and school.

SECTION 10. The request was considered by the Planning Commission at its regular meeting of September 29, 2020 and October 13, 2020, at which time the Planning Commission recommended approval of Zoning Amendment application, ZA2019-0016: Juan Hernandez – MH Medical Properties (Lillian Commons) and the Planned Development Master Plan as described in the attached Exhibit “A” dated October 30, 2019, and revised on March 13, 2020, and further revised by applicant on October 6, 2020, and by this reference incorporated herein. The City Council accepts the recommendation of the Planning Commission.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 4th DAY OF NOVEMBER 2020, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 18th DAY OF NOVEMBER 2020, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TOREZ, City Clerk

∞ CERTIFICATE OF THE CITY CLERK ∞

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 Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 18th day of November 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT A

Planned Development Master Plan

**PD Master Plan Zoning Amendment / General Plan Amendment/
Application for Development Permit**

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Lillian Commons, LLC-Applicant

**October 30, 2019
Revised March 13, 2020**



Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

**Prepared by
EMC Planning Group**

PD MASTER PLAN ZONING AMENDMENT /
GENERAL PLAN AMENDMENT /
APPLICATION FOR DEVELOPMENT PERMIT

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Prepared for

LiLLian Commons, LLC
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Mountain View, CA 94040
Tel 650.575.9608

Prepared by

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Fax 831.649.8399
www.emcplanning.com

March 13, 2020

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

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1.0

INTRODUCTION

This Planned Development (PD) Master Plan has been prepared pursuant to the requirements of the City of Morgan Hill Municipal Code, and submittal requirements of the Community Development Department. This PD Master Plan also incorporates the requirements for a General Plan Amendment; the property has been concurrently re-designated from Commercial to Mixed Use Flex.

The PD Master Plan covers an area of approximately 19.7 acres east of Juan Hernandez Drive and north of Tennant Avenue. Refer to PD Master Plan section 4.5 for maps illustrating the plan boundary.

The PD Master Plan presents the following required information:

- Planning objectives;
- Community benefits;
- Land uses and approvals;
- Development standard deviations requested;
- Circulation plan;
- Locations of public facilities and open space;
- Diagrams showing various aspects of planned development;
- Development phasing; and
- Ongoing obligations

The PD Master Plan provides an overlay to the base Commercial Services (CS) zoning district. The purpose of the CS zoning district is to provide an area for commercial services that may be inappropriate in neighborhood or pedestrian-oriented shopping areas, and which generally require automotive access for customer convenience, servicing of vehicles or equipment, loading or unloading, or parking of commercial service vehicles.

The purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in the City of Morgan Hill. Permitted land uses may deviate from the land use regulations of the applicable base zoning district, in this case Service Commercial, provided the PD combining district allows only those land uses permitted in the applicable general plan land use designation.

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2.0

PLANNING OBJECTIVES

The PD Master Plan is designed to achieve the following planning objectives:

- Build off existing medical offices to provide a complete medical services center within the City.
- Provide a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community.
- Provide housing for the medical office/ hospital uses that would be affordable to the employees of these uses.
- Provide high-density housing in proximity to a school, commercial services, and employment opportunities.

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3.0

COMMUNITY BENEFITS AND GENERAL PLAN AMENDMENT JUSTIFICATION

3.1 Planned Development Community Benefits

The PD Master Plan will provide the following community benefits to the City of Morgan Hill:

- Provide the City with a well-rounded medical center featuring medical offices, urgent care/ pharmacy, and hospital beds.
- Provide the City with additional high-density housing to help the City achieve its Regional Housing Needs Allocation for lower income housing, and construct affordable housing units.
- Provide the neighborhood and City with open space, courtyards, and plazas that provide opportunities for people to informally meet and gather.
- Provide the neighborhood and City with pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood.
- Locate housing in proximity to parks, a school, retail, and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions.
- Provide the City with green buildings and sustainable development features. These will include photovoltaic renewable energy and meeting or exceeding Title 24 standards by three to five percent.
- Provide accessible parks and open space beyond the minimum required by the City. Park land will be dedicated to the City and the project will provide a walking/ jogging trail around the perimeter of the property to facilitate healthy living.

3.2 General Plan Amendment Justification

The PD Master Plan incorporates an amendment to the 2035 General Plan designation for the property to Mixed Use Flex (MU-F). The general plan amendment is necessary to permit the residential and hospital uses. Under the PD zoning, only those uses allowed in the property's general plan land use designation may be permitted by the PD zoning, and the general plan amendment to Mixed Use Flex accomplishes that purpose.

The 2035 General Plan defines the Mixed Use Flex district as follows:

The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of Residential or Mixed-Use projects within the Mixed Use Flex designation a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

This definition suits the development planned in the PD Master Plan, as the PD Master Plan conceptual Site Plan incorporates housing near the medical office/hospital uses that is intended to be affordable to the employees of these uses. In addition, the conceptual Site Plan incorporates a small commercial component within a 10,000 square foot building, with retail/restaurant uses to serve the employees and visitors to the hospital as well as the surrounding residential community. The conceptual Site Plan shows how the medical office/hospital, commercial, and high-density residential uses will be arranged and connect with one another.

Best Interest of the Community

Why is the proposed amendment in the best interest of the community?

The residential uses are located within the property to provide a transition in intensity between the existing medical uses, Barrett Avenue Elementary School, and the single family residential uses abutting Juan Hernandez Drive to the west. The commercial, medical office/ hospital uses will be located adjacent to the existing medical offices, providing a campus feel on the property. The structured parking will provide adequate parking to accommodate the medical uses and provide overflow parking for the compatible high-density residential uses on the project site.

The mix of uses will provide convenient retail uses and services adjacent to both the high density residential uses and the medical office/hospital. The medical office/hospital will be located close to a freeway access, and just off two thoroughfares (Tennant Avenue and Butterfield Boulevard) providing convenient access to Morgan Hill residents and those from elsewhere in the region.

Public Need

Is there currently a public need for this amendment?

The Commercial uses outlined in the 2035 General Plan, though appropriate for this property, do not include the “third leg” which provides a sustainable living solution for commercial and institutional employees. Housing, and especially affordable housing, are a critical public need throughout the State, and especially in the Bay Area. Apartments¹ are an affordable housing option for service workers and would provide employees the opportunity to eliminate their commute to work. The one and two bedroom apartments², with 15 percent affordable, would allow younger adults, families, and seniors to live and work in a sustainable manner. Additionally the proposed amendment to the 2035 General Plan for this property would go a long way toward meeting several General Plan policies, as listed below, and addressed in Section 7.0, 2035 General Plan Consistency.

Housing- Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.

Healthy Community- Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.

City & Neighborhood Form- Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.

The proposed hospital would also provide for the public needs, adding a much-needed medical services to the City of Morgan Hill. The hospital will also provide a variety of jobs for the city and surrounding population.

¹ [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

² [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

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4.0

PROPERTY AND DEVELOPMENT DESCRIPTIONS

4.1 Property Description

Location

The property within the PD Master Plan is located in the City of Morgan Hill, California, on Juan Hernandez Drive between Tennant Avenue and Barrett Avenue, adjacent to South Valley Freeway (US Highway 101-Salinas Valley Freeway). [Figure 1, Regional Location Map](#), shows the property location in a regional setting. All figures discussed in this section are presented in Section 4.5. Regional access to the property is provided by US Highway 101, and local access to the property is provided by Tennant Avenue from the south and Barrett Avenue from the north. Ingress and egress to the project site will be primarily from Juan Hernandez Drive, along the western property boundary.

The approximately 19.67-acre property consists of two adjoining undeveloped parcels of land (13.94-acres and 4.04-acres) and one developed parcel (1.69-acres). [Figure 2, Location Map](#), illustrates the location of the property with the parcels delineated. [Figure 3, Assessor's Parcel Map](#), presents the parcel map for the property and the Assessor's Parcels Numbers (APNs) 817-09-041 (13.94-acres), 817-09-039 (4.04-acres) and 817-09-040 (1.69-acres). Legal descriptions are presented in Section 9.0.

Property Characteristics

The undeveloped land is relatively flat, with several trees located on the northern parcel. Most of the property is vacant and has been farmed in the distant past. Two medical office buildings and related site improvements (driveway, parking, landscaping, and utilities) exist on the southern portion of the property as illustrated on [Figure 4, Existing Conditions Map](#).

Existing Land Use Designation and Zoning

The property is designated Commercial in the 2035 General Plan as illustrated in [Figure 5, Existing City General Plan Land Use Diagram](#), and is located in the Service Commercial zoning district with a Planned Development Combining District Overlay (PD) as illustrated in [Figure 6, Existing City Zoning Map](#).

Property Data

Project Location

City of Morgan Hill, CA (East of Juan Hernandez Drive, south of Barrett Avenue and west of US Highway 101 or Salinas Valley Freeway).

Street Address

0 and 16130 Juan Hernandez Drive, Morgan Hill, CA

Existing Assessor's Parcel Numbers

817-09-039, and 817-09-040, and 817-09-041

Acreage

Gross Property Acreage: 4.04, 1.69, and 13.94 (19.67 acres)

Net Property Acreage: 4.03, 1.66, and 13.49 (19.18- acres)

Zoning

Services Commercial District (CS) with Planned Development Combining District (PD) overlay

General Plan Designation

Mixed Use Flex (amended from Commercial)

4.2 PD Master Plan Description

General Plan Amendment

Incorporated into the PD Master Plan is an amendment to the 2035 General Plan land use diagram to change the designation for the property from Commercial to Mixed Use Flex (MU-F). [Figure 7, General Plan Amendment](#) indicated the existing and proposed land use designation.

Zoning Map Amendment

Concurrent with approval of the PD Master Plan, the property will be re-zoned by ordinance to reflect the application of the Planned Development combining district with a base CS district, and incorporation of this PD Master Plan for the property as illustrated in [Figure 8, Zoning Plat](#).

Parcel Map

A parcel map will divide the property's three existing parcels into four parcels to facilitate development or sale. The two vacant parcels would be subdivided into three parcels (A-C). The existing medical office site (Parcel D), would be reconfigured and included as part of the overall PD Master Plan. [Figure 9, Tentative](#)

Parcel Map, prepared by the project engineer indicates how the property will be subdivided. The three existing lots will be re-organized into four parcels. Parcel A, 4.17 acres, Parcel B, 1.78 acres, Parcel C, 9.49 acres, Parcel D, 4.13 acres, and 0.10 acres will be dedicated as right-of-way along Barrett Avenue.

Development

Development anticipated within the PD Master Plan would be in the range of 350,000 – 417,696 square feet of residential, commercial, office, and/or institutional uses, including up to 200-150 multi-family dwelling units. All land uses permitted in the PD Master Plan are presented in Section 5.0.

Figure 10, Site Plan is presented in Section 4.5. The conceptual Site Plan includes five uses. The square footage of each use is that provided on the conceptual Site Plan, and could slightly increase or decrease.

- 4,500 square foot urgent care/pharmacy facility on the existing medical site;
- 10,000 square foot medical office as cancer center;
- 100,000 square foot medical office and hospital with a parking deck (multi-story with 54,000 square-foot footprint);
- 10,000 square foot commercial retail/restaurant building; and
- 200-150-unit multifamily residential development ~~(178,500 square feet living units plus clubhouse, and 32,886 square feet covered carports).~~

All uses will share common driveway access to Juan Hernandez Drive and Barrett Avenue. The conceptual Site Plan illustrates the overall development concept, including the proposed land uses, building placement, circulation patterns, parking, and open space. The descriptions in this section are based on the conceptual Site Plan.

Parcel A

The proposed medical/hospital facility will occupy one building in Parcel A. Two pick-up/drop-off areas are located adjacent to the proposed buildings to assist patients. Development of Parcel A includes a 500-space parking structure that will be shared by the adjacent uses along with access and utility infrastructure. A small park is also located on Parcel A for visitors and employees.

Parcel B

This parcel will be developed with approximately 10,000 square feet of commercial/retail uses, including a 5,000 square-foot sit down restaurant, a 55-space surface parking lot, and access and utility infrastructure. The remaining 5,000 square feet will be available for other personal service or retail uses. The mix of uses within this building will be market driven and could fluctuate over the life of the building.

Parcel C

Parcel C will be developed with 200-150 multifamily residential units ~~in five buildings, a 3,000-square foot leasing office/club house, interior recreation area, covered and uncovered parking for 359-vehicles~~

and bicycles. Additional vehicle parking will be available through a shared parking agreement with the developer of Parcel A. ~~The proposed mix of units consists of 61 one bedroom units and 139 two bedroom units. Two of the five buildings will be three stories, approximately 35 feet tall, and are located closest to Juan Hernandez Drive. The other three buildings will be four stories, approximately 45 feet tall and will be placed around an interior recreation area and swimming pool.~~ Parcel C may also be developed with Single Family attached and detached for-sale dwelling units or other medical office uses.

Parcel D

Parcel D includes two existing medical buildings totaling 15,900 square feet and parking. The existing medical buildings will remain and a new one story 4,500 square foot urgent care/pharmacy medical facility will be constructed on this parcel, located in what is now occupied by a portion of the parking lot, leaving 30 surface parking spaces to remain for the existing medical facility and urgent care/pharmacy. A 10,000 square foot medical office – cancer center and a 66-space surface parking lot will be developed on this reconfigured parcel. Parking for the existing medical building displaced by the proposed urgent care/pharmacy facility will be replaced adjacent to the proposed medical office – cancer center and through a shared parking agreement with the remainder of the medical facility that will be developed on the new Parcel A.

Parkland/Open Space

The PD Master Plan includes the provision of approximately 2.9 acres of parks and open space. Amenities on Parcel C include a swimming pool, hot tub, lounging patio, and tot lot/play area, open play fields, and jogging/walking trail connections to adjacent sidewalk systems. Recreational parkland amenities in Parcel A include passive recreational opportunities with a landscaped area and park benches located between the medical/hospital facility and the commercial uses on Parcel B. Trail connections are provided throughout the property including new pedestrian access to the existing medical campus (Parcel D).

Site Access/Circulation

Access to the project site will be provided by four driveways: the existing driveway to the medical office would be retained and extended to provide secondary access to the medical/hospital facility and cancer center. An additional driveway, approximately 460 feet north of the existing driveway, will provide the primary access to Parcels A-C through the middle of the property. Two additional driveways will provide secondary access to the multifamily residential development from Barrett Avenue. The accessways for all project components are interconnected within the property. All new accessways will be designed to meet City of Morgan Hill design and performance standards for streets, driveways, curb, gutter and sidewalks. The conceptual Site Plan provides a layout of the circulation system for the project.

Juan Hernandez Drive is a two lane street with striping at Barrett Avenue to allow for turn lanes. The street is wide enough to provide on street parking but individual spaces are not marked. Barrett Avenue is a two lane street primarily providing access to Barrett Elementary School. Two left turn lanes from Juan Hernandez Drive into the property are proposed.

Sidewalks will be extended into the property from the existing sidewalks along Juan Hernandez Drive and Barrett Avenue. Connection will be made to the existing sidewalks on Juan Hernandez Drive and Barrett Avenue. Within the project boundary, sidewalks will be provided on all internal driveways to meet Americans with Disabilities (ADA) standards. Bicycle traffic shares the paved area or uses the sidewalk. Pathways and sidewalks designated for bicycle use will meet Caltrans design standards for bikeways. The passive park with a jogging/walking trail for pedestrians, will serve as a passage way from Barrett Avenue to the south side of the property. Additionally, all the uses proposed in the development project will have pedestrian connections to the park.

Parking

Parking will be located on each parcel and a shared parking agreement will be implemented per Municipal Code Section 18.72.050, on-site parking alternative-Section F, to meet the parking needs of the development. Parking below standards for some uses will be met by implementing a shared parking agreement between the newly created parcels within the property. Additionally, the mix of land uses will result in walking trips that will reduce parking demands for some uses.

Signage and Lighting

A detailed signage and lighting plans will be submitted during the Design Review phase of the project review. Signage and lighting will comply with the City of Morgan Hill Municipal Code, Sections 18.88 and 18.72.060G. We anticipate signage will be located at the intersection of Juan Hernandez Drive and the main access drive into the property, currently labeled as Street A on the conceptual Site Plan. Additional internal signage locations have not been determined at this time.

Storm Water Infrastructure

All drainage systems will be designed to comply with City and Regional Water Quality Control Board requirements for storm water management. Bio swales will be dispersed throughout the development, including a 25-foot wide landscape buffer along the east property line and a storm water basin, located in the southeast corner of the property. All drainage improvements will be designed and landscaped to meet City and State design criteria and performance standards. Where necessary, fencing around the ponds will consist of black chain link or decorative fencing and landscaping to shield views from US Highway 101 and onsite patrons.

Other Utilities

Sewer, water, and wastewater infrastructure will be designed and constructed in conformance with City standards. Ownership and maintenance will generally correspond to location within public or private property. Where utilities cross private property, easements will be established as necessary to provide access. Other utility infrastructure (gas, electric, communications, etc.) will be designed and constructed in conformance with State or utility standards. Ownership of these utilities will remain with the utility, with easements established as necessary to provide access.

Phasing

The proposed project would likely be constructed in phases starting with development of Parcel C, followed by development of Parcels B and D, and closing with the development of Parcel A. The hospital use will require approvals by the Office of Statewide Health Planning and Development (OSHDP) and the Division of the State Architect, some approvals could take as long as seven years, which is why it is expected to be the final element of the project to be developed. Full occupancy of all uses is assumed to occur in the year 2025-2027. Market factors could result in a changed phasing sequence.

Conceptual Development Plans

Figure 10, *Conceptual Site Plan*, illustrates the overall development concept, including the proposed land uses, buildings, circulation patterns, parking, and open space and common areas. This plan documents the percentage of site area that will be dedicated for all types of open space.

Figure 11, *Pedestrian Circulation/Open Space Plan*, illustrates the connectivity of the project, how it relates to the surrounding pedestrian network, and open space proposed on the project site.

Figure 12, *Illustrative Site Plan*, is a conceptual color rendering of how all the elements come together on the property.

Figure 13, *Conceptual Site and Utility Plan*, provides locations of sewer, water and fire connection on the site plan and also shows the proposed storm water management areas.

Figure 14, *Conceptual Grading Plan*, provides conceptual contour grading, drainage and flood control facilities, easement, property lines, rights-of-ways, and existing features beyond the site boundaries. Structures, building footprint and floor elevations are also depicted on the conceptual Grading Plan.

Full Size Plans, Illustrative Building Elevations, provided under separate cover, illustrate the building elevations and provide perspective renderings for each building. The building architecture and design are inspired by a distinctly modern and geometric aesthetic, using classical materials for a timeless appearance. The elevations are crafted of warm wood, grey stone and contrasting light stucco. The transparent glazing panes will provide ample daylight and animate the buildings, flooding the interior spaces with natural light and the orthogonal volumes and surfaces complement each other. The parking deck form is reduced in mass by using landscape screens facing US Highway 101.

Full Size Plans, The Conceptual Landscape Plans, provided under separate cover, identify landscaped areas throughout the PD Master Plan and explain the main landscape concepts to be achieved for the project. The conceptual Landscape Plans identify the major types of plant material to be used including street trees, parking lot trees, shrubbery to be used to screen the parking lots, and buffer plantings.

Conceptual Site Development Data

The PD Master Plan's conceptual Site Plan (see Figure 10) is used to provide the numbers that were used to prepare the project description and CEQA documentation. Additional dwelling units or floor area may be achieved on the property. The PD Master Plan allows a range of 350,000 – 417,696 square

feet of commercial, office, and/or institutional floor space and a maximum of ~~200~~ 150 multi-family or single family dwelling units. It is expected the conceptual Site Plan will be modified prior to Design Review. Modification will be kept to a limit acceptable to not trigger additional CEQA impacts or mitigation measures. If the conceptual Site Plan changes exceed this limit, additional CEQA documentation may be necessary.

Medical Office/Cancer Center

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot maximum)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 2 EV spaces, and 5 bicycle spaces

Medical/Hospital

Building Coverage: 33,333 square feet

Floor Area: 100,000 square feet

Building Height: Three story (52-foot maximum including rooftop equipment)

Parking: 500 shared spaces within deck, including 9 ADA spaces, 10 EV spaces, and 25 bicycle spaces

Decked Parking

Building Coverage: 54,000 square feet

Building Height: Three story (32-foot)

Retail/Restaurant

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot)

Parking: 55 spaces, including 3 ADA spaces, 2 EV spaces, and 5 uncovered bicycle spaces

Multi-Family Housing

Building Coverage: 51,750 square feet (apartments and clubhouse/leasing office)³

Floor Area: 175,500 square feet – apartments; 3,000 square feet – club house⁴

Building Height: Varies by building: Three story (35-foot maximum); ~~Four-story (45-foot)~~

³ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

⁴ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Dwelling Units: 200-150 Units (~~conceptual Site Plan assumes 61 at 1 bedroom and 139 at 2 bedroom, or 200 units~~)

Parking: 359 spaces, including 8 ADA spaces, 200 covered spaces, and 7 EV spaces

Bicycle Parking: 36 covered bicycle spaces, 40 uncovered bicycle spaces

Urgent Care and Pharmacy

Building Coverage: 4,500 square feet

Floor Area: 4,500 square feet

Building Height: One story (25-foot)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 3 uncovered bicycle spaces

Existing Medical Buildings

Building Coverage: 15,900 square feet (12,300 square feet and 3,600 square feet)

Floor Area: 15,900 square feet

Building Height: One story

Parking: 96 shared spaces, including 30 existing spaces, 4 ADA spaces, 2 EV spaces and 4 uncovered bicycle spaces.

Park

Open Space / Passive Park Acreage: +/- 2.2 acres

Recreation exclusive for Multi-Family: +/- 0.70 acres

Additional open space is provided on site in landscaped buffers including walking/jogging trails.

Total Building Coverage

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Allowed: 417,696 square feet (50% of net land area)

Proposed: Not to exceed 50% (conceptual Site Plan indicates 212,319 square feet (25% of net land area)

Floor Area Ratio (FAR)

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Maximum FAR (per MU-F 0.5): 417,696 square feet

Proposed FAR: (0.42-0.5) 350,000 to 417,696 square feet (conceptual Site Plan indicates 351,786 square feet)

Total Square Feet

(Within buildings/carports on conceptual Site Plan)

Retail/Restaurant: 10,000 square feet

Medical Offices (4): 30,400 square feet

Medical/Hospital: 100,000 square feet

Residential: 178,500 square feet (includes club house/leasing office at 3,000 square feet)

Covered Residential Parking: 32,886 square feet – expected to be carports

Total: 351,786 square feet – (does not include the commercial parking structure)

Total Parking

Proposed Vehicle Parking: 1,010 spaces total (96 compact spaces at bio swales)

Covered Vehicle Parking: 700 spaces (500 spaces within parking structure)

Bicycle Parking: 118 (36 covered spaces, 82 uncovered spaces)

ADA Parking: 28 spaces

Electric Vehicle (EV): 23 spaces

4.3 Implementing Approvals

After the actions noted above are complete (General Plan Amendment, Zoning Map Amendment, and Parcel Map), the following implementing actions will remain to be taken by the City prior to construction. These approvals will most likely be separate actions for each parcel within the PD Master Plan.

Final Maps. After the tentative parcel map is approved, final maps will be filed. It is anticipated that a separate final map may be filed for each parcel, along with a corresponding improvement plan.

Design Review Permits. Prior to construction, each structure will be required to obtain a design review permit. Each design review permit will be approved by resolution by the Planning Commission.

Conditional Use Permits. Some uses that are allowed within the PD Master Plan will require a conditional use permit. Each conditional use permit will be approved by resolution by the Planning Commission.

4.4 Ownership and Ongoing Obligations

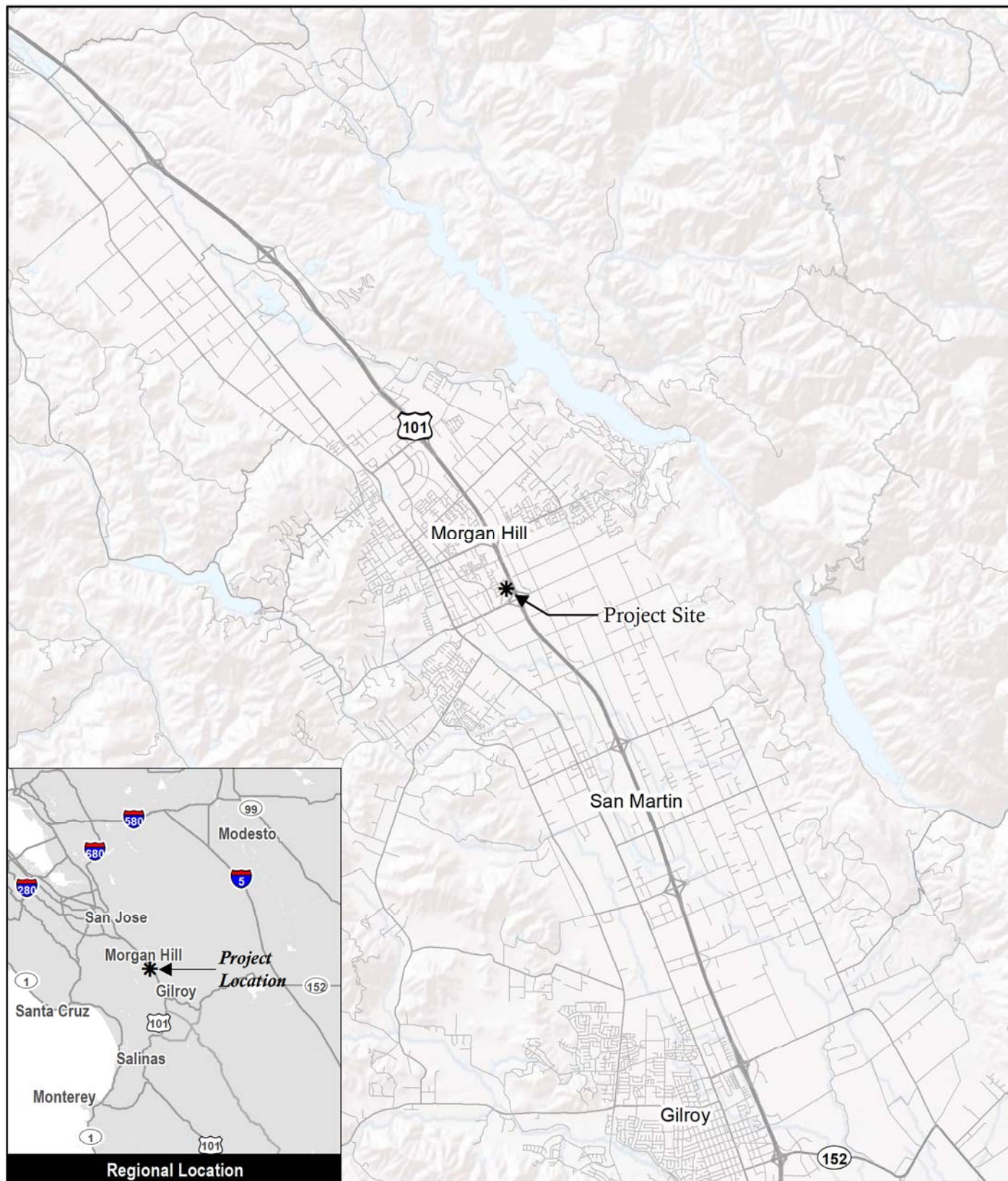
The PD Master Plan, General Plan Amendment, and subdivision proponent seeks to obtain City approval of the General Plan Amendment, PD Master Plan and subdivision entitlements. The applicant/proponent intends to develop Parcel D with the Medical Center (e.g. urgent care/pharmacy, cancer center, medical offices, etc.). The medical /hospital parcel, retail/restaurant parcel, and residential parcel will most likely be sold to end users or to specialized developers.

Park land will be set aside within an easement upon filing of the final parcel map(s). Infrastructure will be constructed by future developers. Dedication and long-term maintenance financing of circulation, water, wastewater, and storm water infrastructure will be determined when development applications are processed.

A memorandum of agreement (MOA) or development agreement (DA) will be drafted by the applicant and distributed to the developers of each lot to allow for an orderly manner in which to provide capital improvements and maintenance of the infrastructure and common areas located throughout the property. It is expected that a shared parking agreement will be prepared as part of the MOA/DA to allow shared parking among the end users of the PD Master Plan development.

4.5 Maps and Diagrams

Maps and Diagrams are presented on the following pages.



Source: ESRI 2019

Figure 1

Regional Location Map

Lillian Commons/Morgan Hill Medical Campus



0 2 miles

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0 300 feet



Subject Property



Morgan Hill
City Limits

Source: ESRI 2019, Santa Clara County GIS 2018



Figure 2
Vicinity Map

Lillian Commons/Morgan Hill Medical Campus

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Lillian Commons/Morgan Hill Medical Campus



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SURVEY NOTES

1. THIS MAP REPRESENTS AN AERIAL TOPOGRAPHIC SURVEY PERFORMED BY WHITSON ENGINEERS ON JUNE 26, 2019. MAPING SCALE IS 20' PER INCH WITH CONTOURS AT ONE FOOT INTERVALS.
2. THIS MAP PORTRAYS THE SITE AT THE TIME OF THE SURVEY AND DOES NOT SHOW SOILS OR GEOLOGY INFORMATION, UNDERGROUND CONDITIONS, EASEMENTS, ZONING OR REGULATORY INFORMATION OR ANY OTHER ITEMS NOT SPECIFICALLY REQUESTED BY THE CLIENT.
3. BOUNDARY LOCATIONS SHOWN HEREON WERE DETERMINED WITH THE BENEFIT OF A FIELD SURVEY SUPPLEMENTED BY RECORD DATA. ALL BOUNDARY SHOWN IS FROM RECORD DATA. THIS TOPOGRAPHY DOES NOT CONSTITUTE A BOUNDARY SURVEY. THERE MAY BE EASEMENTS OR OTHER RIGHTS, RECORDED OR UNRECORDED, AFFECTING THE SUBJECT PROPERTY WHICH ARE NOT SHOWN HEREON.
4. DISTANCES AND DIMENSIONS SHOWN ARE EXPRESSED IN FEET AND DECIMALS THEREOF, UNLESS OTHERWISE NOTED.
5. LOCATING OF UNDERGROUND UTILITIES WAS NOT WITHIN THE SCOPE OF THE TOPOGRAPHIC SURVEY. WITH THE EXCEPTION OF OBSERVED FACILITIES, SIZE AND LOCATION OF UNDERGROUND UTILITIES ARE SHOWN BASED ON AS-BUILT DOCUMENTS PROVIDED BY THE CITY OF MORGAN HILL.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NAVD88 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600, SHOWN HEREON.

LEGEND

- SUBJECT PROPERTY LINE
- ADJACENT PROPERTY LINE
- CENTERLINE
- SANITARY SEWER LINE
- WATER LINE
- STORM DRAIN
- EXISTING CONTOUR
- UTILITY MANHOLE
- STORM DRAIN CATCH BASIN
- FIRE HYDRANT
- WATER VALVE
- SURVEY MONUMENT (FOUND)

ABBREVIATIONS

- AC ACRE
- BW BACK OF WALK
- CB CATCH BASIN
- CH-LNK CHAIN LINK
- CONC CONCRETE
- EP EDGE OF PAVEMENT
- FL FLOWLINE
- GR GRATE
- HP HIGH POINT
- INV INVERT
- JP JOINT POLE
- LP LOW POINT
- MH MANHOLE
- OH OVERHEAD
- PL PROPERTY LINE
- SD STORM DRAIN
- SS SANITARY SEWER
- TC TOP OF CURB
- TS TRAFFIC SIGNAL
- WV WATER VALVE
- WM WATER METER
- x271.19 EXISTING SPOT ELEVATION

PROJECT TEAM

CIVIL ENGINEER / SURVEYOR

WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940

(831) 649-5225

ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEEN AVENUE, SUITE 210
SOUTH SAN FRANCISCO, CA 94080

(415) 312-0454

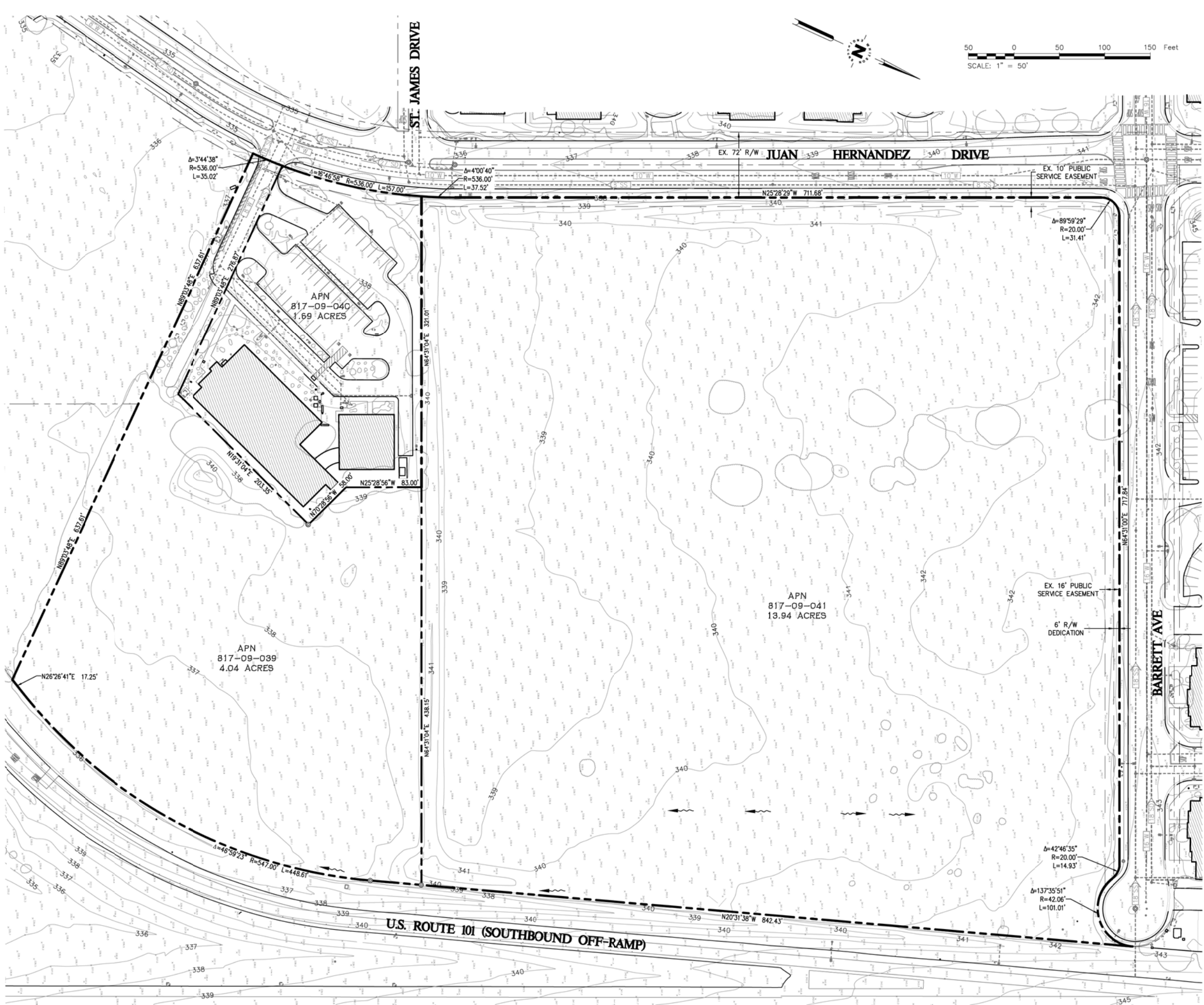
LANDSCAPE ARCHITECT

W. JEFFREY HEID LANDSCAPE ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

(408) 691-5207

SHEET INDEX

- C1.0 EXISTING CONDITIONS MAP
- C2.0 CONCEPTUAL SITE AND UTILITY PLAN
- C2.1 CONCEPTUAL GRADING PLAN



Civil Engineering
Land Surveying
4 Harris Court
Monterey, California
93940
whitsonengineers.com



NOT VALID
WITHOUT
SIGNATURE

SUBMITAL / REVISION

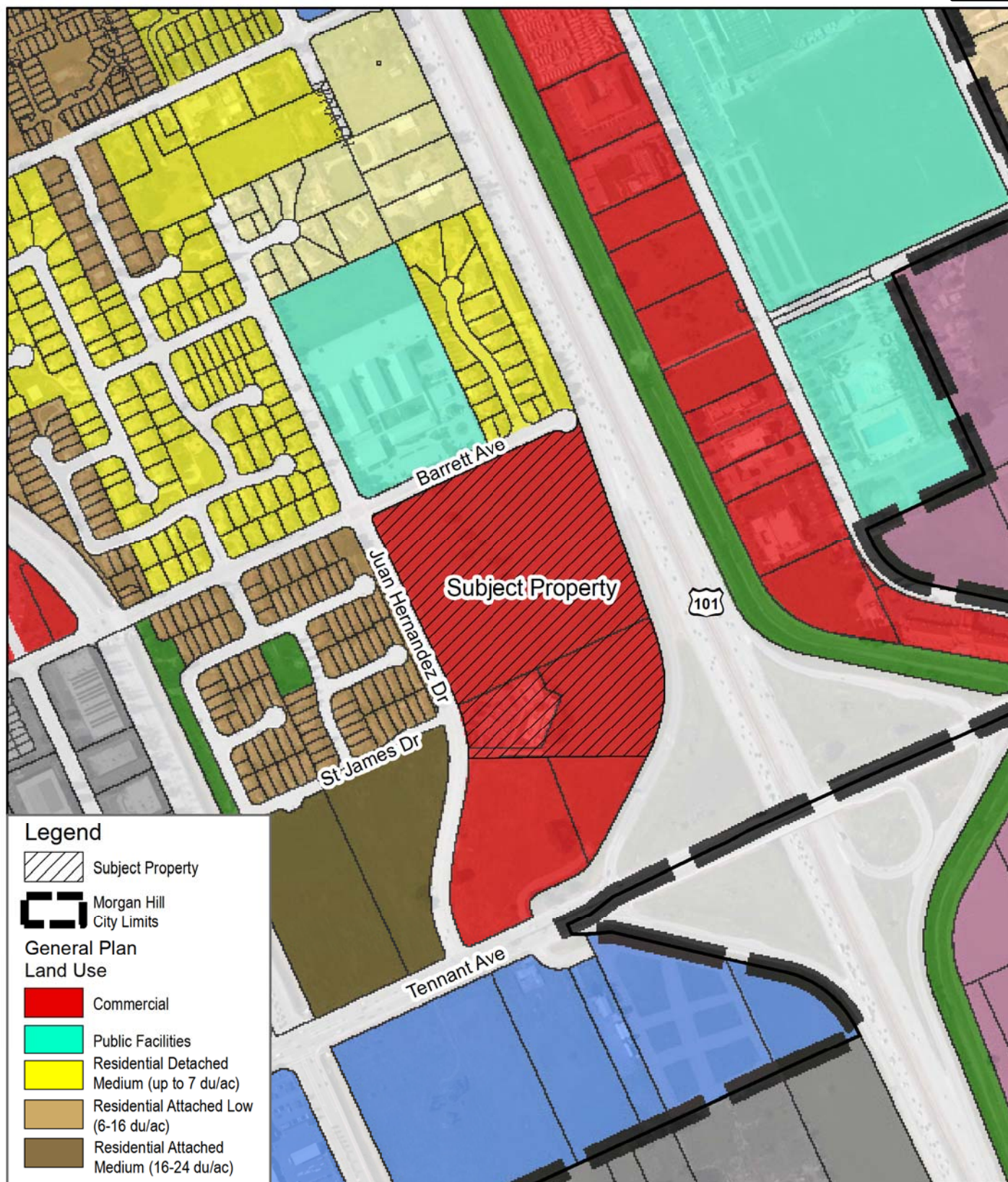
LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California

EXISTING CONDITIONS MAP
APN 817-09-039, -040, -041

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET

C1.0

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0 300 feet

Source: ESRI 2019, Santa Clara County 2017

Figure 5

Existing City General Plan Land Use Map

Lillian Commons/Morgan Hill Medical Campus

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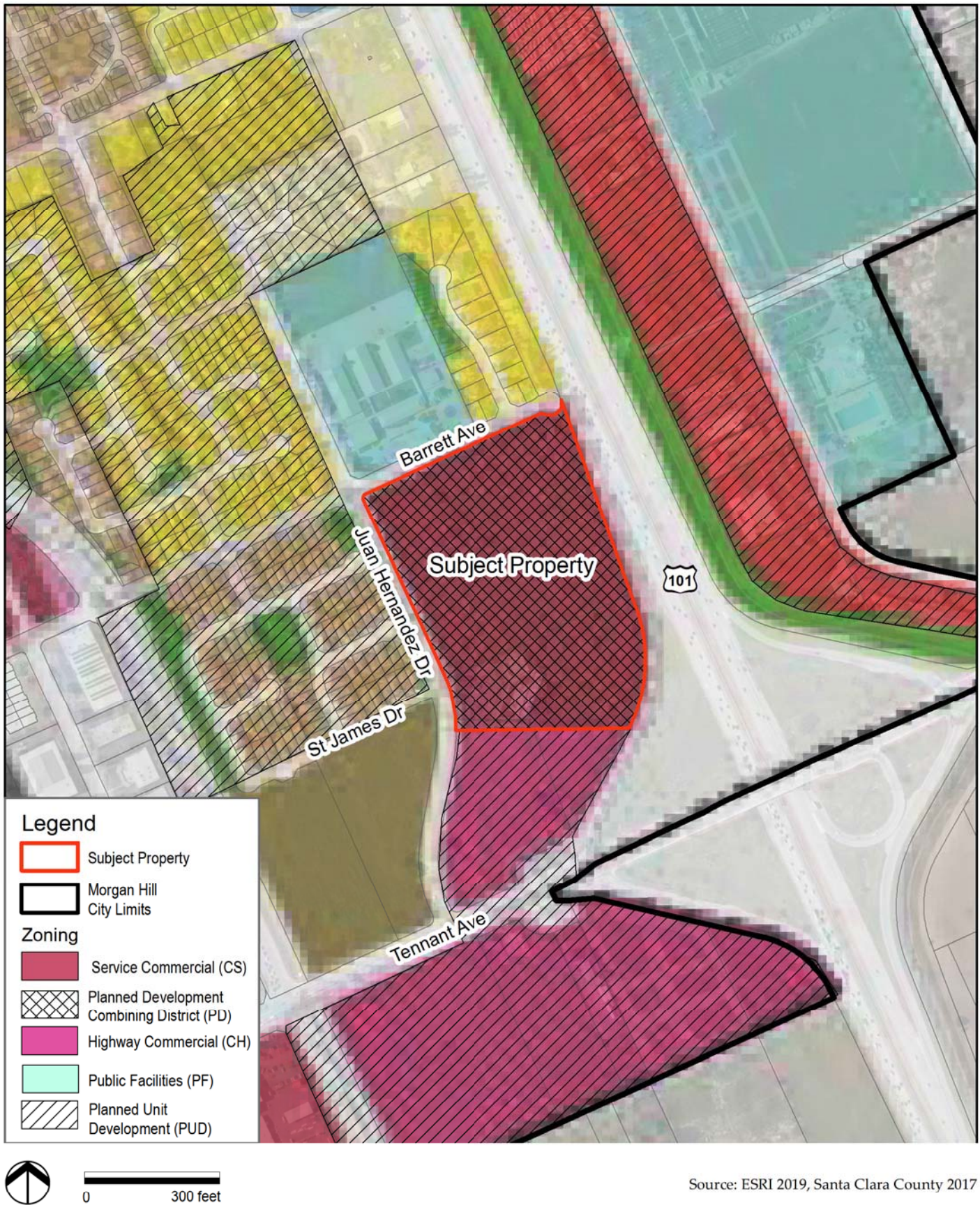


Figure 6

Existing City Zoning Map

Lillian Commons/Morgan Hill Medical Campus

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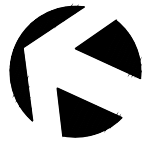
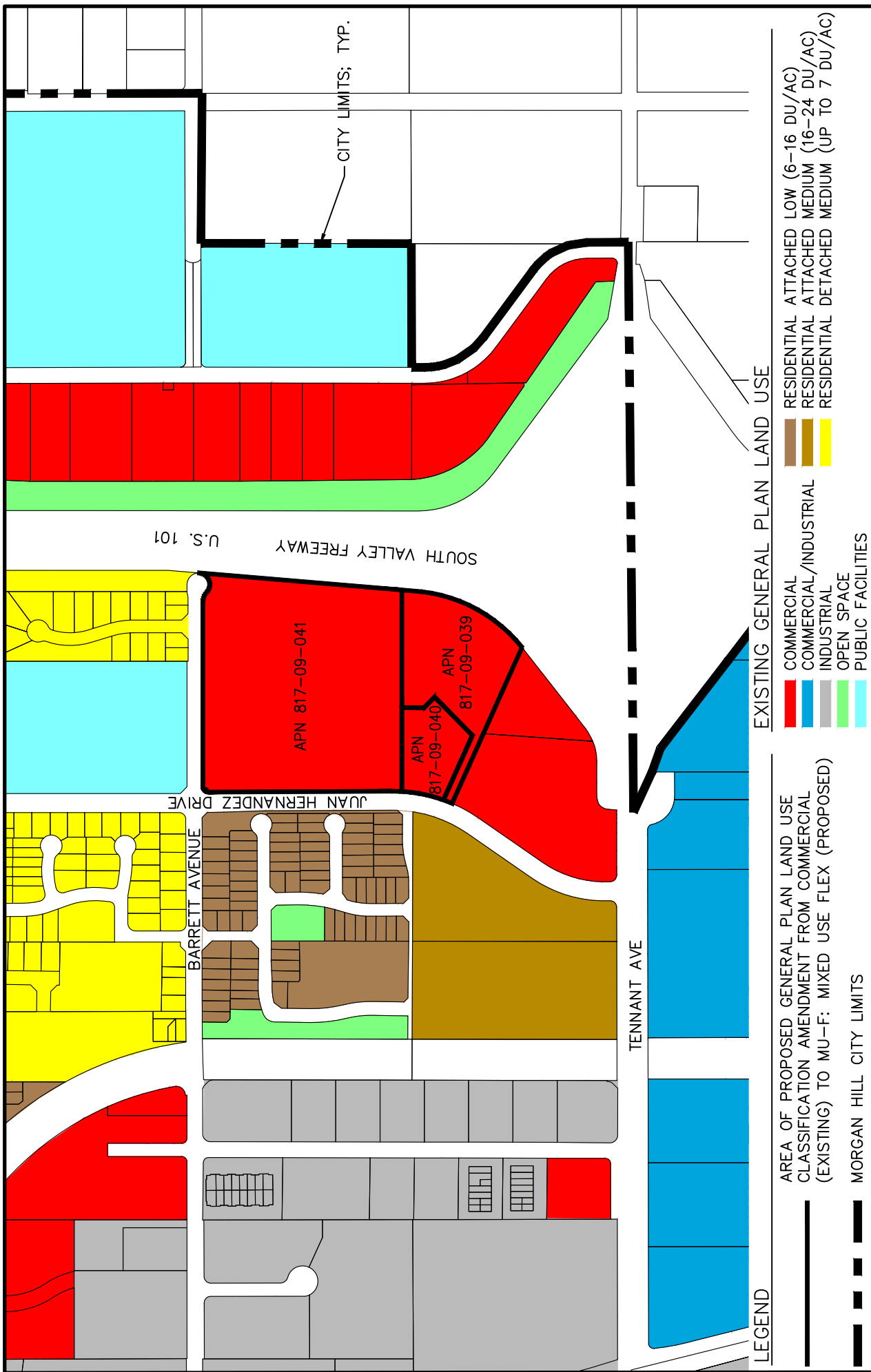
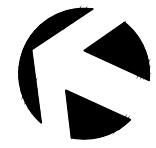
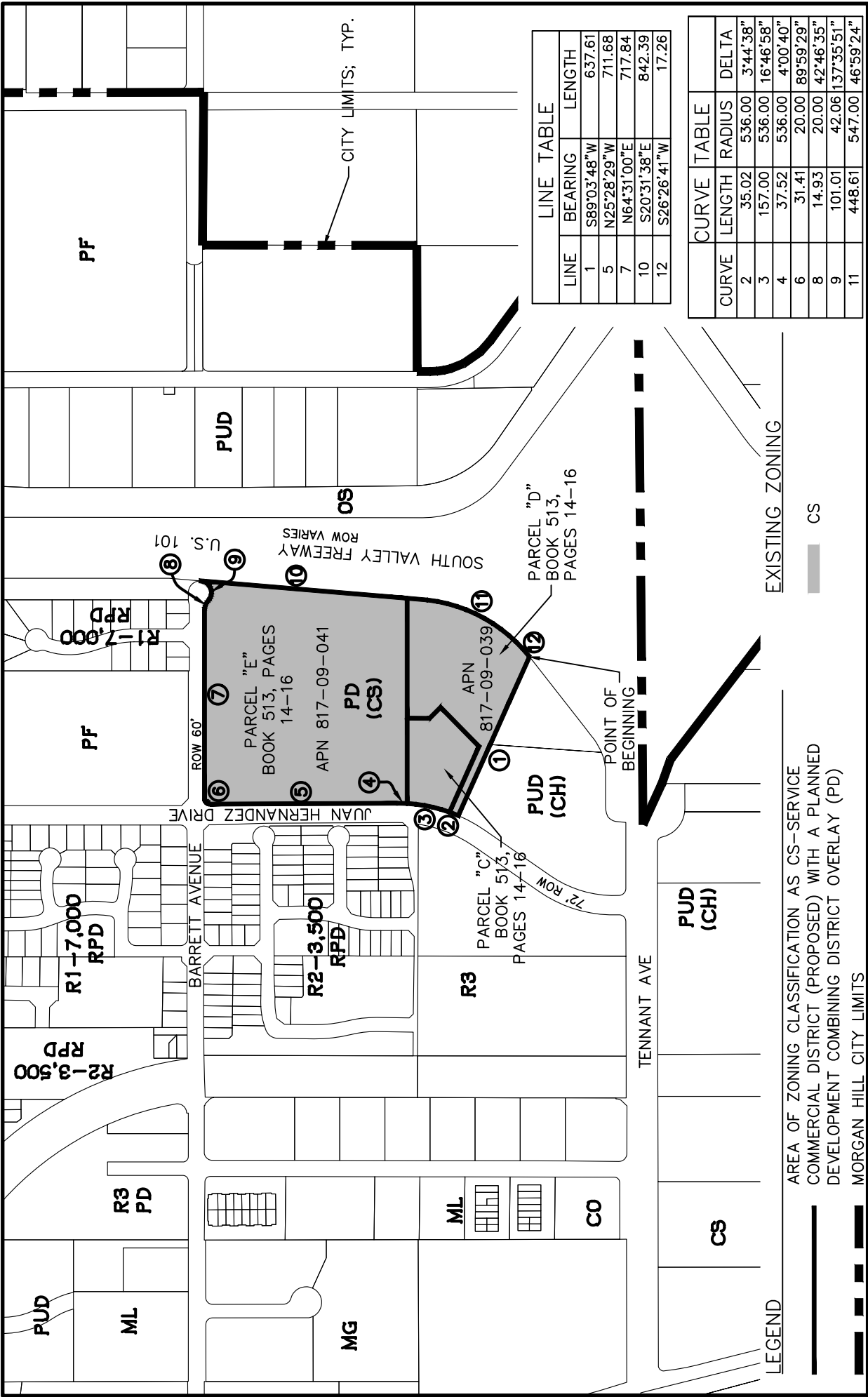


FIGURE 7 - PROPOSED GENERAL PLAN AMENDMENT TO THE CITY OF MORGAN HILL ENTITLED 0 JUAN HERNANDEZ DRIVE,

PREPARED BY:
 HITSON ENGINEERS
 HARRIS COURT
 MONTEREY, CA 93940
 (415) 649-5225

TOE

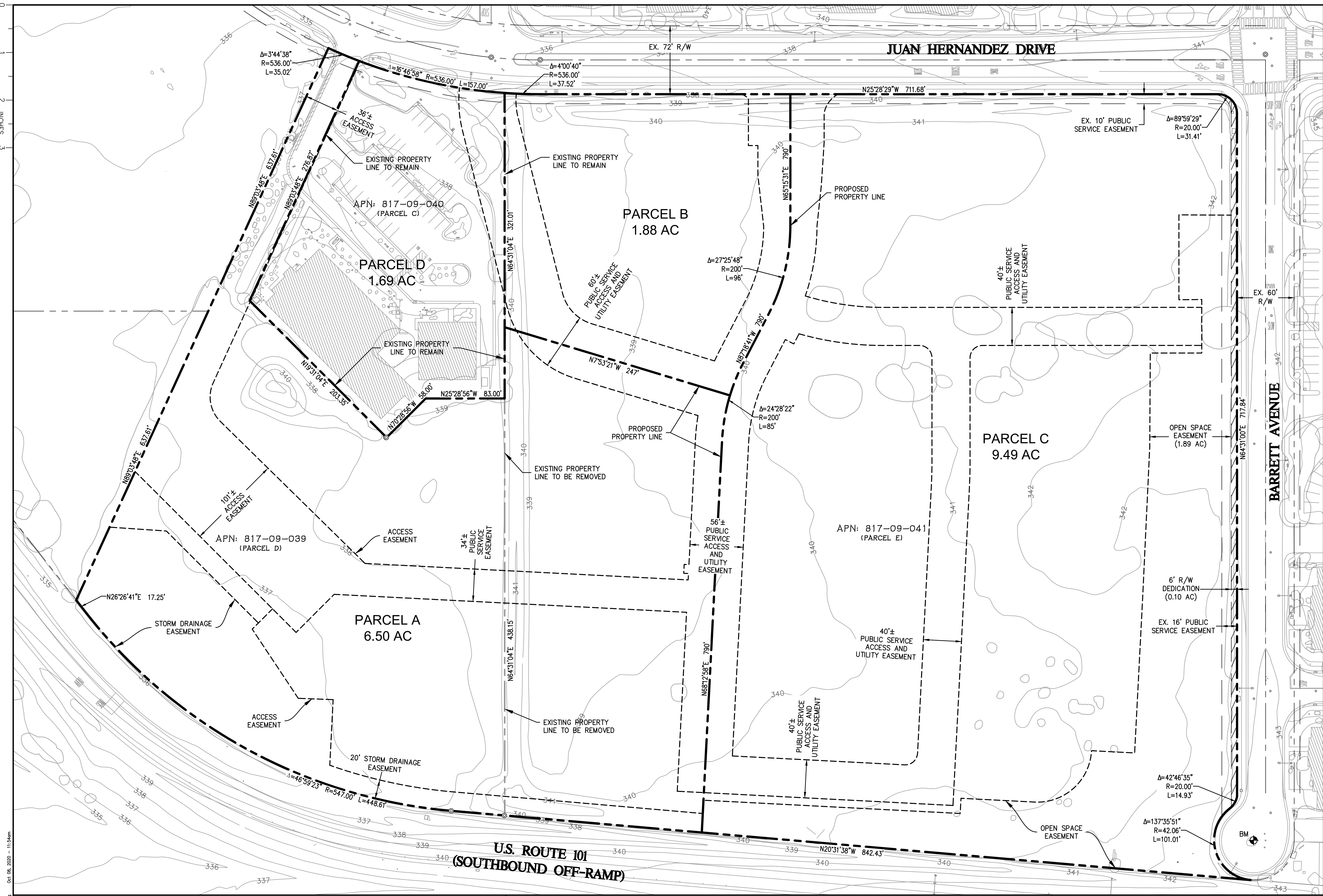
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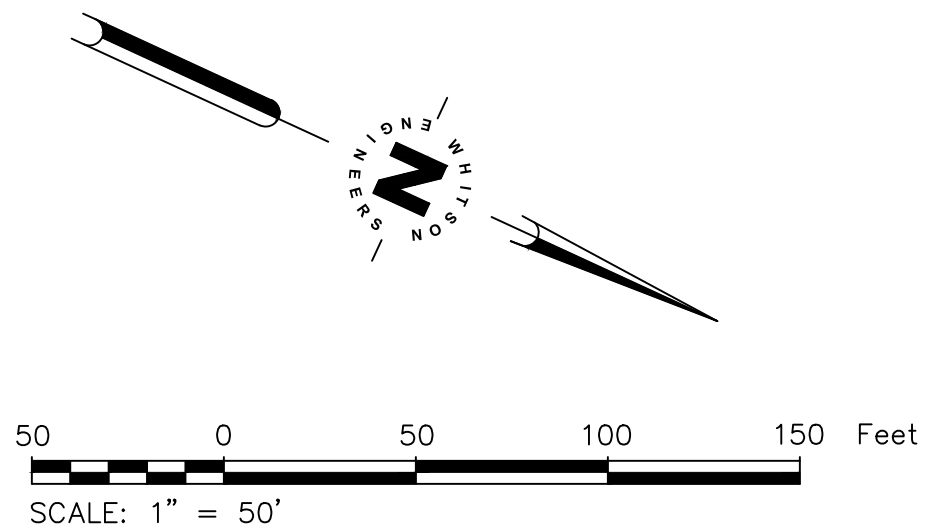
PREPARED BY:
 HUTTON ENGINEERS
 HARRIS COURT
 SAN JOSE, CA 95128
 (408) 649-5225

FIGURE 8 - MAP SHOWING ZONING LANDS OF 0 JUAN HERNANDEZ DRIVE, MORGAN HILL, BEING A PART OF ORDINANCE NO. 5.b

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T:\Monterey\Projects\2690.01 - Morgan Hill\CAD\PLANS\2690.01-11.dwg Oct 08, 2020 - 11:54am



SUBDIVISION NOTES

PROPERTY DATA ASSESSORS' PARCEL NO.:	817-09-039 817-09-040 817-09-041
LOCATION OF PROPERTY:	0 JUAN HERNANDEZ DRIVE
EXISTING LAND USE:	COMMERCIAL
PROPOSED LAND USE:	MIXED USE-FLEX (MU-F)
EXISTING AND PROPOSED ZONING:	SERVICE COMMERCIAL (CS) WITH A PLANNED DEVELOPMENT (PD) OVERLAY

OFF-SITE UTILITIES:
STORM DRAINAGE
SANITARY SEWER
WATER
GAS & ELECTRIC
TELEPHONE

CITY OF MORGAN HILL
CITY OF MORGAN HILL
CITY OF MORGAN HILL
PACIFIC GAS & ELECTRIC
VERIZON

NOTES:

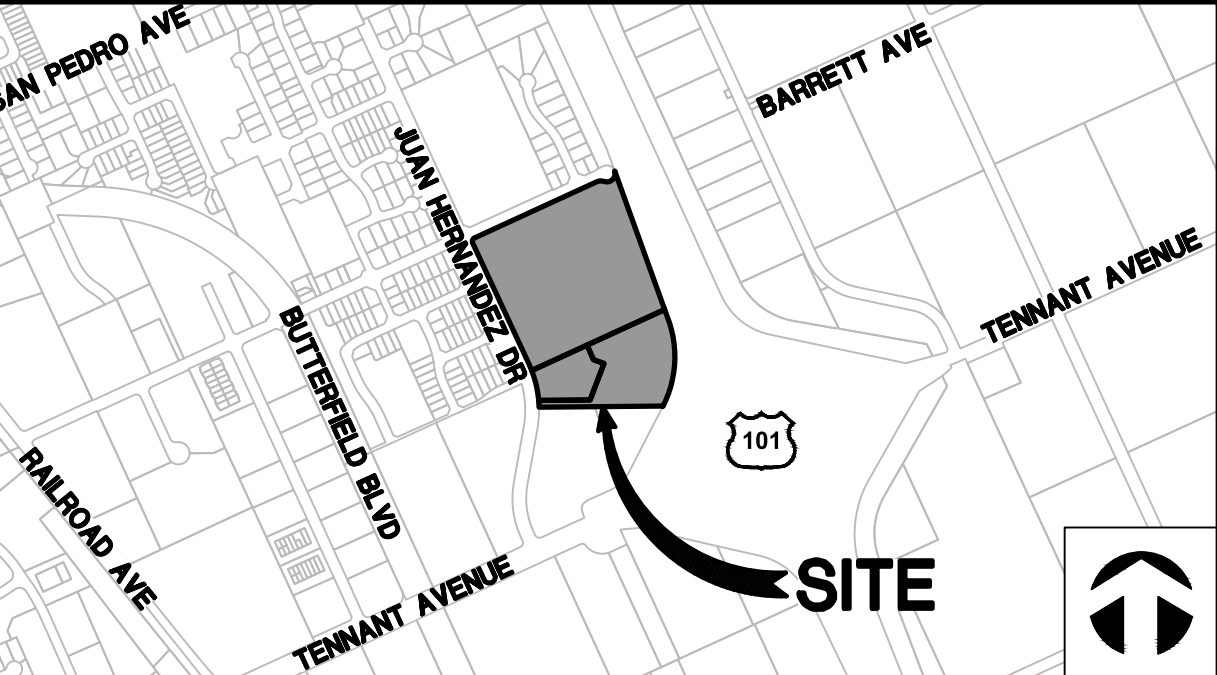
- SUBDIVIDER SHALL CONFORM TO THE REQUIREMENTS OF THE CITY OF MORGAN HILL CODE OF ORDINANCES CHAPTER 17.32 IN REGARDS TO SUBDIVISION IMPROVEMENTS.
- LOT DIMENSIONS AND EASEMENT LOCATIONS ARE PRELIMINARY AND SUBJECT TO CHANGE PENDING FINAL ENGINEERING DESIGN.
- THE PROJECT WILL BE PHASED.

ON-SITE UTILITIES:
STORM DRAINAGE
SANITARY SEWER
WATER
GAS & ELECTRIC
TELEPHONE

PRIVATE
PRIVATE
CITY OF MORGAN HILL
PACIFIC GAS & ELECTRIC
VERIZON

PARCEL SUMMARY

DESCRIPTION	AREA (AC)
PARCEL A	6.50
PARCEL B	1.88
PARCEL C	9.49
PARCEL D	1.69
R/W DEDICATION	0.10
TOTAL	19.67



VICINITY MAP

SCALE: 1" = 1000'

ABBREVIATIONS/LEGEND

	GROUND CONTOUR
	PROPOSED PROPERTY LINE
	EXISTING PROPERTY LINE TO BE REMOVED
	ADJACENT PROPERTY LINE
	CENTERLINE
	EXISTING EASEMENT
	PROPOSED EASEMENT
	TREE DRIP LINE
	BENCHMARK
	SURVEY MONUMENT
	RIGHT OF WAY DEDICATION

LEGAL DESCRIPTION

PARCELS C, D AND E, AS SAID PARCELS ARE SHOWN AND SO DESIGNATED ON THE PARCEL MAP FILED FOR RECORD MAY 24, 1983, IN BOOK 513 OF MAPS, PAGE 16, SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NAVD88 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600, SHOWN HEREON.

PROJECT TEAM

OWNER/APPLICANT

LILLIAN COMMONS, LLC
782 SLEEPER AVENUE
MOUNTAIN VIEW, CA 94040

(605) 575-9608

PLANNER

EMC PLANNING GROUP, INC.
301 LIGHTHOUSE AVENUE
SUITE 210
MONTEREY, CA 93940

MICHAEL GROVES
(831) 649-1799

LANDSCAPE ARCHITECT

W. JEFFREY HEID LANDSCAPE
ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

JEFFREY HEID
(408) 691-5207

CIVIL ENGINEER

WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940

RICHARD WEBER, RCE 55219
(831) 649-5225

ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEN AVENUE
SUITE 210
SOUTH SAN FRANCISCO, CA 94080

DEEPAK PATANKAR
(415) 312-0454



TENTATIVE PARCEL MAP
0 JUAN HERNANDEZ DRIVE

PROPOSED SUBDIVISION OF
PARCELS C, D, AND E AS SHOWN ON
BOOK 513 OF MAPS ON PAGE 16

CITY OF MORGAN HILL, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA



Civil Engineering
Land Surveying
6 Harris Court
Monterey, California
831.649.5225
whitsonengineers.com

ORIGINAL: SEPTEMBER 25, 2020

REVISED: OCTOBER 6, 2020

PROJECT No. 2690.01

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:

APN: 817-09-039, 040 and 041

Site Area: GLA -19.67 AC, 856,782 SF

Structure Size:

Parcel A - Proposed Medical Office / Hospital - 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park

Parcel B - Proposed Commercial/Restaurant - 1.78 AC
10,000 SF, 55 Pkg. Spaces

Parcel C - Proposed Residential Apartments - 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/Recreation

Parcel D - Proposed Urgent Care/ Existing Medical - 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces

Right-of-way Dedication - 0.10 AC

Zoning: Service Commercial - CS w/ PD Overlay

Existing General Plan Designation: Commercial

Proposed General Plan Amendment: Mixed Use Flex

Parking: Total Required 1,161 spaces/ Provided 1,010 spaces*

Required: Medical Office / Hospital @ 1/200 = 652 spaces

Proposed: Medical Office / Hospital @ 1/219 = 596 spaces

Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)

Proposed: Retail/Restaurant 55 spaces

Required: Apartments @ 1.5/1 bdrm and 2.0/2 bdrm = 375 spaces

Guest Parking at 1/3 DU = 68 spaces Total = 443 (203 covered)

Proposed: Apartments 359 spaces

*Shared parking proposed per Municipal Code Section 18.72.050

Lot Coverage:

Building = 212,319 SF (25% NLA)

Parking/Driveways = 227,804 SF

Landscape/Storm Water Mgmt. = 335,045 SF

Hardscape = 81,614 SF

Floor Area Ratio: 351,786 SF (0.42%)

LEGEND:

- Site Boundary (Whitson Engineering)
- Structures on Site
- Parking Carports



0 50' 100'

Figure 10

SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019

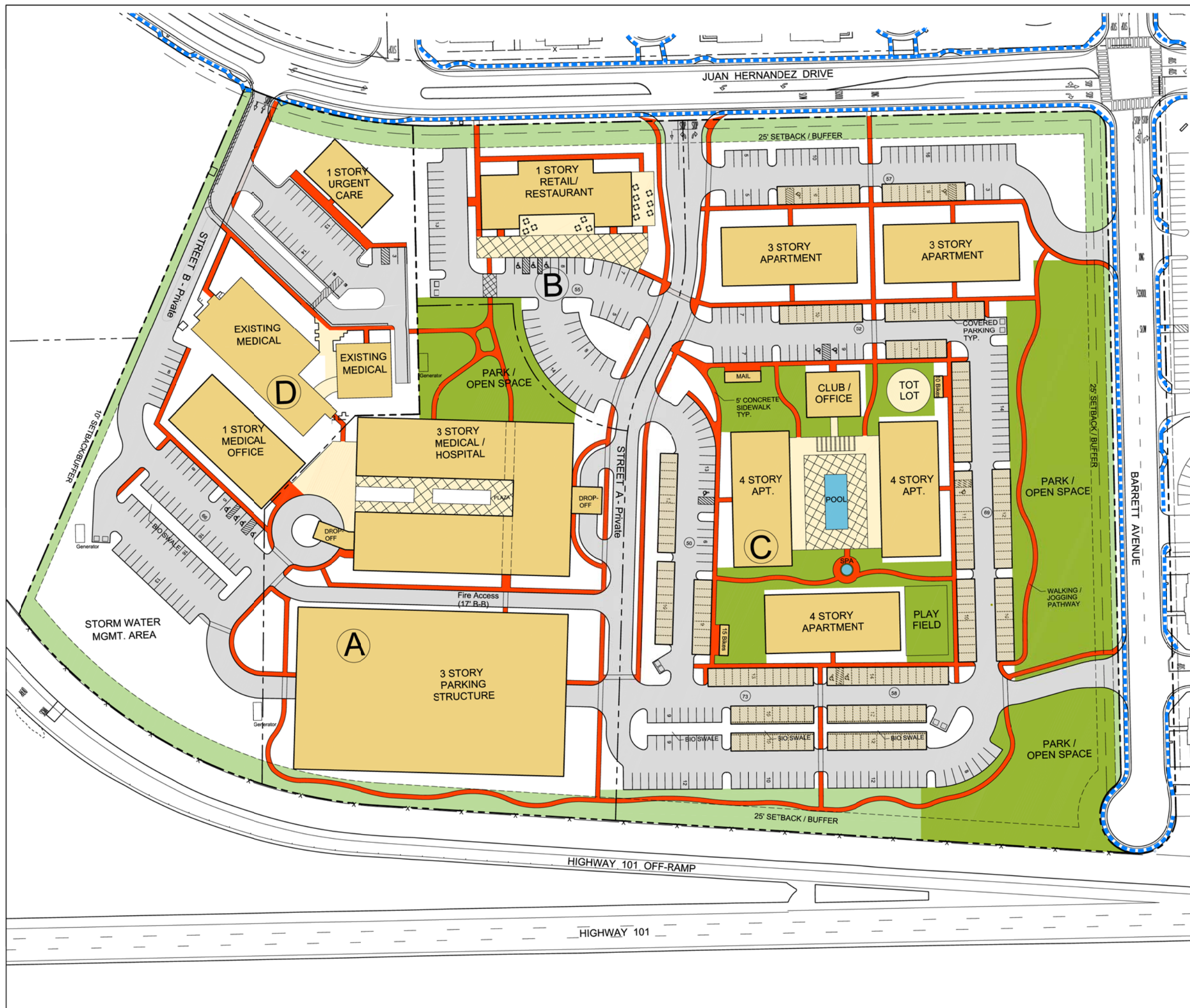


EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM

Monterey, CA 831.649.1799 www.emcplanning.com

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Lillian Commons / Morgan Hill Medical Campus



LEGEND

- Buildings / Carports
- Existing Sidewalks
- Walkways / Jogging Paths
- Gathering Areas
- Park / Recreation / Open Space
- Landscape Buffers / Open Space

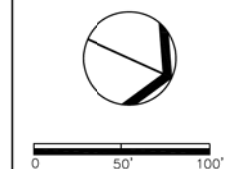


Figure 11
PEDESTRIAN CIRCULATION /
OPEN SPACE PLAN
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019



EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2021 : Adopt Ordinance 2318 Lillian Commons)

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:

APN: 817-09-039, 040 and 041

Site Area: GLA -19.67 AC, 856,782 SF

Parcel A - Proposed Medical Office / Hospital - 6.50 AC
100,000 - 130,00 SF, 566 Pkg. Spaces

Parcel B - Proposed Commercial/Restaurant - 1.88 AC
10,000 SF, 50 Pkg. Spaces

Parcel C - Proposed Residential - 9.49 AC
150 Dwelling Units Maximum
1.98 AC Park/Recreation
School Drop-off/Pick-up Lot

Parcel D - Proposed Urgent Care/ Existing Medical - 1.69 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
31 Pkg. Spaces

Right-of-way Dedication - 0.10 AC

Zoning: Service Commercial - CS w/ PD Overlay

Existing General Plan Designation: Commercial

Proposed General Plan Amendment: Mixed Use Flex

Parking: Total Required 790 spaces/ Provided 895 spaces*

Required: Medical Office / Hospital @ 1/200 & other = 452 spaces

Proposed: Medical Office / Hospital @ 1/200 & other = 597 spaces

Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces

(Assumes 5,000 Retail and 5,000 Restaurant)

Proposed: Retail/Restaurant 50 spaces

Required: SF Residential (2 covered per DU + guest pkg.) 268 spaces

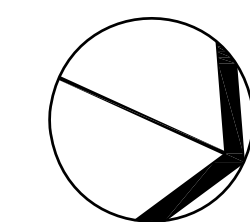
Proposed: SF Residential (2 covered per DU + guest pkg.) 268 spaces

*Shared parking proposed between Parcels per Municipal Code Section 18.72.050

Floor Area Ratio: 417,696 SF (0.5% max.)

LEGEND:

- Buildings
- Buffers / Open Space
- Sidewalks/Pathways
- Landscaping
(See Landscape Plan for Details)
- Park / Recreation



0 50' 100'

Figure 12

ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019

Revised October 6, 2020



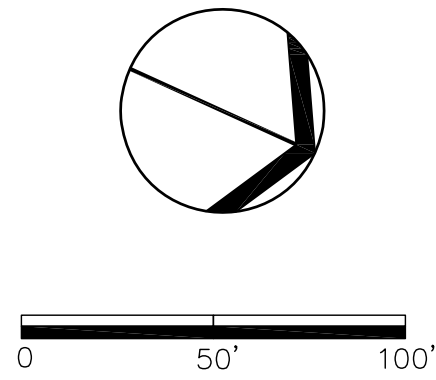
EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM

Monterey, CA 831.649.1799 www.emcplanning.com



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Mix Use Parcels:
Medical Campus - 8.19 AC, 42% of GLA
Commercial - 1.88 AC, 10% of GLA
Residential - 7.51 AC, 38% of GLA
Park - 1.98 AC, 10% of GLA
Right-of-way Dedication - 0.10 AC



LAND USE BUBBLE DIAGRAM
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 6, 2020

E

M

C

EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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PROJECT DATA

1.

PROPERTY DATA:
ASSESSORS PARCEL NO.: 817-09-039
817-09-040
817-09-041
3.

EXISTING SITE:
PERVIOUS: ±18.51 AC
IMPERVIOUS: ±1.16 AC
TOTAL AREA: ±19.67 AC
4.

PROPOSED SITE:
PERVIOUS: ±8.82 AC
IMPERVIOUS: ±10.75 AC
RIGHT OF WAY DEDICATION: ±0.10 AC
TOTAL AREA: ±19.67 AC
5.

OFF-SITE UTILITIES:
STORM DRAINAGE CITY OF MORGAN HILL
SANITARY SEWER CITY OF MORGAN HILL
WATER/FIRE CITY OF MORGAN HILL
GAS & ELECTRIC PACIFIC GAS & ELECTRIC
TELEPHONE VERIZON

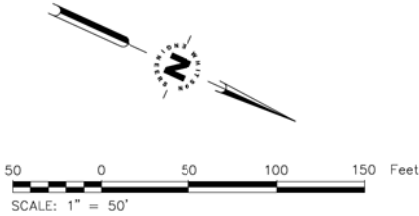
ON-SITE UTILITIES:
STORM DRAINAGE PRIVATE
SANITARY SEWER PRIVATE
WATER/FIRE PRIVATE
GAS & ELECTRIC PACIFIC GAS & ELECTRIC
TELEPHONE VERIZON
6.

ESTIMATED PRELIMINARY EARTHWORK:
CUT: ±30,000 CY
FILL: ±30,000 CY
NET BALANCE
7.

LEGAL DESCRIPTION:
PARCELS C, D AND E, AS SAID PARCELS ARE SHOWN AND SO DESIGNATED ON THE PARCEL MAP FILED FOR RECORD MAY 24, 1983, IN BOOK 513 OF MAPS, PAGE 16, SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA.
8.

PARCEL AREAS:
PARCEL A 4.17 AC
PARCEL B 1.78 AC
PARCEL C 9.49 AC
PARCEL D 4.13 AC
R/W DEDICATION 0.10 AC
TOTAL AREA: 19.67 AC
9.

BUILDING SETBACKS:
FRONT 25'
REAR 0'
SIDE 0'
STREET 15'



CONSTRUCTION KEYNOTES:

1. SOUTHBOUND LEFT TURN LANE CHANNELIZATION PER TRAFFIC STUDY.
2. STORMWATER BASIN SIZED TO DETAIN THE 10-YEAR, 24-HOUR STORM EVENT, INCLUDING FLOW CONTROL STRUCTURE TO LIMIT POST-PROJECT PEAK FLOWS TO PRE-PROJECT PEAK FLOWS FOR THE 2- THROUGH 10-YEAR STORM EVENTS.
3. CONNECT TO EXISTING WATER MAIN.
4. CONNECT TO EXISTING SEWER MAIN.
5. CONNECT TO EXISTING STORM DRAIN.
6. ACCESSIBLE PARKING. SEE SITE PLAN FOR PARKING COUNT AND REQUIREMENTS.
7. TRASH ENCLOSURE.
8. DOMESTIC WATER BACKFLOW DEVICE.
9. FIRE MAIN DOUBLE CHECK ASSEMBLY.
10. FIRE HYDRANT.

CONSTRUCTION PLAN LEGEND

- #

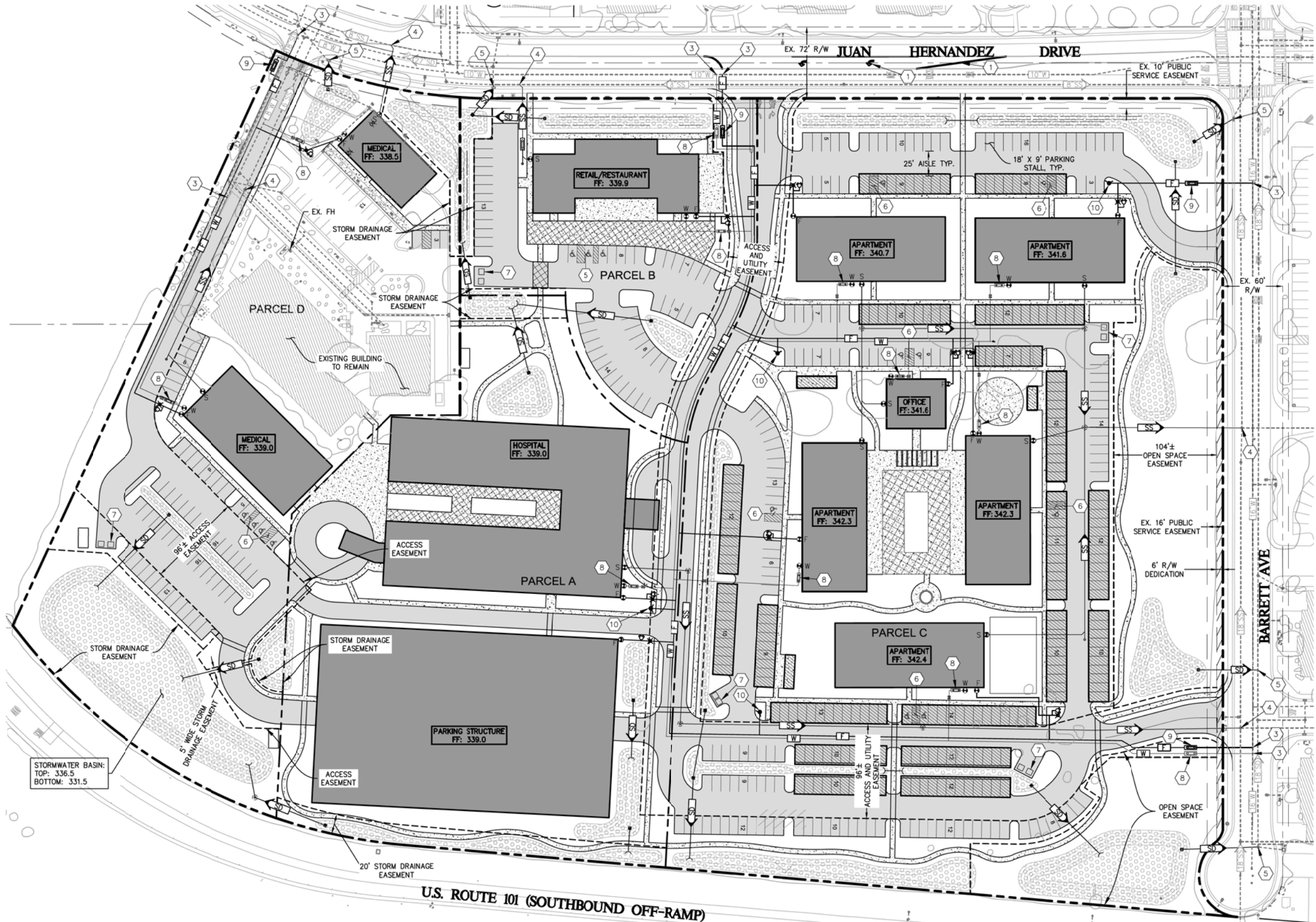
CONSTRUCTION KEYNOTE
- ASPHALT PAVING
- PROPOSED BUILDING
- CONCRETE WALKS AND FLATWORK
- 2

STORMWATER BIORETENTION OR BIOSWALE
- PROPOSED CARPORT/SHADE STRUCTURE
- RIGHT OF WAY DEDICATION
- PROPERTY LINE (EXISTING)
- PROPOSED PROPERTY LINE
- S

SEWER BUILDING POINT OF CONNECTION
- W

WATER BUILDING POINT OF CONNECTION
- F

FIRE BUILDING POINT OF CONNECTION
- FIRE DEPARTMENT CONNECTION AND POST INDICATOR VALVE
- UTILITY MANHOLE
- CLEANOUT



LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT

Morgan Hill, California

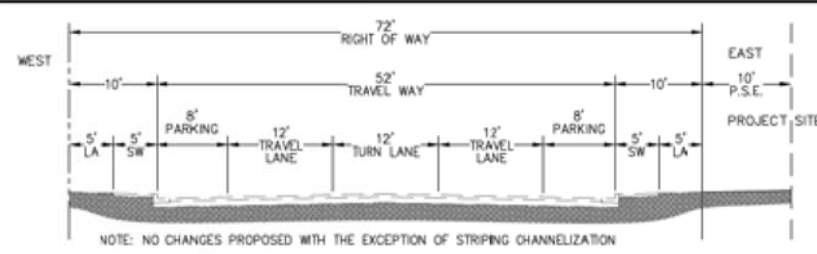
CONCEPTUAL SITE AND UTILITY PLAN

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET

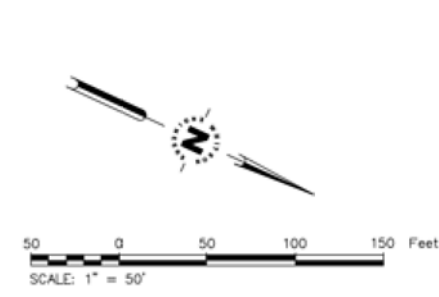
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ESTIMATED PRELIMINARY EARTHWORK:
CUT: ±30,000 CY
FILL: ±30,000 CY
NET BALANCE



3 JUAN HERNANDEZ DRIVE
SCALE: 1" = 10'



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3 RETAIL/ RESTAURANT



1 HOSPITAL

Figure 15

evoco
EVOCO ARCHITECTURE &
INTERIORS
160 SOUTH LINDEN AVE # 210
SO. SAN FRANCISCO CA 94080
415.312.0454

OWNER:
LILLIAN COMMONS, LLC
782 SLEEPER AVENUE
MOUNTAIN VIEW, CA 94040

REVISIONS	
DATE/DESC.	

**LILLIAN COMMONS/ MORGAN HILL
MEDICAL CAMPUS**
0 AND 16130 JUAN HERNANDEZ DRIVE
MORGAN HILL, CA 95037



TITLE:
EXTERIOR
BUILDING VIEWS- 2

DATE: OCTOBER 22, 2019

SCALE: AS NOTED

JOB #: 19150

DRAWN BY: DP

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5.0

LAND USES

Table 1, PD Master Plan Allowed and Conditional Uses, presents uses allowed by the PD Master Plan. The table identifies the use as a permitted (P) or conditionally permitted (C) land use. Uses in bold are new uses added to the permitted uses in the CS zoning district as part of this PD Master Plan. Some uses permitted in the CS district were eliminated from the list. The MU-F General Plan designation permits the property to be developed in a mixed use fashion allowing residential and hospital uses not currently allowed within the 2035 General Plan Commercial land use designation or the CS zoning district.

The conceptual Site Plan portrays five types of uses on the property; however, a revised site plan, or the future reuse or re-purposing of buildings after they are constructed and initially occupied, could change or add to those uses. Table 1, PD Master Plan Allowed and Conditional Uses, provides a comprehensive list of allowed and conditional land uses that could be approved within the PD Master Plan.

Table 1-1 Parcel C PD Master Plan Allowed and Conditional Uses

<u>Use</u>	<u>Planned Development (PD)</u>
<u>Hospitals</u>	<u>P</u>
<u>Medical Offices and Clinics</u>	<u>P</u>
<u>Mixed Use Residential</u>	<u>P</u>

Table 1-2 Parcels A, B, and D PD Master Plan Allowed and Conditional Uses

Use	Planned Development (PD)
Accessory Dwelling Units	P
Banks and Financial Institutions	P
Bars and Nightclubs	C
Bed and Breakfast	C
Business Support Services	P
Cinemas and Theatres	C
College and Trade Schools	C
Convenience Market	C
Commercial Recreation, Indoor <15,000 square feet	P
Community Assembly	C
Cultural Institutions	P
Day Care Center	P C
Drive-Through and Drive-in Facilities	C

Use	Planned Development (PD)
Duets and Duplexes	€
Emergency Shelters	C
Farmers Markets	PC
Food and Beverage Production <10,000 square feet	P
Fuel and Service Stations	€
General Retail	P
Government Offices	P
Group Housing	€
Home Day Care, Small and Large	P
Hospitals	P
Hotel and Motels	C
Instructional Services	P
Live/Work Unit	P
Medical Offices and Clinics	P
Mixed Use Residential	P
Multi-Family Dwellings	P
Nursing Homes and Long-Term Care	€
Parking Lots and Structures	P
Parks and Recreational Facilities	P
Personal Services	P
Professional Offices	P
Residential Care Facilities	C
Residential Care Facilities, Small	PC
Restaurant- Fast Food, Sit Down	C
School, Public and Private	C
Single Family Detached Dwellings	€
Senior Housing, Independent Living	€
Social Services	C
Tasting Rooms	P
Veterinarian Clinics and Hospitals	€
Accessory Uses	(per Section 18.44)
Home Occupations	(per Section 18.92.060)
Temporary Uses	(per Section 18.92.150)

6.0

DEVELOPMENT STANDARDS

Development standards such as heights, setbacks, and building coverage within the planned development combining district are established in the PD Master Plan. Those standards may deviate from development standards in the Service Commercial base zoning district except that the maximum permitted floor area ratio and residential density may not exceed maximums established in the 2035 General Plan for the commercial land use designation. The floor area ratio for the Commercial land use designation in the 2035 General Plan is 0.6. The general plan amendment to Mixed Use Flex changes the floor area ratio to 0.5, which is reflected in the PD Master Plan. Standards in bold have been revised from those of the CS zoning district as part of this PD Master Plan. [Table 2, PD Master Plan Development Standards](#), presents the development standards.

Table 2 PD Master Plan Development Standards

Development Aspect	Parameter
Minimum Lot Size	10,000 square feet
Minimum Lot Dimensions	100-foot width; 100-foot depth
Maximum building coverage	50%
Minimum setbacks (front, rear, side, street) [1]	25, 0 , 0, 15 feet (respectively)
Maximum height (exceptions 18.56.020)	Residential/Office – 4-3 stories or 45-35 feet Hospital – 4 stories or 55 feet
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
On-Site Parking	Per Section 18.72 [2]
Retail	1 space per 250 square feet of net floor area
Restaurant (sit down)	1 space per 100 square feet of net floor area
Medical Office	1 space per 200 square feet of net floor area
Residential (multi-family)	1 bedroom unit – 1 covered 2 bedroom unit – 1 covered and 1 uncovered per unit
Guest Parking	1 per 3 units (shared with Medical Office use)
Electrical Vehicle Parking	1 per 25 to 49 automobile spaces, 2 per 50 to 100 automobile spaces, plus 1 per 50 ratio over 100 automobile spaces
Non-Residential Bicycle Parking	10% of automobile spaces; long term (enclosed): 5% of automobile spaces
Residential Bicycle Parking	10% of automobile spaces; long-term (enclosed), 1 per 5 units

NOTE:

[1] Outdoor seating, courtyards, and other publicly-accessible spaces **may occupy** the front setback. Residential porches and similar entry features may project **ten** feet into the front setback.

[2] Unless otherwise modified in this table.

PD Master Plan Development Standards for Single Family Residential

Development Aspect	Parameter
Minimum Lot Size (Single Family Residential)	1,000 square feet
Minimum Lot Dimensions	22-foot width; 45-foot depth
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Minimum Setbacks (front, rear, interior side, street side)	5 or N/A, 5 or N/A, 0 [1] or 3, 5 feet (respectively)
Maximum Height	3 stories or 35 feet [2]
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
Open Space	Per Section 18.40-4 based on lot size
Parking	Per Section 18.72 [3]
Residential (Single Family)	2 spaces - 1 covered space for each housing unit
Guest Parking	1 per housing unit [4] (shared with Medical Office use)

NOTE:

[1] A setback of zero feet is acceptable on one side yard; provided, that the sum of both side yard setbacks is at least eight feet

[2] Roof elements with minimum 5:12 roof pitch may exceed the building plate height by up to eight feet.

[3] Unless otherwise modified in this table.

[4] These guest spaces may include a combination of driveway parking, alley parking, on-street parking in front of the residence, and designated guest parking spaces.

CONSISTENCY WITH 2035 GENERAL PLAN

7.1 General Plan Land Use Designations

2035 General Plan- Commercial. The Commercial designation is primarily located along arterial roadways west of US Highway 101 and along the eastern freeway frontage. This designation is intended to allow a wide range of retail businesses, administrative and executive office uses, and professional services, either in stand-alone buildings or as part of shopping centers. The largest concentrations of this designation are found along Monterey Road and at the freeway interchanges, where retail stores are emphasized. The Service Commercial overlay along Monterey Road, north of Wright Avenue, allows auto-related uses, except for sales. The Commercial designation allows a maximum FAR of 0.6 and Mixed Use Flex designation allows a maximum FAR of 0.5

The General Plan goals and policies for Commercial with a Planned Development Combining District overlay are described below. In general, the 2035 General Plan encourages neighborhood-scale shopping near residential neighborhoods to foster walking and biking and to avoid car trips.

2035 General Plan - Mixed Use Flex. The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of a Residential or Mixed-Use project within the Mixed Use Flex designation, a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

Because the PD Master Plan includes a mix of uses on the property including retail, medical office, medical hospital, multi-family apartments⁵, and a park element as part of the Planned Development Combining District, Mixed Use in addition to Commercial 2035 General Plan goals and policies have been analyzed.

⁵ [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

7.2 General Plan Goals and Policies

Applicable 2035 General Plan Goals, Policies, and Implementation Measures are presented in Table 3 through Table 9 below, along with an assessment of PD Master Plan consistency.

City and Neighborhood Form

Table 3 General Plan 2035 - City and Neighborhood Form Goals and Policies

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Residential Neighborhoods-GOAL CNF-10 A variety of housing types and densities available to all residents.	Consistent: The PD Master Plan allows for a variety of housing types. The conceptual Site Plan shows multifamily residential which will provide the community with new housing types including one and two bedroom apartments. ⁶
Policy CNF-10.3 Adequate Supply of Multi-Family Housing. Provide for an adequate supply of multi-family housing, located convenient to shopping, services, and transportation routes.	The PD Master Plan will assist the City in achieving an adequate housing supply as the PD Master Plan allows for 200 <u>150</u> residential units. The conceptual Site Plan provides for a mix of residential, commercial, and medical uses that will allow for the placement of housing convenient to the shops, services, and offices, and adjacent to major transportation
Policy CNF-10.6 Density Near Infrastructure. Encourage higher residential densities at locations where convenient access and adequate infrastructure is readily available.	Consistent: The property is adjacent to Juan Hernandez Road and Barrett Avenue in an area with existing utilities. A survey was completed by Whitson Engineers that determined there was adequate infrastructure available around the project site to support the uses identified in the PD Master Plan.
New Subdivisions-GOAL CNF-11 High quality, aesthetically pleasing, livable, sustainable, well-planned residential neighborhoods, well-connected to neighborhood services.	Consistent: The PD Master Plan's conceptual Site Plan provides a well-planned, aesthetically pleasing, livable, sustainable and well-connected residential neighborhood with integrated commercial/retail and medical offices.

⁶ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Policy CNF-11.5 Outside Connections. Require new subdivisions to provide multiple connections to the surrounding community.

Methods to achieve this may include:

- Providing multiple points of entry into the project for motorists, bicyclists and pedestrians.
- Extending the existing street pattern at the edges of the subdivision into the site. Extended streets should match the type and scale of streets to which they connect.
- Installing landscaping and street improvements at the edge of subdivisions that appear as common amenities shared with adjacent neighborhoods.

Consistent: As shown in the PD Master Plan conceptual Site Plan, development within the property will be designed to be compatible with the surrounding neighborhood. Multiple points of pedestrian ingress/egress are provided along Barrett Avenue and Juan Hernandez Drive, with connections to existing sidewalks. Two points of ingress/egress for vehicles and bicycles are provided along Barrett Avenue, and two along Juan Hernandez Drive. A private drive is provided along the southern portion of the property that could provide connectivity to the adjacent vacant parcel to the south when it is developed in the future. The conceptual Site Plan provides for connectivity to this adjacent vacant parcel to facilitate connectivity in anticipation of its eventual development. Residential and open space/park uses will be adjacent to existing residential uses and

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
- Minimizing the use of gates, fences, and walls that separate the subdivision from the surrounding community. - Planning for future connections to adjacent undeveloped property.	Barrett Elementary School, and connectivity within the property will be provided via several pedestrian paths. The open space area abuts Barrett Avenue, which is adjacent to Barrett Elementary School, and will be made accessible to the school. The northern most open space/park area will be dedicated by easement for public use, including use by the Barrett Elementary School, to be used as a common amenity.
Policy CNF-11.10 Open Space. Require new subdivisions to feature integrated common open spaces, parks, and community facilities that serve as social and design focal points. Open spaces should be a close walking distance from all residents and should be large enough to be useful for residents.	The conceptual Site Plan includes approximately three acres of passive park/open space. Approximately 1.7 acres of the open space will be available to the elementary school for its use and benefit. The remainder of open space, including walking trails, serves the residential, commercial and office components of the plan, as well as neighboring residents. The open space and park areas are within walking distance of all of these uses and connected by pedestrian paths.
Policy CNF-12.1 Neighborhood Center Design. Allow neighborhood centers within future residential neighborhoods. Neighborhood centers are envisioned as nodes or focal points that offer neighborhood-serving services and amenities within a reasonable walking distance from adjoining residential areas. These centers should be designed to increase the accessibility of goods and services within existing residential neighborhoods, particularly for the benefit of senior citizens and those with limited mobility, and to offer opportunities for socialization.	Consistent: The PD Master Plan includes neighborhood serving uses and amenities including retail, restaurant, and medical office/hospital uses to serve the proposed and existing neighborhood. These uses include public gathering areas and pedestrian access. These services will be within walking distance to the existing and proposed neighborhoods and will increase the accessibility of services for the existing neighborhood, particularly for the benefit of senior citizens by providing close walkable medical offices.
Policy CNF-12.4 Neighborhood Center Requirements. Require future neighborhood centers to meet the following requirements: - The design of neighborhood center should provide a sense of place, promote casual interaction, and enhance overall well-being. - The design of neighborhood center should complement the residential character of its immediate surroundings, including site design, access, building style, building materials, signage, lighting, and landscaping.	Consistent: The PD Master Plan conceptual Site Plan includes pedestrian pathways that connect the open space, residential, retail, and medical components of the plan. The PD Master Plan includes a small retail center and open space/park areas that, along with the pedestrian access ways, will provide gathering areas and a sense of place, thereby promoting casual interaction and overall well-being. The project will be required to undergo design review with the City of Morgan Hill to ensure that the design complements the residential character of the adjacent neighborhood.

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Mixed Use Flex-GOAL CNF-13 Mixed use flex developments that include a variety of uses and forms to foster a dynamic urban environment. Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.	Consistent: The PD Master Plan allows for a variety of uses including retail, residential, and medical uses. The combination of uses within the property provides for walkability to services for residents and employees.
Commercial and Office- GOAL CNF-15 Sufficient, sustainable, and concentrated commercial and office uses. Policy CNF-15.3 Retail Uses at Major Intersections. Encourage retail sales use at major intersections as the focus of clustered commercial development.	Consistent: The PD Master Plan provides for clustered commercial, medical, and retail uses near a major intersection at the south side of Morgan Hill.
Policy CNF-15.5 Office Development. Encourage new regional and local-serving office development at appropriate locations.	Consistent: The PD Master Plan allows for medical offices/hospital uses to create a campus of medical offices to serve the community and region.
Commercial / Industrial-GOAL CNF-18 Integrated job-generating centers that offer workers and businesses a range of services to meet their daily needs. Policy CNF-18.1 Vibrant Job Centers. Encourage land with a Commercial/Industrial designation to develop with job-generating uses with amenities that support workers and businesses, such as restaurants, lodging, fitness centers, and hair salons.	Consistent: The PD Master Plan allows for concentrated and integrated retail, medical offices and hospital uses that will provide jobs for the City and the surrounding neighborhood. The medical office/hospital is expected to produce approximately 472 jobs. The PD Master Plan also allows for amenities such as restaurants, and personal services to serve the neighborhood and the surrounding community.

Housing

Table 4 General Plan 2035 - Housing Goals and Policies

General Plan Housing Goals and Policies	Consistency Analysis
Goal HE-4 A range of housing types for all age groups, served by transit, recreational amenities, shopping, and health and personal services, that allows residents to age in place.	Consistent: The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office/hospital and retail uses. Residents of the neighborhood would live within walking distance of health and personal services that would allow for them to age in place.
Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.	The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office/hospital, retail uses, open space/park uses, and Barrett Elementary School. The nearest Valley Transportation Authority bus route is located more than one mile from the property, but the applicant is open to the establishment of service at the property.

Economic Development

Table 5 General Plan 2035 - Economic Development Goals and Policies

General Plan Economic Development Goals and Policies	Consistency Analysis
Policy ED-7.4 Compatible Uses in Retail Centers. Encourage the evolution of retail centers into mixed-use activity nodes by supporting integration of uses that provide necessary or useful services or amenities that will benefit nearby residential areas and commercial establishments. Such uses may include but shall not be limited to: a. Health services and fitness facilities. b. Childcare. c. Housing, including affordable and senior housing. d. Religious facilities. e. Education/training facilities. f. Parks/community facilities/public gathering places.	Consistent: The PD Master Plan provides a mix of retail and medical uses convenient to the proposed and existing adjacent neighborhood. The medical and retail uses will provide health and retail services and amenities to the existing and proposed neighborhood. The PD Master Plan also includes public plaza and gathering locations.
GOAL ED-8 Office and industrial areas that provide high-quality work locations for existing and new businesses. Policy ED-8.1 Office and Industrial Development. Support the development of office and industrial facilities to meet local demand, compete for regional growth opportunities, and create high-quality jobs that match with local housing opportunities.	Consistent: The PD Master Plan allows for medical and retail uses to meet local demand and create high quality jobs. The PD Master Plan also allows for residential uses thereby providing local housing opportunities adjacent to places of employment.

Healthy Community

Table 6 General Plan 2035 - Healthy Community Goals and Policies

General Plan Healthy Community Goals and Policies	Consistency Analysis
Parks, Recreation, and Trails- GOAL HC-3 Usable, complete, well-maintained, safe, and high-quality activities and amenities, including active and passive parks and recreational facilities, community gardens, and trails that are accessible to all ages, functional abilities, and socio-economic groups.	Consistent: As shown in the conceptual Site Plan, the PD Master Plan includes over three acres of passive park areas, open space buffer areas, and a tot lot connected by meandering pedestrian pathways. The passive park and open space on the property will allow for multiple activities for all socio-economic groups, functional ability, and ages.
Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.	Consistent: The PD Master Plan identifies open space areas that will be available to residents and patrons of the medical and retail facilities.

General Plan Healthy Community Goals and Policies	Consistency Analysis
Access to Health Care- GOAL HC-7 Access for all residents to health care facilities and other important community health amenities. Policy HC-7.2 Professional Education. Encourage increased education and professional development resources to support students and employees in the health care field.	Consistent: The PD Master Plan provides for 130,400 square feet of medical facilities and important health amenities for residents. It is expected that a wide variety of medical practices will be provided within a campus setting that could encourage increased professional development resources to support students/interns in the health care field.

Transportation

Table 7 General Plan 2035- Transportation Goals and Policies

General Plan Transportation Goals and Policies	Consistency Analysis
GOAL TR-3 A coordinated, continuous network of streets and roads. Policy TR-3.16 Private Development Access along Arterials. Require development that occurs along arterial streets to obtain access through a local street or major entrance and not through curb cuts directly onto the arterial street wherever possible.	Consistent: The property is not accessed directly from an arterial. Tennant Avenue and Butterfield Boulevard are the nearest arterials too the property. The property is accessed from Juan Hernandez Drive and Barrett Avenue, which connect to these arterials.
Policy TR-3.17 Planned Development Access near Highway 101. Require Planned Developments (PDs) for commercial, office, or industrial uses at the intersections of Highway 101 and arterial streets to take access from a public street intersecting with the arterial street at a minimum distance of 600 feet from the freeway on and off ramps, unless the City Engineer finds that direct access to the arterial street or closer access will meet safety standards, or that mitigating actions will be taken to ensure safe access and minimum interference with traffic flows.	Consistent: Access to the property will be from Juan Hernandez Drive and Barrett Avenue. Juan Hernandez Drive is an existing City street that intersects Tennant Avenue at a safe distance from the off ramp of US Highway 101. The nearest property driveway is more than 700 feet north of Tennant Avenue.
Parking-GOAL TR-5 Adequate off-street parking. Policy TE-5.1 Adequate Parking Supply. Ensure that all developments provide adequate and convenient parking...	Consistent: The conceptual Site Plan provides for a 500-space parking structure and 96 additional spaces for the existing and proposed medical uses, 55 spaces for the retail use, and 359 spaces for residential use, which totals 1,010 on-site parking spaces. Based on the parking demand study, the parking supply for the entire project is proposed to total 1,010 spaces, as indicated in the study. The total gross parking requirement for the entire project is 965 spaces using the more conservative approach. There will be an overall surplus of about 45 spaces using City gross parking requirements with selected ITE peak parking rates. The project therefore will provide an adequate total parking supply to meet the overall project demand. Parking is conveniently located within walking distance to the various uses, and can be easily facilitated through a shared parking arrangement.

Policy TR-5.3 Parking Lot Connection. Require cross-connection of parking lots, where feasible and practical, at the time of design review for all commercial and industrial developments.	Consistent: As shown in the PD Master Plan conceptual Site Plan, parking lots are cross-connected where practical.
Bikeways-GOAL TR-8 A useable and comprehensive bikeway system that safely connects neighborhoods with workplaces and community destinations. Policy TR-8.12 Bicycle Parking. Bicycle parking and other supportive facilities shall be provided at all schools, parks, recreation facilities, commercial centers, civic buildings (including the library), transit centers, and workplaces based on the recommendations and standards in the Bikeways Master Plan.	Consistent: Existing bike lanes on Juan Hernandez Drive will serve the development providing a safe bikeway system to get to and from the property. Bicycle parking will be provided at each use on the property to encourage residents, employees, and patrons to use alternative means of transportation. On-site bicycle parking will adhere to the Bikeways Master Plan guidelines, and zoning code requirements.
Pedestrian Network-GOAL TR-9 Expanded pedestrian opportunities. Policy TR9.7 Concurrent Implementation. Where feasible, implement the trails and pedestrian system concurrent with adjacent developments.	Consistent: As shown in the conceptual Site Plan, sidewalks and pathways will be provided throughout the property to encourage walking on the campus. Sidewalks connect to those located on adjacent streets to provide connectivity.
Policy TR 10.3 and TR-10.4 Flexible Work Hours. Encourage employers to provide a flexible set of working hours to ease traffic congestion. Carpooling. Support a Countywide car/vanpool matching program.	Consistent: The applicant will provide educational materials to end uses or future developers to encourage employers to provide flexible work hours, carpooling options, and other alternative transportation methods as may be available. Bay Area employers with 50 or more full-time employees within the Bay Area Air Quality Management District geographic boundaries are required to register and offer commuter benefits to their employees in order to comply with Air District Regulation 14, Rule 1.

Natural Resources and Environment

Table 8 General Plan 2035 - Natural Resources and Environment Goals and Policies

General Plan Natural Resources and Environment Goals and Policies	Consistency Analysis
Water Quality and Conservation - GOAL NRE-7 Conservation of water resources. Policy NRE-7.1 Water Standards for Private Development. Promote water conservation and efficient water use in all private development projects. Require development to exceed State standards for the use of water.	Consistent: Water saving measures will be implemented on the development project in the way of "green" design features. Very low flow toilets, efficient landscaping, and water capture and reuse will be used to conserve water.

Policy NRE-7.3 Water Efficiency and Landscaping. Promote water conservation and efficient water use in all public and private landscaping plans.	Consistent: Drought tolerant and area-suitable landscape materials will be utilized on the development project to promote water conservation.
Energy Efficiency-GOAL NRE-16 Conservation of energy resources. Policy NRE-16.1 Energy Standards for New Development. New development, including public buildings, should be designed to exceed State standards for the use of energy.	Consistent: New development will be designed consistent with energy standards that meet and exceed the City and State standards for use of energy.
Policy NRE-16.7 Renewable Energy. Encourage new and existing development to incorporate renewable energy generating features, like solar panels and solar hot water heaters.	Consistent: Future development of the property will adhere to new State climate change regulations, which include requirements to provide solar energy and otherwise reduce electrical use. Design approval of development is required, during which the merits of the project site plan and design will be considered, including renewable energy.

Safety, Services, and Infrastructure

Table 9 General Plan 2035- Safety, Services, and Infrastructure Goals and Policies

General Plan Safety, Services and Infrastructure Goals and Policies	Consistency Analysis
Noise GOAL SSI-8 Prevention of noise from interfering with human activities or causing health problems. Policy SSI-8.1 Exterior Noise Level Standards. Require new development projects to be designed and constructed to meet acceptable exterior noise level standards (see Table SSI-1), as follows: - Apply a maximum exterior noise level of 60 dBA Ldn in residential areas where outdoor use is a major consideration (e.g., backyards in single-family housing developments and recreation areas in multi-family housing projects). Where the City determines that providing an Ldn of 60 dBA or lower cannot be achieved after the application of reasonable and feasible mitigation, an Ldn of 65 dBA may be permitted. - Indoor noise levels should not exceed an Ldn of 45 dBA in new residential housing units.	Consistent: The conceptual Site Plan includes a 25 foot buffer from the US Highway 101 off-ramp and places the parking and parking garage closest to the freeway to further buffer the medical and residential uses. Residentially occupied buildings are located a minimum of 250 feet from the US Highway 101s through lanes. A noise analysis was completed for the project that determined all exterior and interior noise levels would be met with implementation of the recommendations contained therein. Mitigation measures will be implemented when the buildings are constructed to ensure the acceptable noise levels are met.

Noise levels in new residential development exposed to an exterior Ldn 60 dBA or greater should be limited to a maximum instantaneous noise level (e.g., trucks on busy streets, train warning whistles) in bedrooms of 50 dBA. Maximum instantaneous noise levels in all other habitable rooms should not exceed 55 dBA. The maximum outdoor noise level for new residences near the railroad shall be 70 dBA Ldn, recognizing that train noise is characterized by relatively few loud events.	
Policy SSI-8.4 Office Noise Level Standards. Interior noise levels in office buildings should be maintained at 45 dBA Leq (hourly average) or less, rather than 45 dBA Ldn (daily average).	Consistent: Mitigation measures including noise reduction measures and emergency generator noise suppressors will be implemented when the buildings are constructed to ensure the acceptable noise levels are met. A noise analysis is provided as part of the CEQA documentation.
Policy SSI-8.9 Site Planning and Design. Require attention to site planning and design techniques other than sound walls to reduce noise impacts, including: a) installing earth berms; b) increasing the distance between the noise source and the receiver; c) using non-sensitive structures such as parking lots, utility areas, and garages to shield noise sensitive areas; d) orienting buildings to shield outdoor spaces from the noise source; and e) minimizing the noise at its source.	Consistent: Building location was taken into account in the conceptual Site Plan to locate sensitive uses a minimum of 250 feet from the through lanes of US Highway 101. Building placement and strategically placed landscaping will help to minimize noise at its source. Additionally, the noise analysis recommends an 8 foot sound wall along Highway 101 to reduce noise impacts to the residential component of the project.

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8.0

PD MASTER PLAN AND ZONING FINDINGS

8.1 PD Master Plan Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.30.050.H.7 (Findings).

General Plan and Zoning Consistency

- a. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.*

Finding

The PD Master Plan incorporates an amendment of the 2035 General Plan. The 2035 General Plan designation of Mixed Use Flex with a seven dwelling unit per acre minimum and 24 dwelling unit per acre maximum will allow the residential uses proposed within the PD Master Plan and the hospital use, not currently an allowed use on the property. Section 7 outlines in greater detail how the PD Master Plan is consistent with the goals and policies of the 2035 General Plan. As allowed by Municipal Code Section 18.30.050, the PD Master Plan identifies several changes to the development standards that apply in the CS district; these changes include increased building heights and modifications to parking standards for shared parking arrangements. The floor area ratio is reduced from 0.6 to 0.5. The Planning Commission will have say on two aspects of future development, to ensure consistency with zoning regulations. Design approval is required for all development, during which the merits of the site plan and architectural design will be considered. Some uses may require a conditional use permit, and those will require a hearing to determine suitability. During these reviews, consistency with zoning code requirements will be analyzed as they specifically relate to the development project. The PD Master Plan is not located within a specific plan or area plan.

Superior to Development Under Existing Zoning

- b. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.*

Finding

The PD Master Plan allows a mix of compatible uses, including a much-needed residential component to provide sustainability to the remainder of the uses, and a retail and medical office / hospital component to provide work opportunities to the neighborhood and community. The urgent care/ pharmacy would provide a convenient location for the surrounding neighborhood and patrons to the school to utilize the services it will provide. The affordable multi-family residential uses will allow tenants to age in place, and will provide a near-by down-sizing option for empty nesters in the adjacent single family houses. The passive park with a walking/jogging trail system, located along Barrett Avenue and US Highway 101, will allow for enjoyment by the retail and medical office employees and visitors, as well as by the apartment residents⁷ and residents of the surrounding neighborhood. The high-density residential use will allow elementary school-aged children to walk to Barrett Elementary School. The retail area will provide convenience services to both the medical/office uses and residents.

Substantial Public Benefit

- c. *The proposed project will provide a substantial public benefit as defined in Paragraph 8 (Substantial Public Benefit Defined) below. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.*

Substantial Public Benefit Defined. When used in this section, “substantial public benefit” means a project feature not otherwise required by the zoning code or any other provision of local, state, or federal law that substantially exceeds the city’s minimum development standards and significantly advances goals of the general plan. A project must include one or more substantial public benefits to be rezoned as a planned development. The public benefit provided shall be of sufficient value as determined by city council to justify deviation from the standards of the zoning district that currently apply to the property. Examples of substantial public benefits include but are not limited to:

- a. ***Housing that is affordable to lower-income households.***
- b. ***Public plazas, courtyards, open space, and other public gathering places that provide opportunities for people to informally meet and gather.***
- c. ***New or improved pedestrian and bicycle pathways that enhance circulation within the property and connectivity to the surrounding neighborhood.***
- d. ***Green building and sustainable development features that substantially exceed the city’s minimum requirements.***
- e. *Preservation, restoration, or rehabilitation of a historic resource.*
- f. *Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.*
- g. ***Publicly accessible parks and open space beyond the minimum required by the city or other public agency.***

⁷ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

- h. Habitat restoration and or protection of natural resources beyond the minimum required by the city or other public agency.*

Finding

The items shown in bold above are items for which the PD Master Plan exceeds the City's minimum development standards.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. The residential units are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. The PD Master Plan proponent agrees to enter into a contract with the City to ensure the continued affordability of all affordable rental units for 55 years or a longer period of time if required by an applicable construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program. Rents for the lower income density bonus units will be set at an affordable rent as defined in Section 50053 of the Health and Safety Code.

Single Family for-sale units will comply with the City of Morgan Hill Municipal Code Section 18.48.070, and the city shall ensure that the initial occupant of all affordable for-sale units are households of low-, very low-, or moderate-income, as applicable, that the units are offered at an affordable housing cost as defined in Health and Safety Code Section 50052.5, and that affordability covenants and restrictions continue for 55 years.

Under Municipal Code Section 18.156, residential units are subject to Residential Development Control System (RDCS), and require an application for Residential Building Allotment for any units proposed. SB-330 (2019 – Nancy Skinner) was recently signed by the Governor and eliminates this program that is designed to meter new housing development over time.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public benefit. The two park areas encompass approximately 2.20 acres of land. This acreage does not include the walking trail within other open areas of the property. This area can be used by residents, employees, and the general public as they visit the uses on the project site. The tenants on the property may also use the passive park as an amenity for people to informally meet and gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the park to allow walking opportunities and exercise for seniors and youth. Walkways will connect from the park to all other uses on the property and to the surrounding local streets to provide full connectivity. This will encourage visitors to walk, bike, and use other forms of transportation to reduce greenhouse gas emissions and promote a healthy community. The pathways will provide a connection between the high-density residential uses and Barrett Elementary School, and will connect all uses to the retail commercial area.

Because the development is a Commercial subdivision, the applicant is technically not required to dedicate open space per Title 17, Section 17.28.150. However the proponents, because they are submitting for a PD Master Plan, would like to dedicate a portion of the property as park area, available to the public and to the adjacent Barrett Elementary School. The minimum required open space for this project, if it were a multi-family subdivision, would be to provide recreation amenities in the amount

of .0088 acres per dwelling unit, at 200 dwelling units this would equal 1.76 acres of land. The park area and open space adjacent to Barrett Avenue is approximately 1.73 acres and would be dedicated with an easement, and be available to the general public. Additional public open space is provided where the pathway continues along US Highway 101. Additional open space and amenities are provided for private use of the multi-family residences (approximately 0.70 acres) and as a break area for the employees (approximately 0.44 acres); these would remain in private ownership.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features such as LED smart lighting, solar power, very low flow toilets, and building materials to encourage healthy indoor air quality.

Residential market-rate and affordable housing rental units are proposed to provide a sustainable land use pattern that reduces the number and length of vehicle trips. This higher density residential and mixed use development is within walking distance to Barrett Elementary School, and will also provide for convenient services within walking distance for the on-site employees and residents.

Bicycle parking and pathways are provided to promote alternative modes of transportation. Landscaping will be designed to meet and exceed the state standards for water conservation, including low water use trees and shrubs, and plantings to provide shade to reduce the need for excessive building cooling.

Community Benefits from the Project

Healthcare Facilities. The PD Master Plan would provide much needed medical facilities to serve the community. The Urgent Care/Pharmacy would reduce trips traveled to receive routine medical care. The Cancer Center would provide services to meet the growing need for this service in the area.

Retail Component. Providing an appropriately sized retail/restaurant building would provide onsite workers the opportunity to have breakfast or lunch within walking distance from their place of employment, avoiding automobile travel.

Creates Jobs for Morgan Hill. The hospital, urgent care/pharmacy, medical office and retail uses proposed will provide varied work opportunities for the people living in Morgan Hill and the surrounding area.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public health benefit. The two park areas encompass approximately 2.20 acres of land. It is expected the Restaurants will also have outdoor dining areas, providing places to gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the parks to allow walking opportunities and exercise for all ages. Walkways will connect from the park and to all other uses on the property and to the sidewalks on the surrounding streets, providing full connectivity.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. As proposed in the Conceptual Site Plan, the residential units

are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. If the project is designed with Single Family for-sale units, affordable housing will be provided per the City code.

School Drop-off. The project will help to alleviate the parking and drop-off issues associated with Barrett Avenue Elementary School. Cross walks will be installed on both adjoining streets to enhance walkability to and from the project. Parking to serve the school and public is expected to be provided in the park adjacent to Barrett Avenue.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features.

Landscape the Site. The development will provide abundant landscaping throughout to create a green and aesthetic feel, as well as screen development from the traffic on US Highway 101, Juan Hernandez Drive and Barrett Avenue.

Restore Habitat. The project tree and landscape planting will enhance wildlife on the project site as well as provide a visually pleasing atmosphere for the surrounding area. Flowering plants and trees are proposed to accomplish this restoration. Adequate Property Size

Adequate Property Size

d. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

Finding

With approximately 19.67 acres of land, there is adequate land area to provide the uses proposed in the PD Master Plan. The medical office / hospital uses proposed are intentionally located adjacent to the existing medical office to promote a walkable medical campus. The retail uses, including public services, are proposed along the active local street to ensure visibility and ease of access by the surrounding residential uses and provide easy access by the residents and employees on the property. Residential uses, providing affordable housing, are located on the property to provide adequate separation from the highway and close proximity to the passive park and Barrett Elementary School.

The PD Master Plan under a Mixed Use Flex general plan designation, which includes multi-family residential uses, retail commercial and restaurant, medical office/hospital uses, and open space parks, will provide a dynamic environment of compact living. This will allow residents and employees to meet daily needs and lessen the need for a private automobile.

Adequate Infrastructure

e. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

Finding

The PD Master Plan, which abuts the US Highway 101 off-ramp, is surrounded on two sides by local streets and has a driveway connection just south of the existing medical offices, used for access to the medical campus and additional driveways are proposed for site access. Juan Hernandez Drive and Barrett Avenue are existing local streets with the capacity to handle the development of this property. Circulation to the property from within Morgan Hill is provided by Tennant Avenue and Butterfield Boulevard. Public utilities exist in the surrounding streets and can serve the proposed development.

Compatible with Surroundings

- f. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.*

Finding

The PD Master Plan deviates from the approved commercial zoning existing on the property by the addition of hospital and multi-family residential uses. With the incorporated general plan amendment to Mixed Use Flex, and the mixed use development envisioned in the conceptual Site Plan, suitable transitions between the existing uses will be provided. There are no uses included in the conceptual Site Plan that would have an adverse effect on the surrounding residential and school uses. The existing residential uses adjacent to Juan Hernandez Drive and Barrett Avenue, and Barrett Elementary School will benefit from the retail and restaurant uses that the PD Master Plan provides. The park and open space provided on the property will benefit the adjacent Barrett Elementary School and the adjacent residences. The high density residential use will provide a suitable buffer between the adjacent single family residences and school, and the walkable medical campus. The uses proposed will not cause odors, health risks, or safety issues to the surrounding sensitive uses. Adequate measures will be taken during the construction phase to protect the surrounding property from noise, vibration, dust, and construction traffic.

Zoning Map Findings

- g. Findings required for the concurrent approval of a zoning map amendment can be made.*

Finding

The project site is in a Services Commercial zoning district with a PD combining overlay so the finding can be made that it is consistent with the zoning map. Amending the 2035 General Plan use to allow the residential and hospital use will not alter the zoning map.

8.2 Zoning Amendment Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.114.060 - Findings for Approval.

A. *Findings for all Zoning Code and Zoning Map Amendments.*

General Plan Consistency

1. *The proposed amendment is consistent with the general plan and any applicable specific plan as provided by Government Code Section 65860.*

Finding

With the general plan amendment that is incorporated into the PD Master Plan, the zoning map amendment is consistent with the 2035 General Plan. The general plan land use diagram amendment from Commercial to Mixed Use Flex allows specific residential uses to be included in the CS district with the PD overlay.

Public Interest, Health, Safety, Convenience, Welfare

2. *The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.*

Finding

The multi-family residential uses would be beneficial to the public interest, health, safety, convenience, and welfare of the city. The multi-family residential uses would provide more opportunities for residents to work near the medical offices, retail uses, and medical/hospital facility on the property, all of which provide job opportunities for the onsite and surrounding residential uses. The residential uses, including 15 percent affordable units, would also allow seniors the opportunity to age in place, consistent with 2025 General Plan policy. Providing residential uses in close proximity to the commercial and office uses would also reduce the greenhouse gas emissions if the residents were employees or were patrons of the proposed uses, and would enable school-aged children to walk to school. The multi-family residential housing added on this property, when capped at 200-150 units, would not create an overload on the local street system. Additionally, where the housing is positioned on the property allows for a step down from the existing residential and public facility use to the denser office and commercial uses. The hospital use would also be beneficial to the public interest, health, safety, convenience, and welfare of the city. The hospital would provide much needed medical service to the community and a variety of job opportunities.

Internal Consistency

- B. *Additional Finding for Zoning Code Text Amendments. The proposed amendment is internally consistent with other applicable provisions of the zoning code.*

Finding

No changes to the existing zoning code text will be made. The PD Master Plan continues to rely on Zoning Code development standards for the most part. Several deviations from established standards are specifically outlined in the PD Master Plan, consistent with the regulations for establishing PD districts and PD Master Plans. There would be no internal inconsistencies as a result of the PD Master Plan.

Physically Suitable Site

- C. *Additional Finding for Zoning Map Amendments. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.*

Finding

The 19.67 acre parcel is suitable in design, location, shape and size to accommodate the uses allowed by the PD Master Plan. The multi-family residential use would be appropriate next to the passive park located on the property along Barrett Avenue and would serve as a buffer from the more intense uses of office/commercial on the southern end of the property. With the amendment to the 2035 General Plan changing the land use designation from Commercial to Mixed Use Flex, the PD Master Plan is consistent with the general plan and zoning code. All of the uses in the PD Master Plan will contribute to the health, safety, and welfare of persons living or working on the property and surrounding properties, and to the community at large. The PD Master Plan promote community health and social interaction within the neighborhood by providing retail stores, a restaurant, plazas, and open spaces as gathering places. The pathways provide places for healthful exercise.

9.0

LEGAL DESCRIPTIONS

Legal Description – APN 817-09-039 and 817-09-041

Real property in the City of Morgan Hill, County of Santa Clara, State of California, described as follows:

All of parcels “D” and “E”, as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California on May 24, 1983 in Book 513 of Maps, on Pages 14, 15, and 16, more particularly described as follows:

Beginning at the most southerly corner of said parcel “D”, as shown on said Parcel Map; thence

- 1) South 89°03’ 48” West, 637.61’, thence
- 2) Along a non-tangent circular curve, concave west, the center of which bears South 89°03’ 47” West, with a radius 536.00’, through a central angle 3° 44’ 38”, an arc length of 35.02 feet; thence
- 3) North 89° 03’ 48” East, 276.87 feet; thence
- 4) North 19° 31’ 04” East, 203.35 feet; thence
- 5) North 70° 28’ 56” West, 58.00 feet; thence
- 6) North 25° 28’ 56” West, 83.00 feet; thence
- 7) South 64° 31’ 04” West, 321.00 feet; thence
- 8) Along a non-tangent circular curve, concave southwest, the center of which bears South 68° 32’ 11” West, with a radius 536.00’, through a central angle 4° 00’ 40”, and arc length of 37.52 feet; thence
- 9) North 25° 28’ 29” West, 711.68 feet; thence
- 10) Along a tangent circular curve, concave east, with a radius 20.00 feet, through a central angle 89° 59’ 29”, and arc length of 31.41 feet; thence
- 11) North 64° 31’ 00” East, 717.84 feet; thence
- 12) Along a non-tangent circular curve, concave south, the center of which bears South 15° 32’ 49” East, with a radius 20.00 feet, through a central angle 42° 46’ 35”, an arc length 14.93 feet; thence

- 13) Along a tangent reverse circular curve, concave northwest, with a radius 42.06 feet, through a central angle $137^{\circ} 35' 51''$, an arc length 101.01 feet; thence
- 14) South $20^{\circ} 31' 38''$ East, 842.39 feet; thence
- 15) Along a non-tangent circular curve, concave west, the center of which bears South $69^{\circ} 29' 06''$ West, with a radius 547.00 feet, through a central angle $46^{\circ} 59' 24''$, an arc length 448.61 feet; thence
- 16) South $26^{\circ} 26' 41''$ West, 17.26 feet, more or less to the Point of Beginning

End of Description

All of parcels "C", as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California

Legal Description - APN 817-09-040

The land referred to herein below is situated in the City of Morgan Hill, County of Santa Clara, State of California and is described as follows:

Parcel One:

Parcel C, as shown on Parcel Map recorded in Book 513 of Maps, at Pages 14, 15, 16, Santa Clara County Records, and being a portion of Lot 25 and lot 52 of "Catherine Dune Ranch Map No. 7", as shown on Map thereof, recorded in Book "L" of Maps, at page 26, Santa Clara County Records.

Parcel two:

An easement for ingress and egress over, under, on and across a strip of land 35.00 feet wide, described as follows:

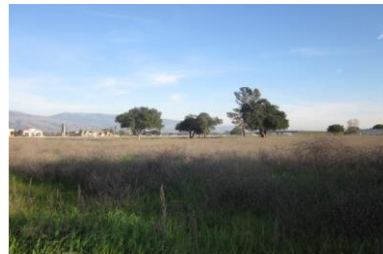
Beginning at an iron pipe distant thereon South 25 degrees 57' 55" East 126.93 feet from the Southerly corner common to Lots 24 and 25, as shown on said Map and running thence North 89 degrees 03' 48" East 276.87 feet, South 00 degrees 56 deg. 12" East 35.00 feet, and South 89 degrees 03' 48" West 272.72 feet; thence along a curve to the left from a tangent bearing of North 00 degrees 56' 12" West, having a radius of 536.00 feet and a Central Angle of 3 degrees 44' 48", a distance of 35.03 feet to the Point of Beginning.

**PD Master Plan Zoning Amendment / General Plan Amendment/
Application for Development Permit**

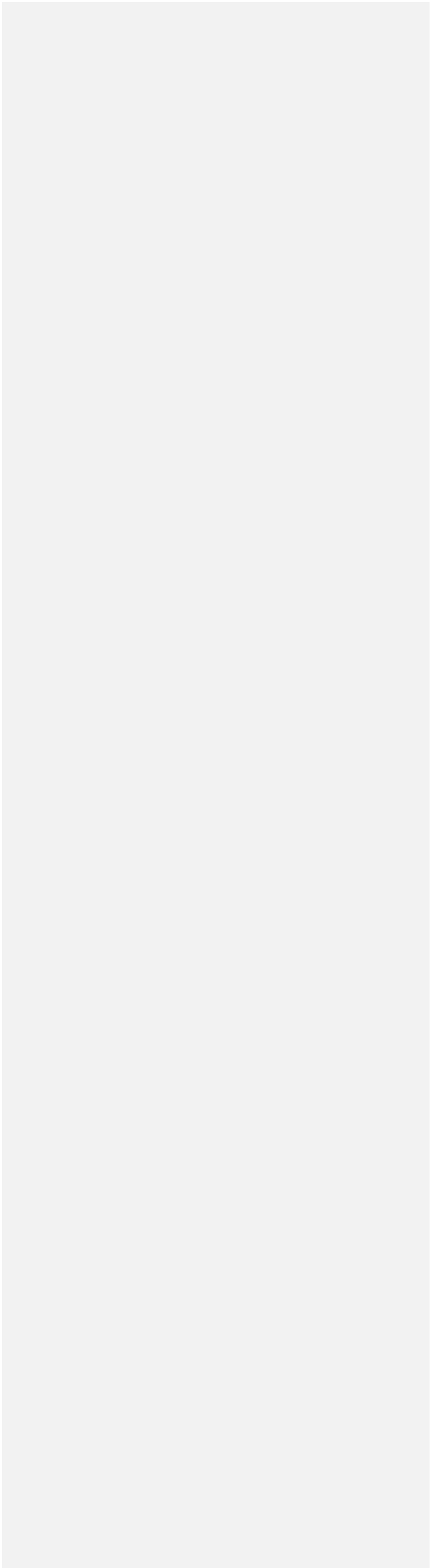
Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Lillian Commons, LLC-Applicant

Introduced November 4, 2020



**Prepared by
EMC Planning Group**



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

**PD MASTER PLAN ZONING
AMENDMENT / GENERAL PLAN
AMENDMENT /
APPLICATION FOR DEVELOPMENT PERMIT**

**Lillian Commons/ Morgan Hill Medical
Campus A Mixed Use Development**

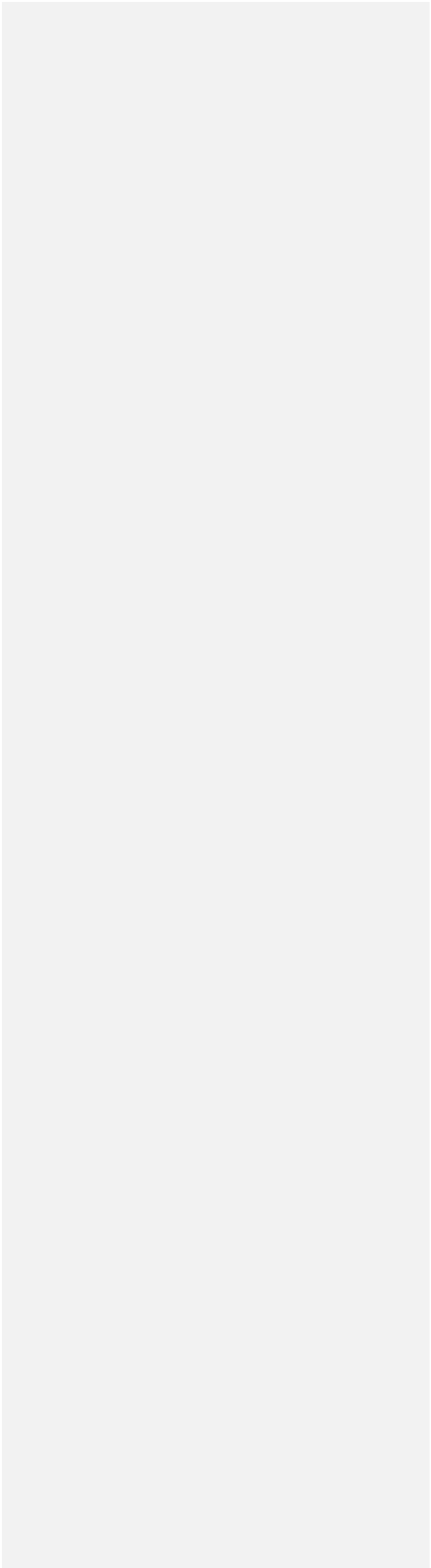
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March 13, 2020



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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1.0

INTRODUCTION

This Planned Development (PD) Master Plan has been prepared pursuant to the requirements of the City of Morgan Hill Municipal Code, and submittal requirements of the Community Development Department. This PD Master Plan also incorporates the requirements for a General Plan Amendment; the property has been concurrently re-designated from Commercial to Mixed Use Flex.

The PD Master Plan covers an area of approximately 19.7 acres east of Juan Hernandez Drive and north of Tennant Avenue. Refer to PD Master Plan section 4.5 for maps illustrating the plan boundary.

The PD Master Plan presents the following required information:

- Planning objectives;
- Community benefits;
- Land uses and approvals;
- Development standard deviations requested;
- Circulation plan;
- Locations of public facilities and open space;
- Diagrams showing various aspects of planned development;
- Development phasing; and
- Ongoing obligations

The PD Master Plan provides an overlay to the base Commercial Services (CS) zoning district. The purpose of the CS zoning district is to provide an area for commercial services that may be inappropriate in neighborhood or pedestrian-oriented shopping areas, and which generally require automotive access for customer convenience, servicing of vehicles or equipment, loading or unloading, or parking of commercial service vehicles.

The purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in the City of Morgan Hill. Permitted land uses may deviate from the land use regulations of the applicable base zoning district, in this case Service Commercial, provided the PD combining district allows only those land uses permitted in the applicable general plan land use designation.

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2.0

PLANNING OBJECTIVES

The PD Master Plan is designed to achieve the following planning objectives:

- Build off existing medical offices to provide a complete medical services center within the City.
- Provide a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community.
- Provide housing for the medical office/ hospital uses that would be affordable to the employees of these uses.
- Provide high-density housing in proximity to a school, commercial services, and employment opportunities.

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3.0 COMMUNITY BENEFITS AND GENERAL PLAN AMENDMENT JUSTIFICATION

3.1 Planned Development Community Benefits

The PD Master Plan will provide the following community benefits to the City of Morgan Hill:

- Provide the City with a well-rounded medical center featuring medical offices, urgent care/ pharmacy, and hospital beds.
- Provide the City with additional high-density housing to help the City achieve its Regional Housing Needs Allocation for lower income housing, and construct affordable housing units.
- Provide the neighborhood and City with open space, courtyards, and plazas that provide opportunities for people to informally meet and gather.
- Provide the neighborhood and City with pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood.
- Locate housing in proximity to parks, a school, retail, and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions.
- Provide the City with green buildings and sustainable development features. These will include photovoltaic renewable energy and meeting or exceeding Title 24 standards by three to five percent.
- Provide accessible parks and open space beyond the minimum required by the City. Park land will be dedicated to the City and the project will provide a walking/ jogging trail around the perimeter of the property to facilitate healthy living.

3.2 General Plan Amendment Justification

The PD Master Plan incorporates an amendment to the 2035 General Plan designation for the property to Mixed Use Flex (MU-F). The general plan amendment is necessary to permit the residential and hospital uses. Under the PD zoning, only those uses allowed in the property's general plan land use designation may be permitted by the PD zoning, and the general plan amendment to Mixed Use Flex accomplishes that purpose.

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The 2035 General Plan defines the Mixed Use Flex district as follows:

The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of Residential or Mixed-Use projects within the Mixed Use Flex designation a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

This definition suits the development planned in the PD Master Plan, as the PD Master Plan conceptual Site Plan incorporates housing near the medical office/hospital uses that is intended to be affordable to the employees of these uses. In addition, the conceptual Site Plan incorporates a small commercial component within a 10,000 square foot building, with retail/restaurant uses to serve the employees and visitors to the hospital as well as the surrounding residential community. The conceptual Site Plan shows how the medical office/hospital, commercial, and high-density residential uses will be arranged and connect with one another.

Best Interest of the Community

Why is the proposed amendment in the best interest of the community?

The residential uses are located within the property to provide a transition in intensity between the existing medical uses, Barrett Avenue Elementary School, and the single family residential uses abutting Juan Hernandez Drive to the west. The commercial, medical office/ hospital uses will be located adjacent to the existing medical offices, providing a campus feel on the property. The structured parking will provide adequate parking to accommodate the medical uses and provide overflow parking for the compatible high-density residential uses on the project site.

The mix of uses will provide convenient retail uses and services adjacent to both the high density residential uses and the medical office/hospital. The medical office/hospital will be located close to a freeway access, and just off two thoroughfares (Tennant Avenue and Butterfield Boulevard) providing convenient access to Morgan Hill residents and those from elsewhere in the region.

Public Need

Is there currently a public need for this amendment?

The Commercial uses outlined in the 2035 General Plan, though appropriate for this property, do not include the “third leg” which provides a sustainable living solution for commercial and institutional employees. Housing, and especially affordable housing, are a critical public need throughout the State, and especially in the Bay Area. Apartments¹ are an affordable housing option for service workers and would provide employees the opportunity to eliminate their commute to work. The one and two bedroom apartments², with 15 percent affordable, would allow younger adults, families, and seniors to live and work in a sustainable manner. Additionally the proposed amendment to the 2035 General Plan for this property would go a long way toward meeting several General Plan policies, as listed below, and addressed in Section 7.0, 2035 General Plan Consistency.

Housing- Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.

Healthy Community- Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.

City & Neighborhood Form- Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.

The proposed hospital would also provide for the public needs, adding a much-needed medical services to the City of Morgan Hill. The hospital will also provide a variety of jobs for the city and surrounding population.

¹ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

² All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

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4.0

PROPERTY AND DEVELOPMENT DESCRIPTIONS

4.1 Property Description

Location

The property within the PD Master Plan is located in the City of Morgan Hill, California, on Juan Hernandez Drive between Tennant Avenue and Barrett Avenue, adjacent to South Valley Freeway (US Highway 101-Salinas Valley Freeway). [Figure 1, Regional Location Map](#), shows the property location in a regional setting. All figures discussed in this section are presented in Section 4.5. Regional access to the property is provided by US Highway 101, and local access to the property is provided by Tennant Avenue from the south and Barrett Avenue from the north. Ingress and egress to the project site will be primarily from Juan Hernandez Drive, along the western property boundary.

The approximately 19.67-acre property consists of two adjoining undeveloped parcels of land (13.94-acres and 4.04-acres) and one developed parcel (1.69-acres). [Figure 2, Location Map](#), illustrates the location of the property with the parcels delineated. [Figure 3, Assessor's Parcel Map](#), presents the parcel map for the property and the Assessor's Parcels Numbers (APNs) 817-09-041 (13.94-acres), 817-09-039 (4.04-acres) and 817-09-040 (1.69-acres). Legal descriptions are presented in Section 9.0.

Property Characteristics

The undeveloped land is relatively flat, with several trees located on the northern parcel. Most of the property is vacant and has been farmed in the distant past. Two medical office buildings and related site improvements (driveway, parking, landscaping, and utilities) exist on the southern portion of the property as illustrated on [Figure 4, Existing Conditions Map](#).

Existing Land Use Designation and Zoning

The property is designated Commercial in the 2035 General Plan as illustrated in [Figure 5, Existing City General Plan Land Use Diagram](#), and is located in the Service Commercial zoning district with a Planned Development Combining District Overlay (PD) as illustrated in [Figure 6, Existing City Zoning Map](#).

Property Data

Project Location

City of Morgan Hill, CA (East of Juan Hernandez Drive, south of Barrett Avenue and west of US Highway 101 or Salinas Valley Freeway).

Street Address

0 and 16130 Juan Hernandez Drive, Morgan Hill, CA

Existing Assessor's Parcel Numbers

817-09-039, and 817-09-040, and 817-09-041

Acreage

Gross Property Acreage: 4.04, 1.69, and 13.94 (19.67 acres)

Net Property Acreage: 4.03, 1.66, and 13.49 (19.18- acres)

Zoning

Services Commercial District (CS) with Planned Development Combining District (PD) overlay

General Plan Designation

Mixed Use Flex (amended from Commercial)

4.2 PD Master Plan Description

General Plan Amendment

Incorporated into the PD Master Plan is an amendment to the 2035 General Plan land use diagram to change the designation for the property from Commercial to Mixed Use Flex (MU-F). [Figure 7, General Plan Amendment](#) indicated the existing and proposed land use designation.

Zoning Map Amendment

Concurrent with approval of the PD Master Plan, the property will be re-zoned by ordinance to reflect the application of the Planned Development combining district with a base CS district, and incorporation of this PD Master Plan for the property as illustrated in [Figure 8, Zoning Plat](#).

Parcel Map

A parcel map will divide the property's three existing parcels into four parcels to facilitate development or sale. The two vacant parcels would be subdivided into three parcels (A-C). The existing medical office site (Parcel D), would be reconfigured and included as part of the overall PD Master Plan. [Figure 9, Tentative](#)

[Parcel Map](#), prepared by the project engineer indicates how the property will be subdivided. The three existing lots will be re-organized into four parcels. Parcel A, 4.17 acres, Parcel B, 1.78 acres, Parcel C, 9.49 acres, Parcel D, 4.13 acres, and 0.10 acres will be dedicated as right-of-way along Barrett Avenue.

Development

Development anticipated within the PD Master Plan would be in the range of 350,000 – 417,696 square feet of residential, commercial, office, and/or institutional uses, including up to 150 multi-family dwelling units. All land uses permitted in the PD Master Plan are presented in Section 5.0.

[Figure 10, Site Plan](#) is presented in Section 4.5. The conceptual Site Plan includes five uses. The square footage of each use is that provided on the conceptual Site Plan, and could slightly increase or decrease.

- 4,500 square foot urgent care/pharmacy facility on the existing medical site;
- 10,000 square foot medical office as cancer center;
- 100,000 square foot medical office and hospital with a parking deck (multi-story with 54,000 square-foot footprint);
- 10,000 square foot commercial retail/restaurant building; and
- 150-unit multifamily residential development.

All uses will share common driveway access to Juan Hernandez Drive and Barrett Avenue. The conceptual Site Plan illustrates the overall development concept, including the proposed land uses, building placement, circulation patterns, parking, and open space. The descriptions in this section are based on the conceptual Site Plan.

Parcel A

The proposed medical/hospital facility will occupy one building in Parcel A. Two pick-up/drop-off areas are located adjacent to the proposed buildings to assist patients. Development of Parcel A includes a 500-space parking structure that will be shared by the adjacent uses along with access and utility infrastructure. A small park is also located on Parcel A for visitors and employees.

Parcel B

This parcel will be developed with approximately 10,000 square feet of commercial/retail uses, including a 5,000 square-foot sit down restaurant, a 55-space surface parking lot, and access and utility infrastructure. The remaining 5,000 square feet will be available for other personal service or retail uses. The mix of uses within this building will be market driven and could fluctuate over the life of the building.

Parcel C

Parcel C will be developed with 150 multifamily residential units. Additional vehicle parking will be available through a shared parking agreement with the developer of Parcel A.. Parcel C may also be developed with Single Family attached and detached for-sale dwelling units or other medical office uses.

Parcel D

Parcel D includes two existing medical buildings totaling 15,900 square feet and parking. The existing medical buildings will remain and a new one story 4,500 square foot urgent care/pharmacy medical facility will be constructed on this parcel, located in what is now occupied by a portion of the parking lot, leaving 30 surface parking spaces to remain for the existing medical facility and urgent care/pharmacy. A 10,000 square foot medical office – cancer center and a 66-space surface parking lot will be developed on this reconfigured parcel. Parking for the existing medical building displaced by the proposed urgent care/pharmacy facility will be replaced adjacent to the proposed medical office – cancer center and through a shared parking agreement with the remainder of the medical facility that will be developed on the new Parcel A.

Parkland/Open Space

The PD Master Plan includes the provision of approximately 2.9 acres of parks and open space. Amenities on Parcel C include a swimming pool, hot tub, lounging patio, and tot lot/play area, open play fields, and jogging/walking trail connections to adjacent sidewalk systems. Recreational parkland amenities in Parcel A include passive recreational opportunities with a landscaped area and park benches located between the medical/hospital facility and the commercial uses on Parcel B. Trail connections are provided throughout the property including new pedestrian access to the existing medical campus (Parcel D).

Site Access/Circulation

Access to the project site will be provided by four driveways: the existing driveway to the medical office would be retained and extended to provide secondary access to the medical/hospital facility and cancer center. An additional driveway, approximately 460 feet north of the existing driveway, will provide the primary access to Parcels A-C through the middle of the property. Two additional driveways will provide secondary access to the multifamily residential development from Barrett Avenue. The accessways for all project components are interconnected within the property. All new accessways will be designed to meet City of Morgan Hill design and performance standards for streets, driveways, curb, gutter and sidewalks. The conceptual Site Plan provides a layout of the circulation system for the project.

Juan Hernandez Drive is a two lane street with striping at Barrett Avenue to allow for turn lanes. The street is wide enough to provide on street parking but individual spaces are not marked. Barrett Avenue is a two lane street primarily providing access to Barrett Elementary School. Two left turn lanes from Juan Hernandez Drive into the property are proposed.

Sidewalks will be extended into the property from the existing sidewalks along Juan Hernandez Drive and Barrett Avenue. Connection will be made to the existing sidewalks on Juan Hernandez Drive and Barrett Avenue. Within the project boundary, sidewalks will be provided on all internal driveways to meet Americans with Disabilities (ADA) standards. Bicycle traffic shares the paved area or uses the sidewalk. Pathways and sidewalks designated for bicycle use will meet Caltrans design standards for bikeways. The passive park with a jogging/walking trail for pedestrians, will serve as a passage way from Barrett Avenue to the south side of the property. Additionally, all the uses proposed in the development project will have pedestrian connections to the park.

Parking

Parking will be located on each parcel and a shared parking agreement will be implemented per Municipal Code Section 18.72.050, on-site parking alternative-Section F, to meet the parking needs of the development. Parking below standards for some uses will be met by implementing a shared parking agreement between the newly created parcels within the property. Additionally, the mix of land uses will result in walking trips that will reduce parking demands for some uses.

Signage and Lighting

A detailed signage and lighting plans will be submitted during the Design Review phase of the project review. Signage and lighting will comply with the City of Morgan Hill Municipal Code, Sections 18.88 and 18.72.060G. We anticipate signage will be located at the intersection of Juan Hernandez Drive and the main access drive into the property, currently labeled as Street A on the conceptual Site Plan. Additional internal signage locations have not been determined at this time.

Storm Water Infrastructure

All drainage systems will be designed to comply with City and Regional Water Quality Control Board requirements for storm water management. Bio swales will be dispersed throughout the development, including a 25-foot wide landscape buffer along the east property line and a storm water basin, located in the southeast corner of the property. All drainage improvements will be designed and landscaped to meet City and State design criteria and performance standards. Where necessary, fencing around the ponds will consist of black chain link or decorative fencing and landscaping to shield views from US Highway 101 and onsite patrons.

Other Utilities

Sewer, water, and wastewater infrastructure will be designed and constructed in conformance with City standards. Ownership and maintenance will generally correspond to location within public or private property. Where utilities cross private property, easements will be established as necessary to provide access. Other utility infrastructure (gas, electric, communications, etc.) will be designed and constructed in conformance with State or utility standards. Ownership of these utilities will remain with the utility, with easements established as necessary to provide access.

Phasing

The proposed project would likely be constructed in phases starting with development of Parcel C, followed by development of Parcels B and D, and closing with the development of Parcel A. The hospital use will require approvals by the Office of Statewide Health Planning and Development (OSHDP) and the Division of the State Architect, some approvals could take as long as seven years, which is why it is expected to be the final element of the project to be developed. Full occupancy of all uses is assumed to occur in the year 2025-2027. Market factors could result in a changed phasing sequence.

Conceptual Development Plans

Figure 10, *Conceptual Site Plan*, illustrates the overall development concept, including the proposed land uses, buildings, circulation patterns, parking, and open space and common areas. This plan documents the percentage of site area that will be dedicated for all types of open space.

Figure 11, *Pedestrian Circulation/Open Space Plan*, illustrates the connectivity of the project, how it relates to the surrounding pedestrian network, and open space proposed on the project site.

Figure 12, *Illustrative Site Plan*, is a conceptual color rendering of how all the elements come together on the property.

Figure 13, *Conceptual Site and Utility Plan*, provides locations of sewer, water and fire connection on the site plan and also shows the proposed storm water management areas.

Figure 14, *Conceptual Grading Plan*, provides conceptual contour grading, drainage and flood control facilities, easement, property lines, rights-of-ways, and existing features beyond the site boundaries. Structures, building footprint and floor elevations are also depicted on the conceptual Grading Plan.

Full Size Plans, Illustrative Building Elevations, provided under separate cover, illustrate the building elevations and provide perspective renderings for each building. The building architecture and design are inspired by a distinctly modern and geometric aesthetic, using classical materials for a timeless appearance. The elevations are crafted of warm wood, grey stone and contrasting light stucco. The transparent glazing panes will provide ample daylight and animate the buildings, flooding the interior spaces with natural light and the orthogonal volumes and surfaces complement each other. The parking deck form is reduced in mass by using landscape screens facing US Highway 101.

Full Size Plans, The Conceptual Landscape Plans, provided under separate cover, identify landscaped areas throughout the PD Master Plan and explain the main landscape concepts to be achieved for the project. The conceptual Landscape Plans identify the major types of plant material to be used including street trees, parking lot trees, shrubbery to be used to screen the parking lots, and buffer plantings.

Conceptual Site Development Data

The PD Master Plan's conceptual Site Plan (see Figure 10) is used to provide the numbers that were used to prepare the project description and CEQA documentation. Additional dwelling units or floor area may be achieved on the property. The PD Master Plan allows a range of 350,000 – 417,696 square

feet of commercial, office, and/or institutional floor space and a maximum of 150 multi-family or single family dwelling units. It is expected the conceptual Site Plan will be modified prior to Design Review. Modification will be kept to a limit acceptable to not trigger additional CEQA impacts or mitigation measures. If the conceptual Site Plan changes exceed this limit, additional CEQA documentation may be necessary.

Medical Office/Cancer Center

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot maximum)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 2 EV spaces, and 5 bicycle spaces

Medical/Hospital

Building Coverage: 33,333 square feet

Floor Area: 100,000 square feet

Building Height: Three story (52-foot maximum including rooftop equipment)

Parking: 500 shared spaces within deck, including 9 ADA spaces, 10 EV spaces, and 25 bicycle spaces

Decked Parking

Building Coverage: 54,000 square feet

Building Height: Three story (32-foot)

Retail/Restaurant

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot)

Parking: 55 spaces, including 3 ADA spaces, 2 EV spaces, and 5 uncovered bicycle spaces

Multi-Family Housing

Building Coverage: 51,750 square feet (apartments and clubhouse/leasing office)³

Floor Area: 175,500 square feet – apartments; 3,000 square feet – club house⁴

Building Height: Varies by building: Three story (35-foot maximum)

³ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

⁴ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Dwelling Units: 150 Units

Parking: 359 spaces, including 8 ADA spaces, 200 covered spaces, and 7 EV spaces

Bicycle Parking: 36 covered bicycle spaces, 40 uncovered bicycle spaces

Urgent Care and Pharmacy

Building Coverage: 4,500 square feet

Floor Area: 4,500 square feet

Building Height: One story (25-foot)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 3 uncovered bicycle spaces

Existing Medical Buildings

Building Coverage: 15,900 square feet (12,300 square feet and 3,600 square feet)

Floor Area: 15,900 square feet

Building Height: One story

Parking: 96 shared spaces, including 30 existing spaces, 4 ADA spaces, 2 EV spaces and 4 uncovered bicycle spaces.

Park

Open Space / Passive Park Acreage: +/- 2.2 acres

Recreation exclusive for Multi-Family: +/- 0.70 acres

Additional open space is provided on site in landscaped buffers including walking/jogging trails.

Total Building Coverage

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Allowed: 417,696 square feet (50% of net land area)

Proposed: Not to exceed 50% (conceptual Site Plan indicates 212,319 square feet (25% of net land area)

Floor Area Ratio (FAR)

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Maximum FAR (per MU-F 0.5): 417,696 square feet

Proposed FAR: (0.42-0.5) 350,000 to 417,696 square feet (conceptual Site Plan indicates 351,786 square feet)

Total Square Feet

(Within buildings/carports on conceptual Site Plan)

Retail/Restaurant: 10,000 square feet

Medical Offices (4): 30,400 square feet

Medical/Hospital: 100,000 square feet

Residential: 178,500 square feet (includes club house/leasing office at 3,000 square feet)

Covered Residential Parking: 32,886 square feet – expected to be carports

Total: 351,786 square feet – (does not include the commercial parking structure)

Total Parking

Proposed Vehicle Parking: 1,010 spaces total (96 compact spaces at bio swales)

Covered Vehicle Parking: 700 spaces (500 spaces within parking structure)

Bicycle Parking: 118 (36 covered spaces, 82 uncovered spaces)

ADA Parking: 28 spaces

Electric Vehicle (EV): 23 spaces

4.3 Implementing Approvals

After the actions noted above are complete (General Plan Amendment, Zoning Map Amendment, and Parcel Map), the following implementing actions will remain to be taken by the City prior to construction. These approvals will most likely be separate actions for each parcel within the PD Master Plan.

Final Maps. After the tentative parcel map is approved, final maps will be filed. It is anticipated that a separate final map may be filed for each parcel, along with a corresponding improvement plan.

Design Review Permits. Prior to construction, each structure will be required to obtain a design review permit. Each design review permit will be approved by resolution by the Planning Commission.

Conditional Use Permits. Some uses that are allowed within the PD Master Plan will require a conditional use permit. Each conditional use permit will be approved by resolution by the Planning Commission.

4.4 Conditions Prior to Residential Construction

Prior to the issuance of building permits for residential construction on Parcel C, the Development Services Director shall confirm that Developer Lillian Commons L.L.C. has satisfied one of the following criteria:

- (1) Obtained building permits for and commenced construction of:
 - a. expansion of the parking lot on Parcel D from 45 spots to at least 60 spots, in order to support medical campus needs; and

b. Street A or B (as designated on the Conceptual Site Plan), with utility infrastructure suitable for a medical campus or hospital.

-OR-

(2) Developer and healthcare provider have filed application with OSHPD, paid application fee and submitted construction documents and specifications to a warm shell standard.

4.44.5 Ownership and Ongoing Obligations

The PD Master Plan, General Plan Amendment, and subdivision proponent seeks to obtain City approval of the General Plan Amendment, PD Master Plan and subdivision entitlements. The applicant/proponent intends to develop Parcel D with the Medical Center (e.g. urgent care/pharmacy, cancer center, medical offices, etc.). The medical /hospital parcel, retail/restaurant parcel, and residential parcel will most likely be sold to end users or to specialized developers.

Park land will be set aside within an easement upon filing of the final parcel map(s). Infrastructure will be constructed by future developers. Dedication and long-term maintenance financing of circulation, water, wastewater, and storm water infrastructure will be determined when development applications are processed.

A memorandum of agreement (MOA) or development agreement (DA) will be drafted by the applicant and distributed to the developers of each lot to allow for an orderly manner in which to provide capital improvements and maintenance of the infrastructure and common areas located throughout the property. It is expected that a shared parking agreement will be prepared as part of the MOA/DA to allow shared parking among the end users of the PD Master Plan development.

4.54.6 Maps and Diagrams

Maps and Diagrams are presented on the following pages.

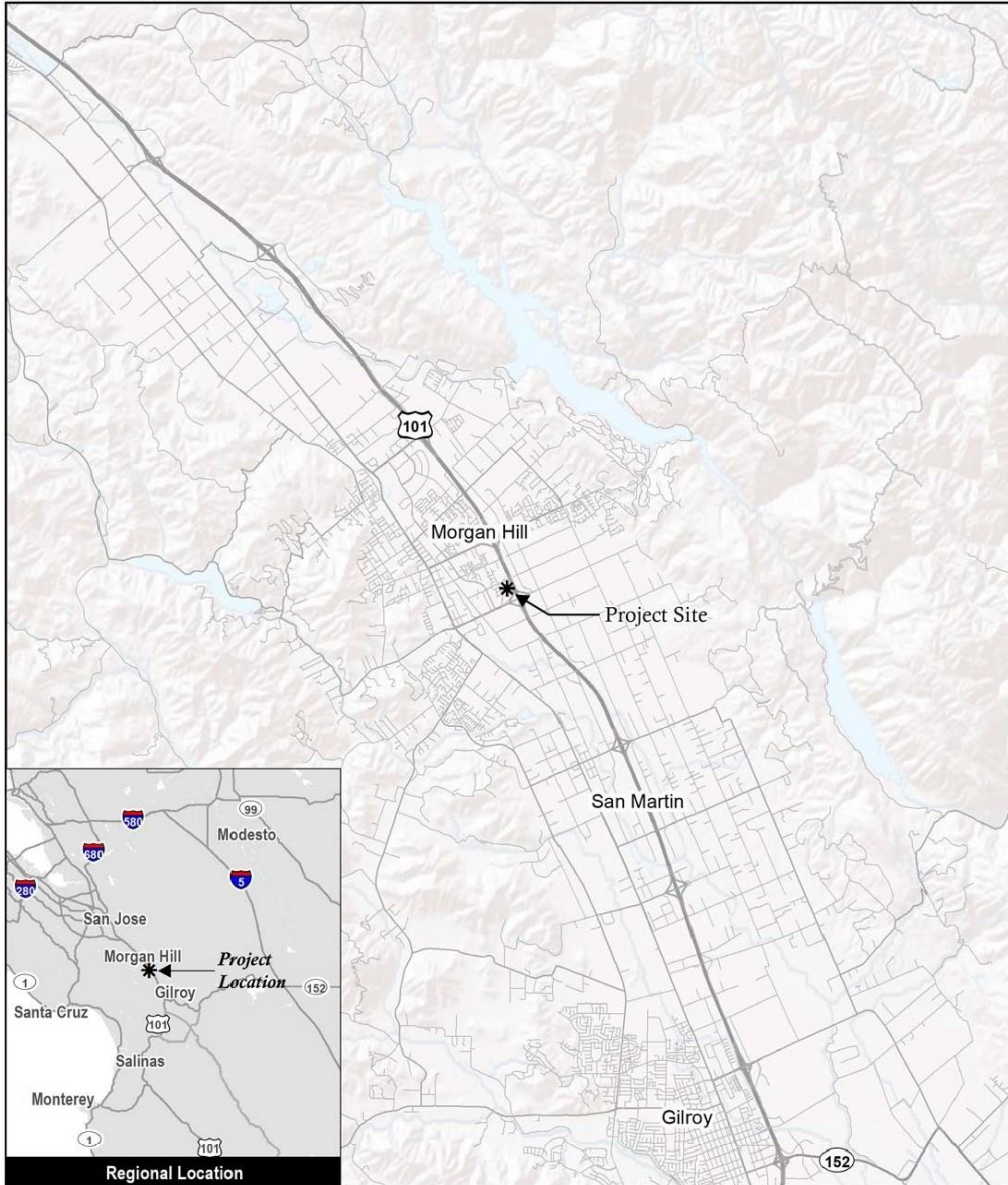


Figure 1

Regional Location Map

Lillian Commons/Morgan Hill Medical Campus

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Figure 2

Vicinity Map

Lillian Commons/Morgan Hill Medical Campus

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SURVEY NOTES

- 1. THIS MAP REPRESENTS AN AERIAL TOPOGRAPHIC SURVEY PERFORMED BY WHITSON ENGINEERS ON JUNE 26, 2019. MAPING SCALE IS 20" PER INCH WITH CONTOURS AT ONE FOOT INTERVALS.
- 2. THIS MAP PORTRAYS THE SITE AT THE TIME OF THE SURVEY AND DOES NOT SHOW SOILS OR GEOLOGY INFORMATION, UNDERGROUND CONDITIONS, EASEMENTS, ZONING OR REGULATORY INFORMATION OR ANY OTHER ITEMS NOT SPECIFICALLY REQUESTED BY THE CLIENT.
- 3. BOUNDARY LOCATIONS SHOWN HEREON WERE DETERMINED BY RECORD DATA AND FIELD SURVEY. THIS TOPOGRAPHY DOES NOT CONSTITUTE A BOUNDARY SURVEY. THERE MAY BE EASEMENTS OR OTHER RIGHTS, RECORD OR UNRECORDED, AFFECTING THE SUBJECT PROPERTY WHICH ARE NOT SHOWN HEREON.
- 4. DISTANCES AND DIMENSIONS SHOWN ARE EXpressed IN FEET AND DECIMALS THEREOF, UNLESS OTHERWISE NOTED.
- 5. LOCATING OF UNDERGROUND UTILITIES WAS NOT WITHIN THE SCOPE OF THE TOPOGRAPHIC SURVEY. WITH THE EXCEPTION OF OBSERVED FACILITIES, SIZE AND LOCATION OF UNDERGROUND UTILITIES ARE SHOWN BASED ON AS-BUILT DOCUMENTS PROVIDED BY THE CITY OF MORGAN HILL.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NA 1988 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600. SHOWN HEREON.

LEGEND

- SUBJECT PROPERTY LINE
- ADJACENT PROPERTY LINE
- CENTERLINE
- SANITARY SEWER LINE
- WATER LINE
- STORM ORAN
- EXISTING CONTOUR
- UTILITY MANHOLE
- STORM ORAN CATCH BASIN
- FIRE HYDRANT
- WATER VALVE
- SURVEY MONUMENT (FOUND)

ABBREVIATIONS

- AC ACRE
- BP BACK OF WALL
- CB CATCH BASIN
- CH-LNK CHAINLINK
- CONC CONCRETE
- CPV CURB
- EP ELEVATION
- FL FIRE LINE
- GR GRATE
- HP HIGH POINT
- INV INVERT
- JP JOINT POLE

- SO LOW POINT
- IP MANHOLE
- OH OVERHEAD
- PL PROPERTY LINE
- SD STORM DRAIN
- SS SANITARY SEWER
- TC TOP OF CURB
- TS TRAFFIC SIGNAL
- WM WATER METER

EXISTING SPOT ELEVATION

WHITSON ENGINEERS
PROJECT TEAM
CIVIL ENGINEER / SURVEYOR
ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEN AVENUE, SUITE 210
SOUTH SAN FRANCISCO, CA 94080

(415) 312-0454

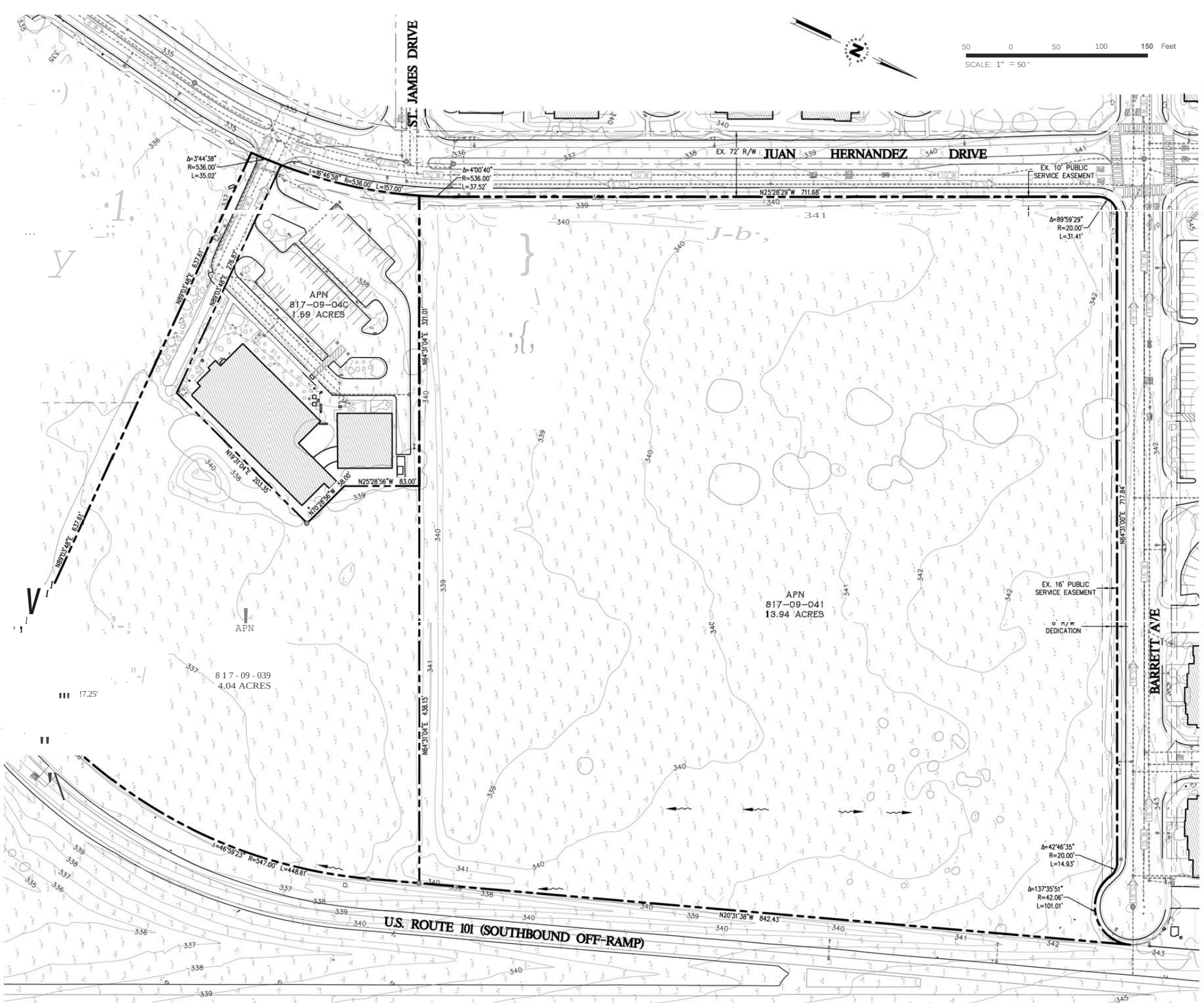
LANDSCAPE ARCHITECT

W. JEFFREY HED LANDSCAPE ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

(408) 691-5207

SHEET INDEX

- C1.0 EXISTING CONDITIONS MAP
- C2.0 CONCEPTUAL SITE AND UTILITY PLAN
- C2.1 CONCEPTUAL GRADING PLAN



NOT VALID WITHOUT SIGNATURE

SUBMITTAL / REVISION	
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LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT

Morgan Hill, California

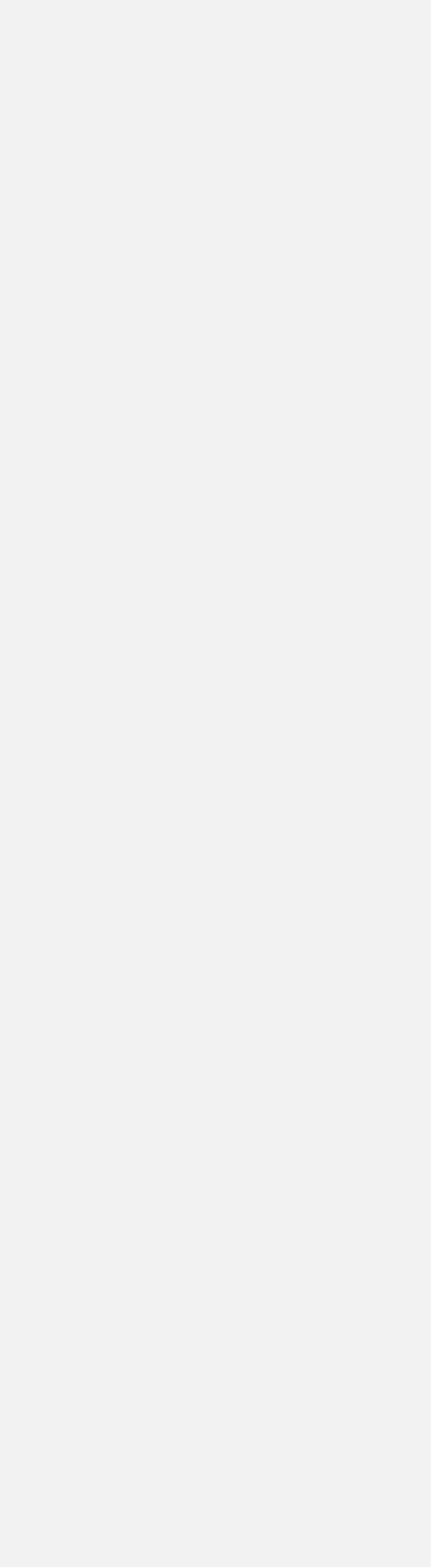
APN 817-09-039, 040, 041

EXISTING CONDITIONS MAP

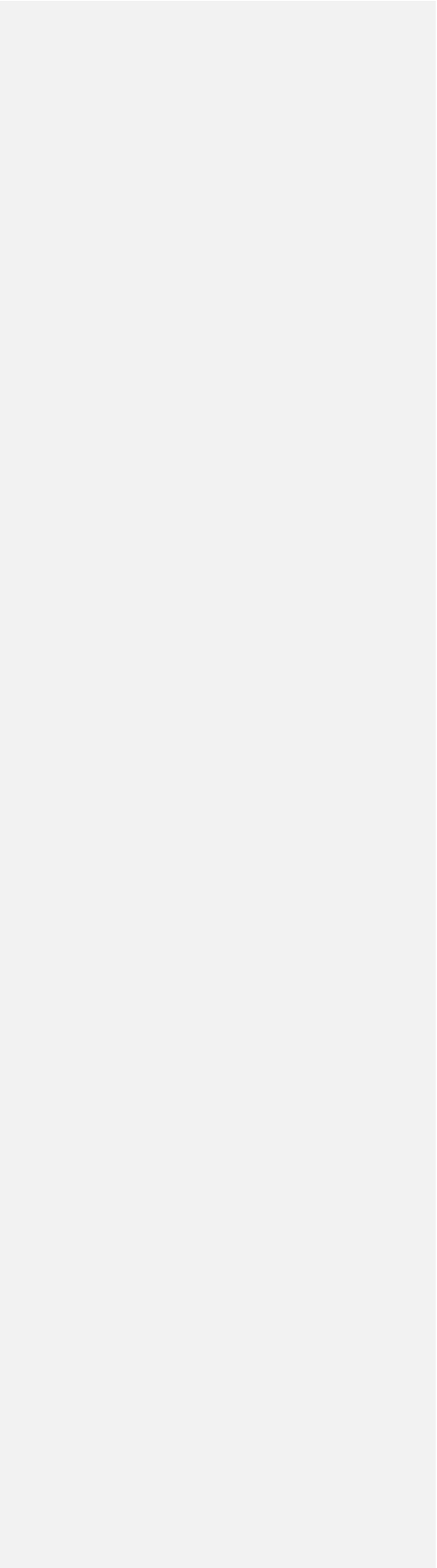
NOT FOR CONSTRUCTION

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JOB No.:	2690.01
SHEET	C1.0

Figure 4



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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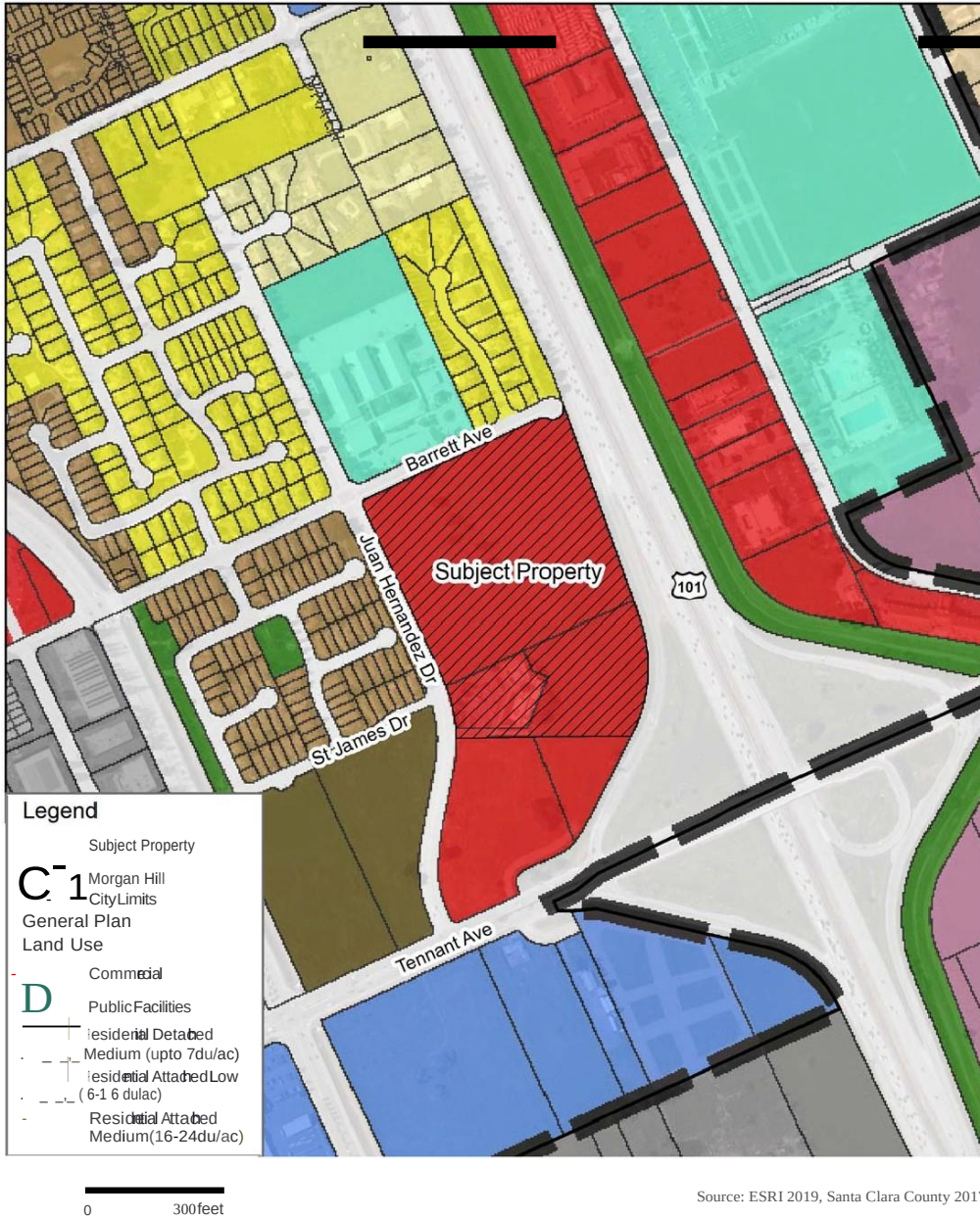


Figure 5
Existing City General Plan Land Use Map

4-20 Planned Development Master Plan

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Lillian Commons/Morgan Hill Medical Campus

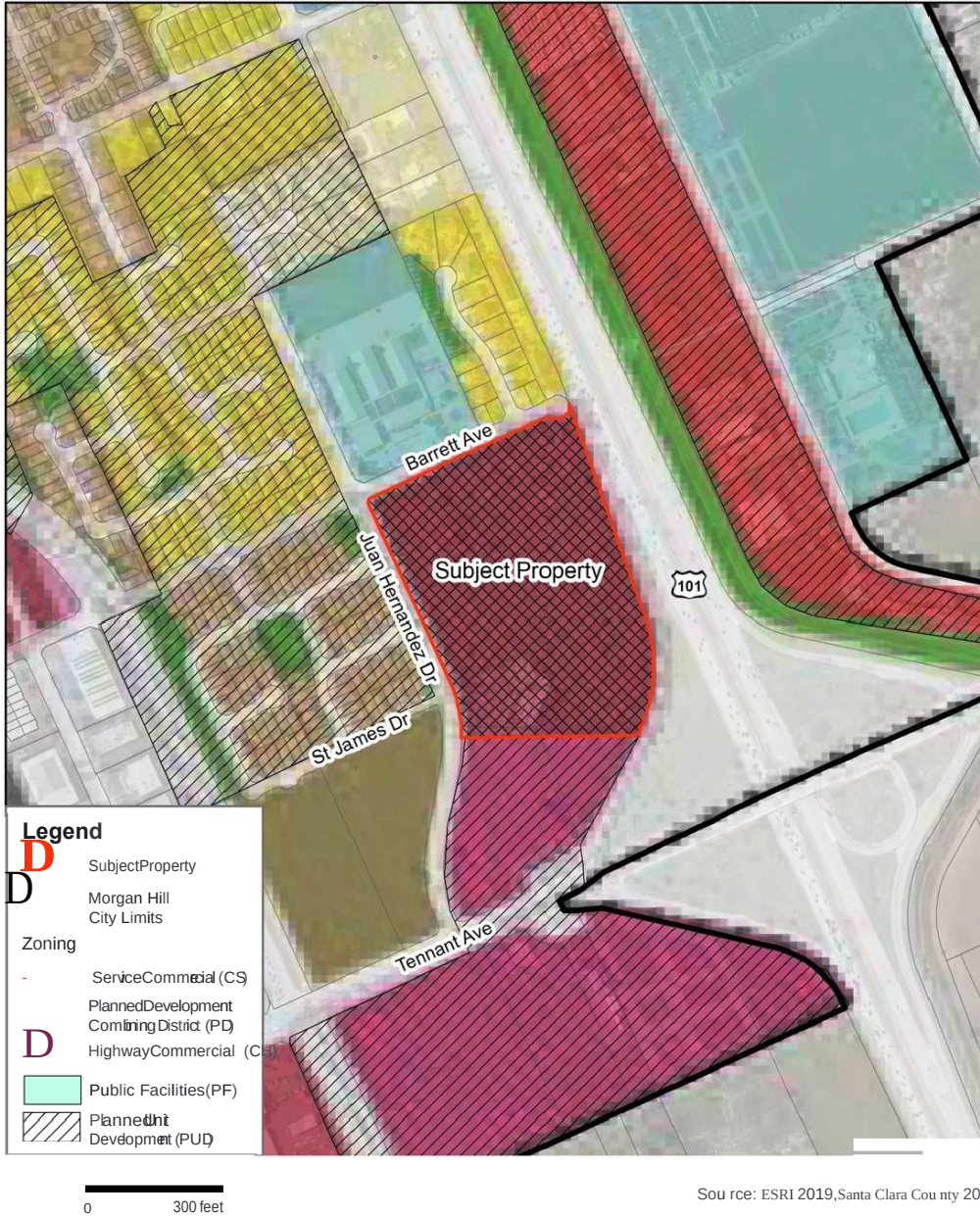


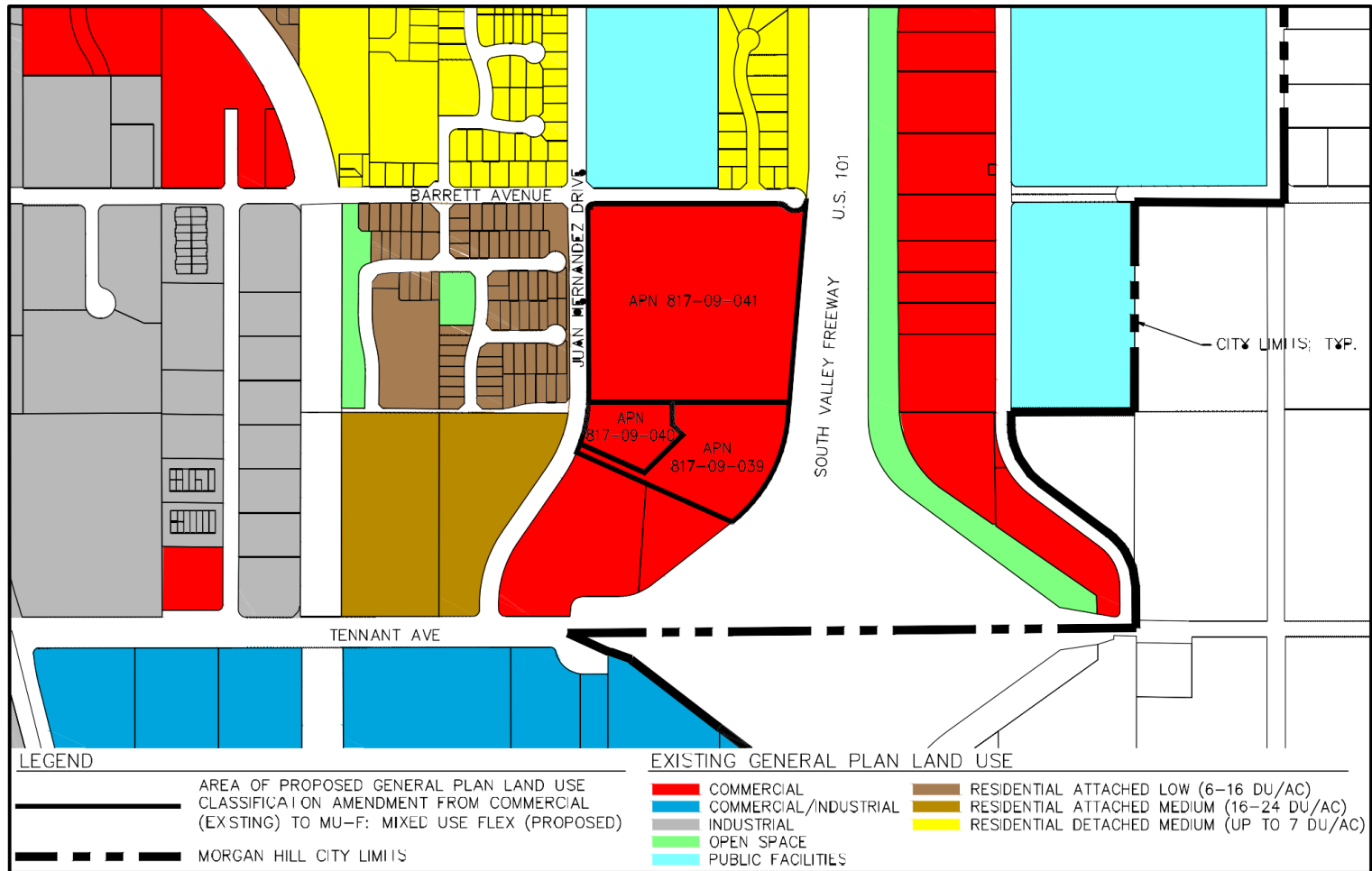
Figure 6

Existing City Zoning Map

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Lillian Commons/Morgan Hill Medical Campus

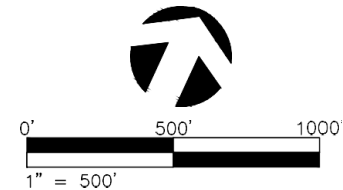
Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



PREPARED BY:
WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940
(831) 649-5225

OCTOBER 17, 2019

**FIGURE 7 - PROPOSED GENERAL
PLAN AMENDMENT TO THE CITY
OF MORGAN HILL ENTITLED
0 JUAN HERNANDEZ DRIVE,
MORGAN HILL, CA**



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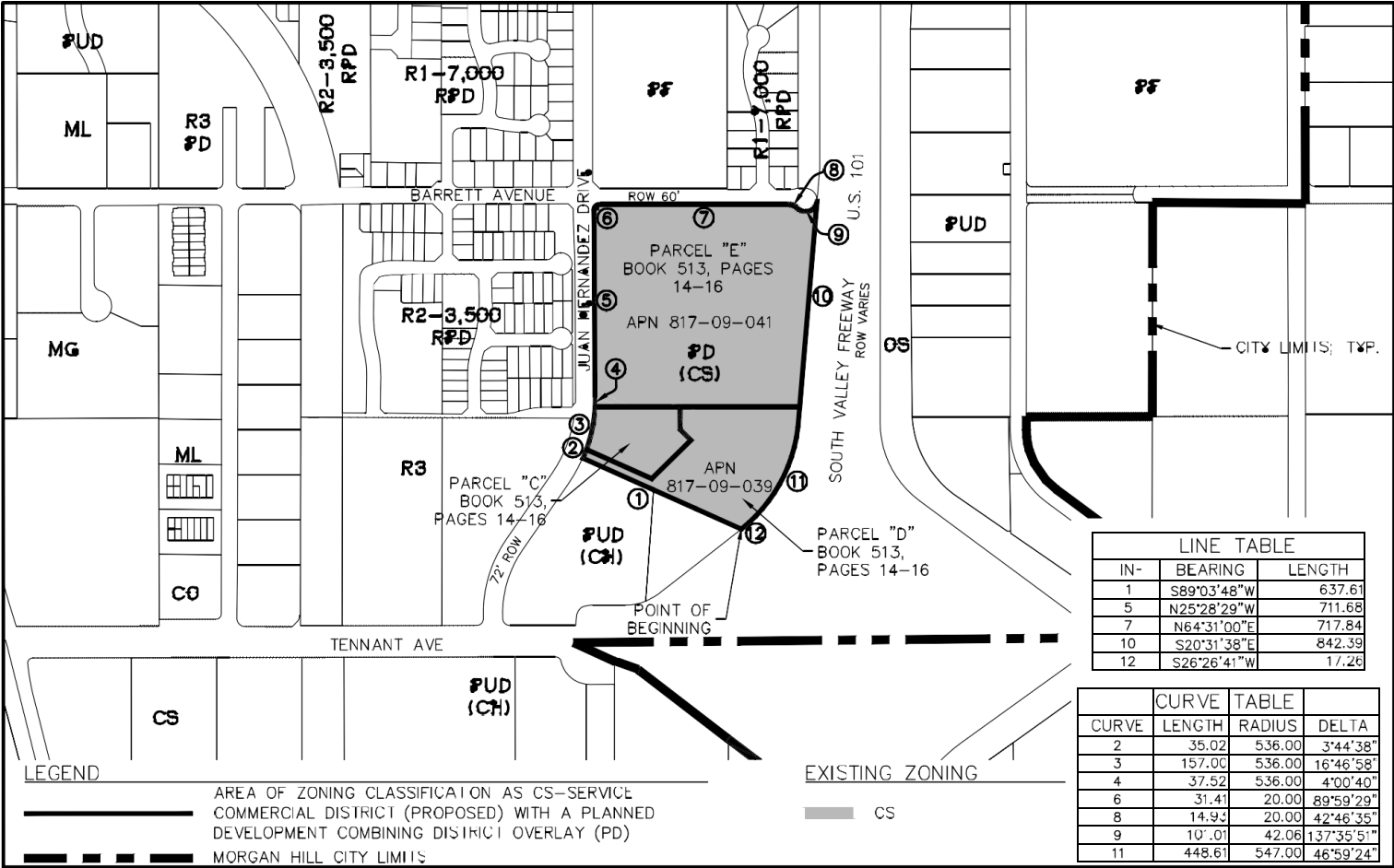
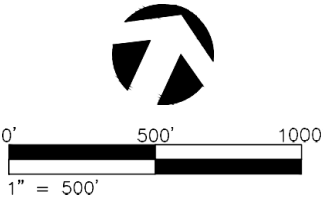


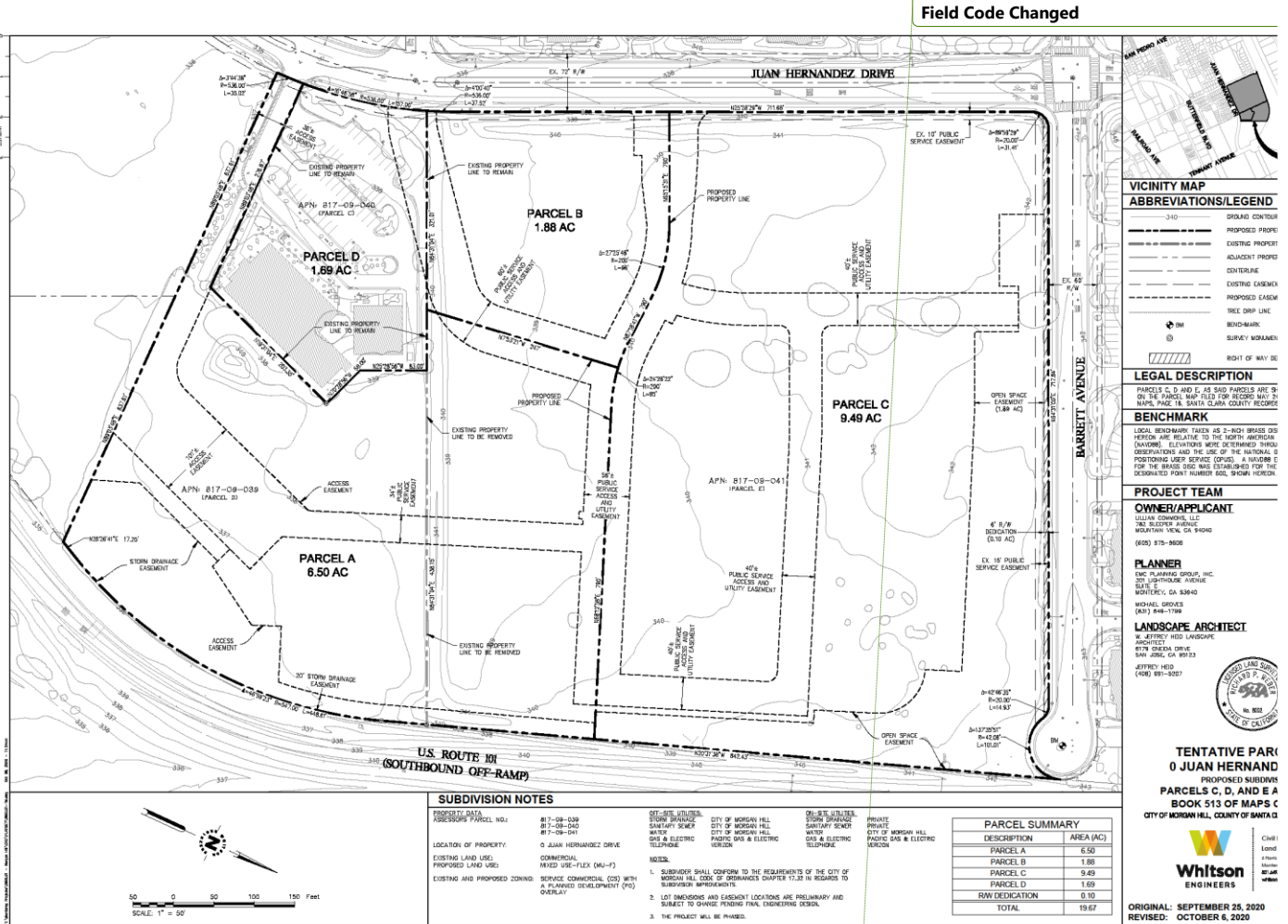
FIGURE 8 - MAP SHOWING ZONING LANDS OF 0 JUAN HERNANDEZ DRIVE, MORGAN HILL, BEING A PART OF ORDINANCE No. _____, NEW SERIES

PREPARED BY:
WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940
(831) 649-5225

OCTOBER 17, 2019



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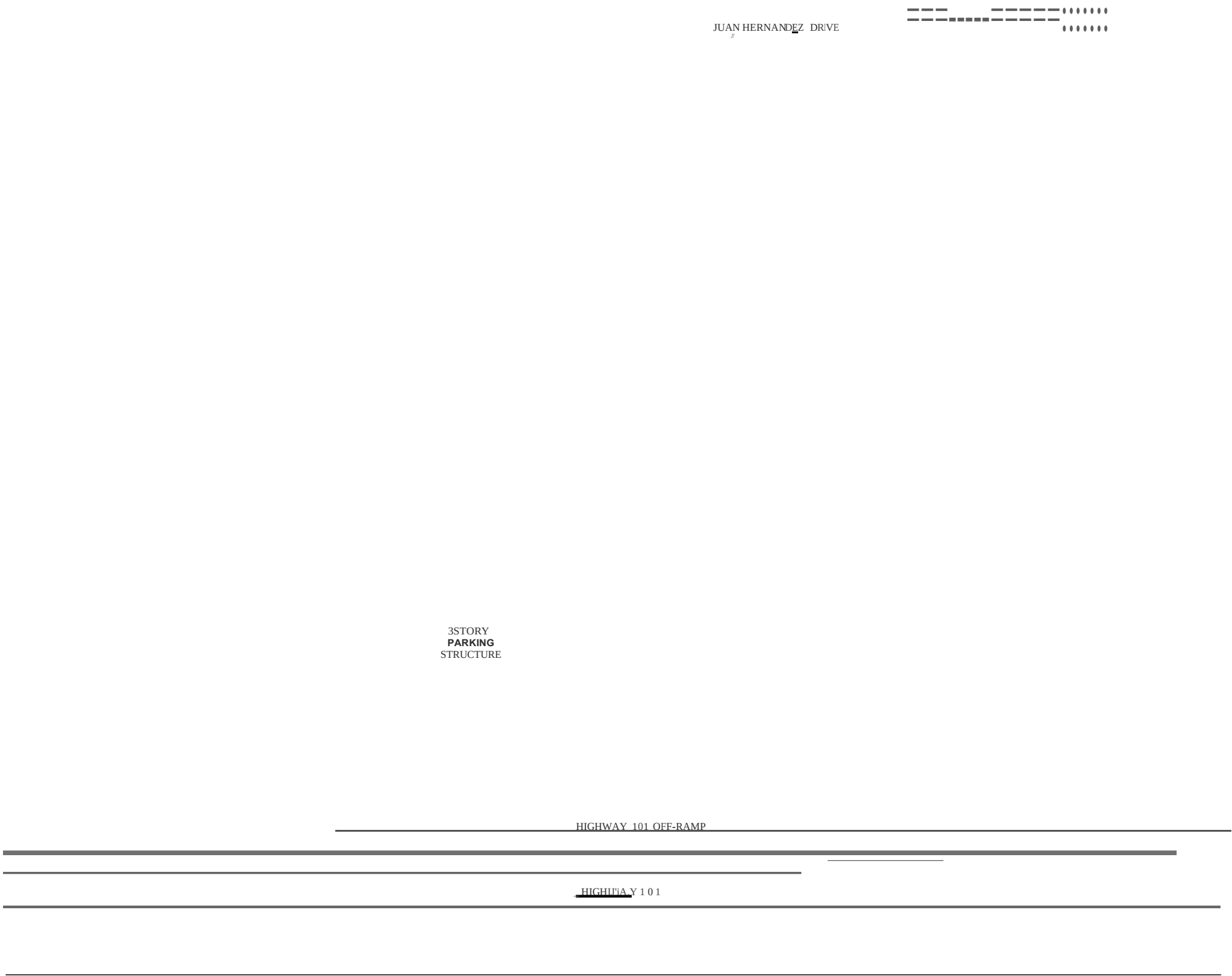
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Packet Pg. 394

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Parcel A - Proposed Medical Office / Hospital- 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park
Parcel B - Proposed Commercial/Restaurant - 1.78 AC
10,000 SF, 55 Pkg. Spaces
Parcel C - Proposed Residential Apartments - 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/ Recreation
Parcel D - Proposed Urgent Care/ Existing Medical - 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces
Right-of-way Dedication- 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 1,161 spaces/ Provided 1,010 spaces
Required: Medical Office/ Hospital@ 1/200=652spaces
Proposed: Medical Office / Hospital@ 1/219 = 596spaces
Required: Retail/Restaurant@ 1/250 and 1/100 =70spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant155 spaces
Required: Apartments@ 1 Single bedroom and 2.0/2 bedroom= 375spaces
Guest Parking, 1/3 OU= 68spaces Total= 443(203 covered)
Proposed: Apartments 359spaces
Shanxi parking proposed per Municipal CodeSection 18.72.050
Floor Area Ratio: 351,786 SF (0.42%)

LEGEND:
Structures on Site Storm Water Management
Park/Recreation/OpenSpace
Sidewalks/Pat hways
Landscaping
(See Landscape Plan for Details)

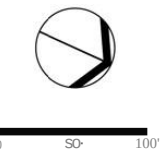
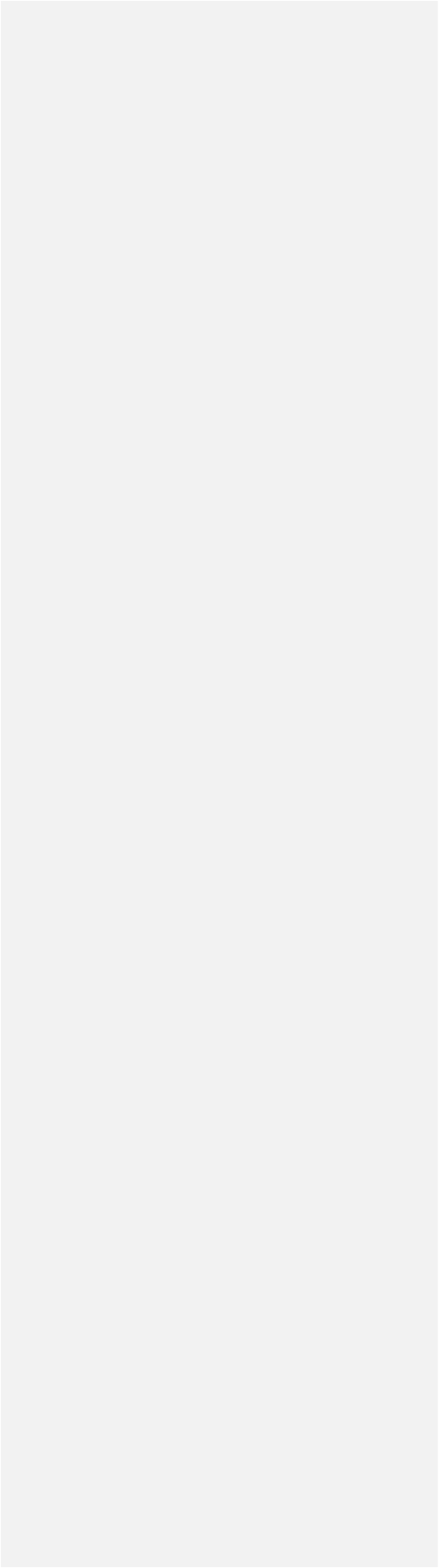


Figure 12
ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019

EMCP LANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Parcel A - Proposed Medical Office / Hospital - 6.50 AC
100,000 - 130,00 SF, 566 Pkg. Spaces
Parcel B - Proposed Commercial/Restaurant - 1.88 AC
10,000 SF, 50 Pkg. Spaces
Parcel C - Proposed Residential - 9.49 AC
150 Dwelling Units Maximum
1.98 AC Park/Recreation
School Drop-off/Pick-up Lot
Parcel D - Proposed Urgent Care/ Existing Medical - 1.69 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
31 Pkg. Spaces
Right-of-way Dedication - 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 790 spaces/ Provided 895 spaces*
Required: Medical Office / Hospital @ 1/200 & other = 452 spaces
Proposed: Medical Office / Hospital @ 1/200 & other = 397 spaces
Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant 50 spaces
Required: SF Residential (2 covered per DU + guest pkg.) 268 spaces
Proposed: SF Residential (2 covered per DU + guest pkg.) 268 spaces
*Shared parking proposed between Parcels per Municipal Code Section 18.72.050

Floor Area Ratio: 417,696 SF (0.5% max.)

- LEGEND:**
- Buildings
 - Buffers / Open Space
 - Sidewalks/Pathways
 - Landscaping (See Landscape Plan for Details)
 - Park / Recreation

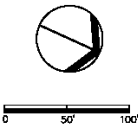


Figure 12
ILLUTRATIVE SITE PLAN

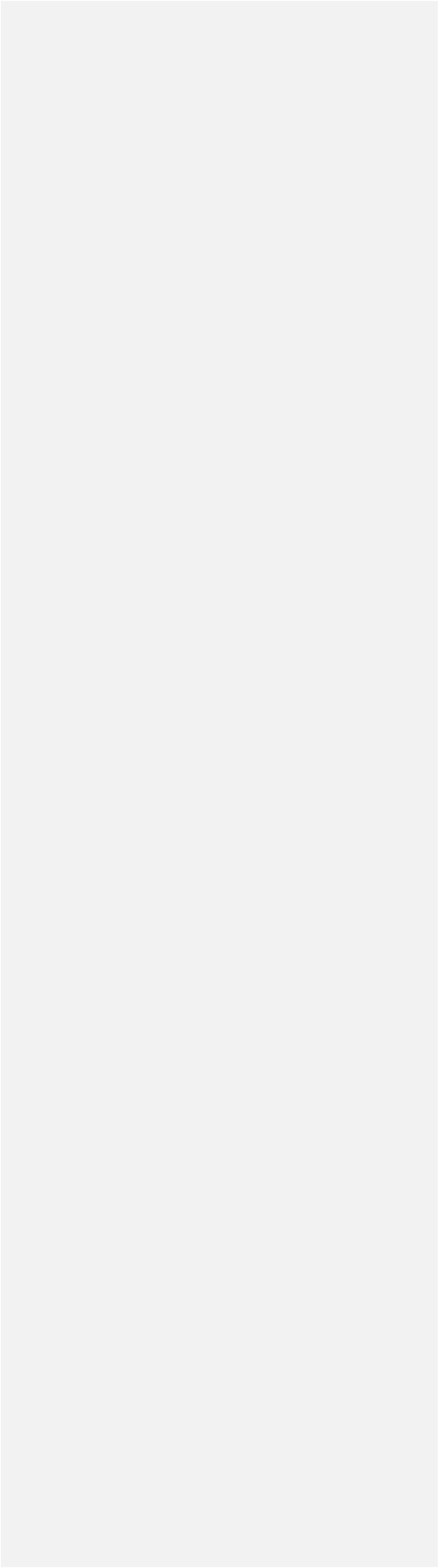
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019
Revised October 6, 2020

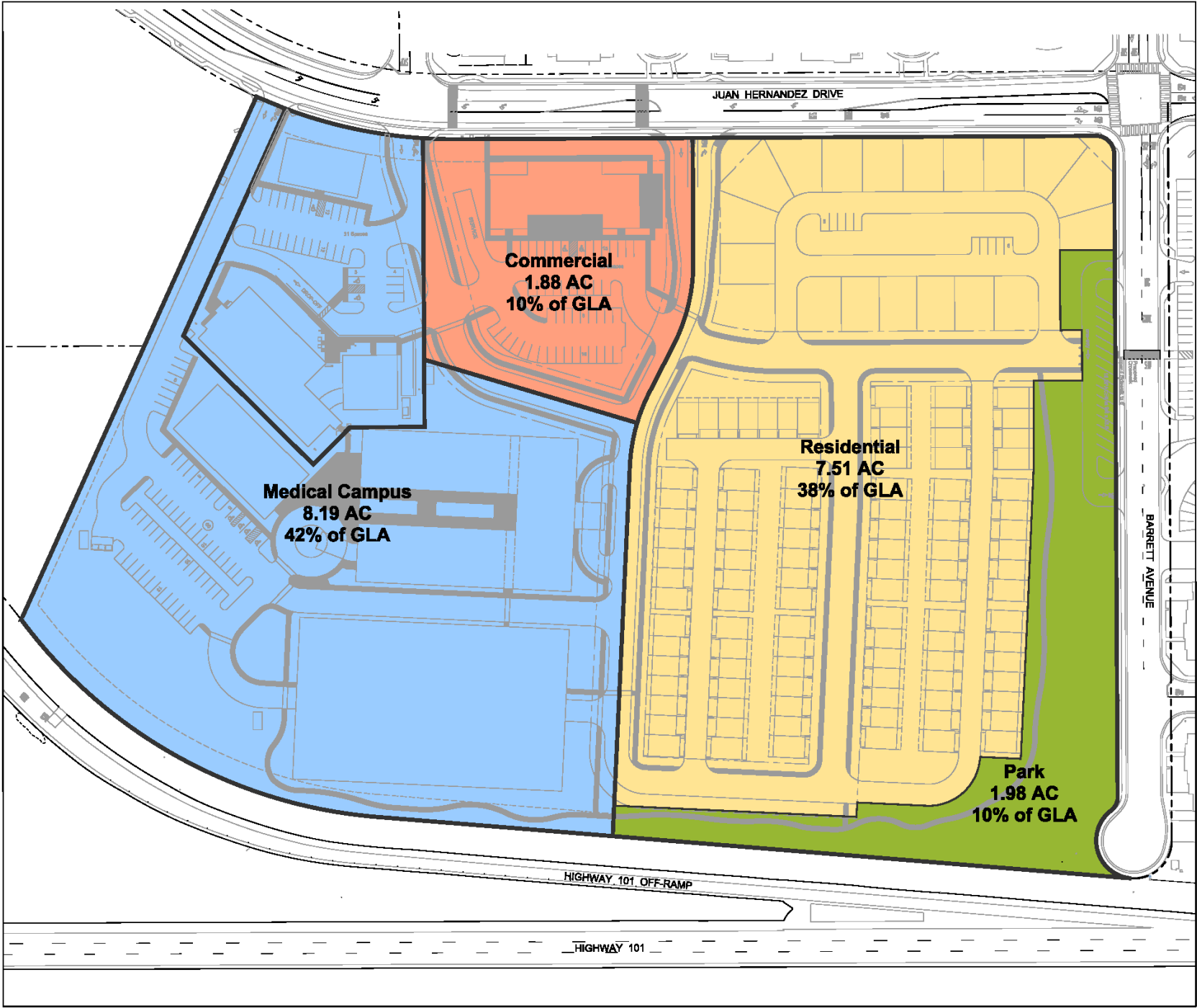


EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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Monterey, CA 831.649.1799 www.emcplanning.com

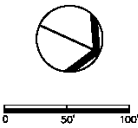


Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA - 19.67 AC, 856,782 SF
Mix Use Parcels:
Medical Campus - 8.19 AC, 42% of GLA
Commercial - 1.88 AC, 10% of GLA
Residential - 7.51 AC, 38% of GLA
Park - 1.98 AC, 10% of GLA
Right-of-way Dedication - 0.10 AC



LAND USE BUBBLE DIAGRAM

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 6, 2020

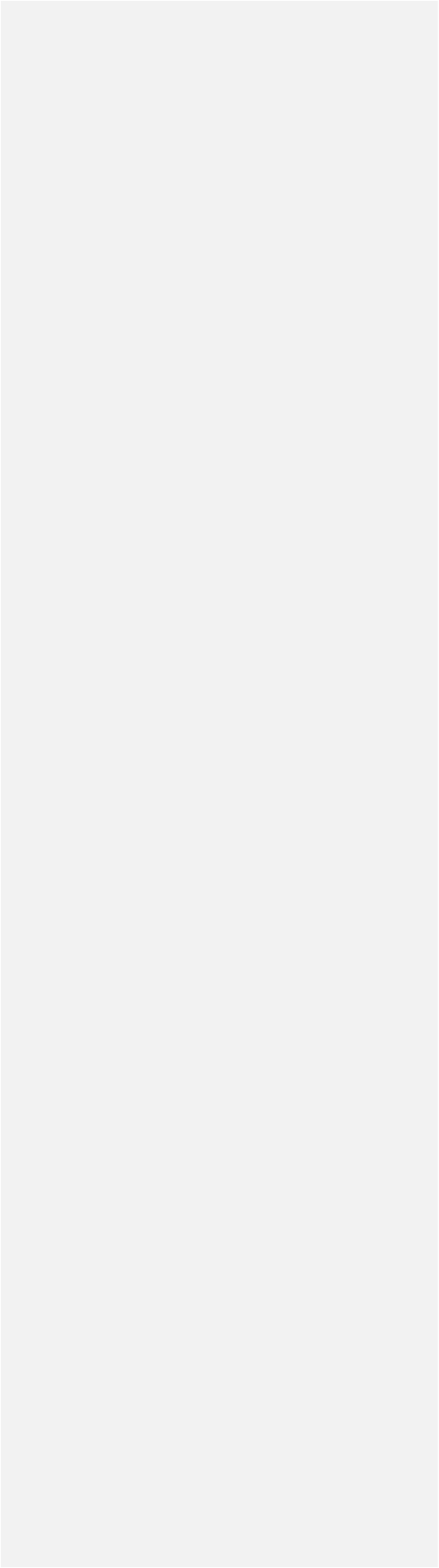


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A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

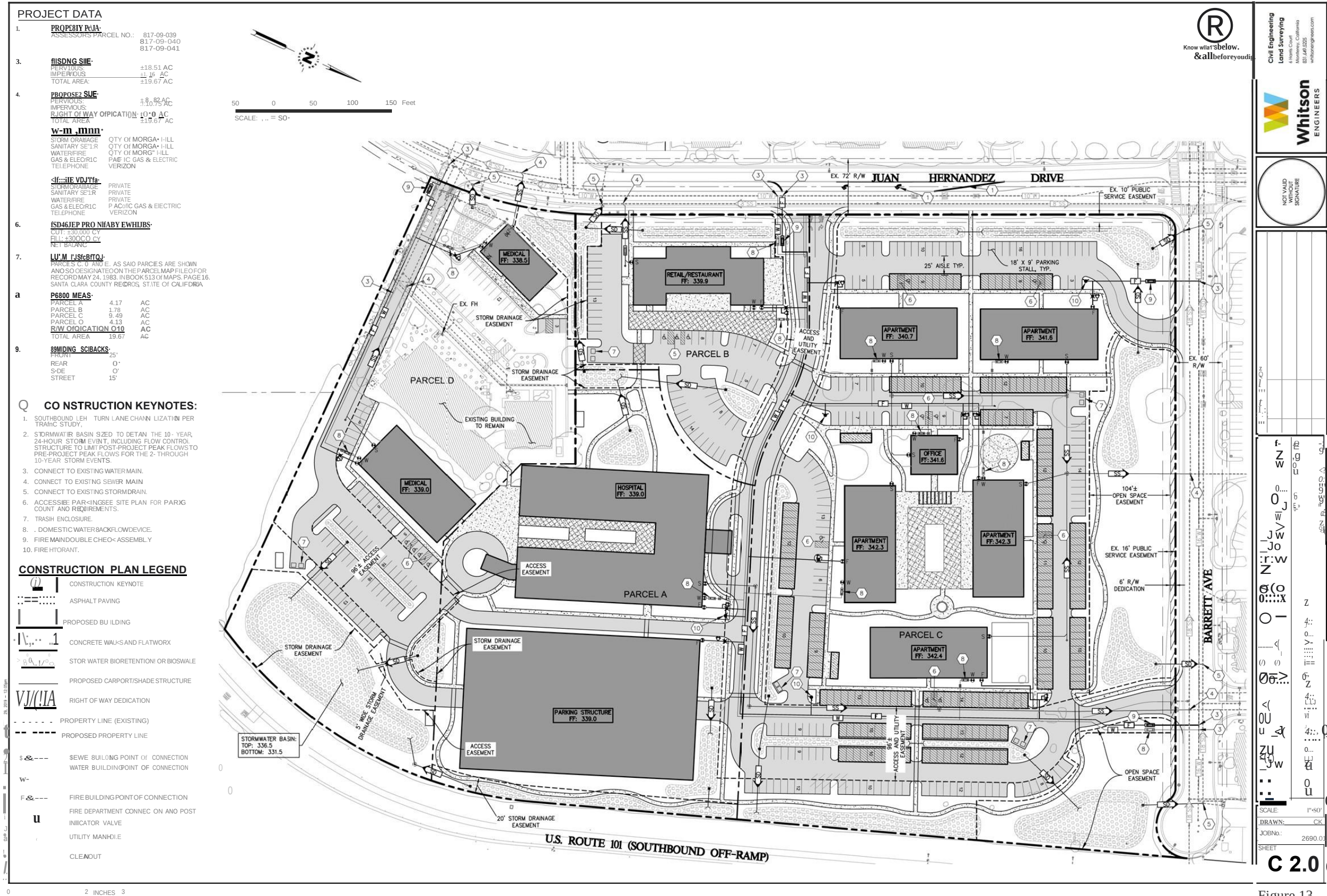
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Monterey, CA 831.649.1799 www.emcplanning.com

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4-38 P██████████ D██████████████████ M██████████ P██████



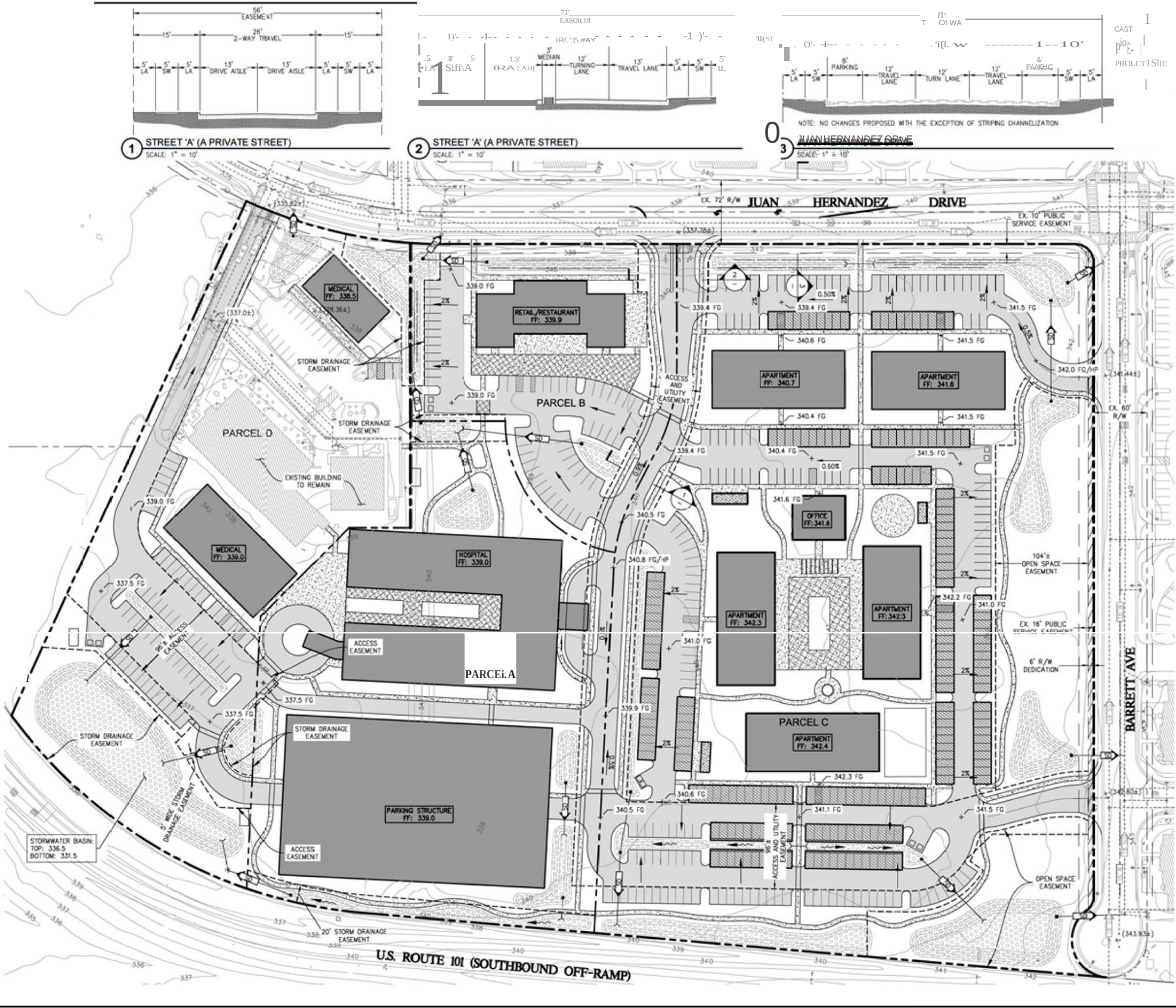
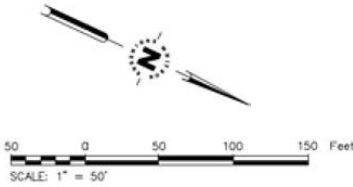
Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



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PROJECT DATA

PROJECT: LILLIAN COMMONS / MORGAN HILL MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
DRAWN BY: JUAN HERNANDEZ
DATE: 01/11/2024



1 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'

2 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'

3 JUAN HERNANDEZ DRIVE
SCALE: 1" = 10'

Civil Engineering
Land Surveying
Whitson
ENGINEERS

NOT VALID
WITHOUT
SIGNATURE

SUBMITTAL / REVISION	

LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California

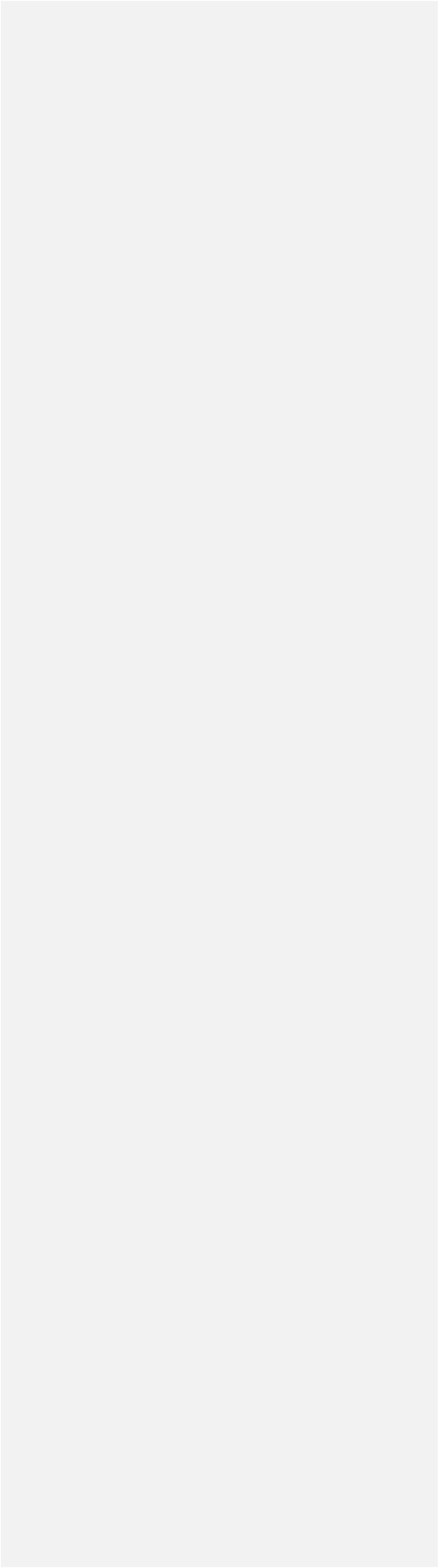
CONCEPTUAL GRADING PLAN

APN 817-09-039-040-041

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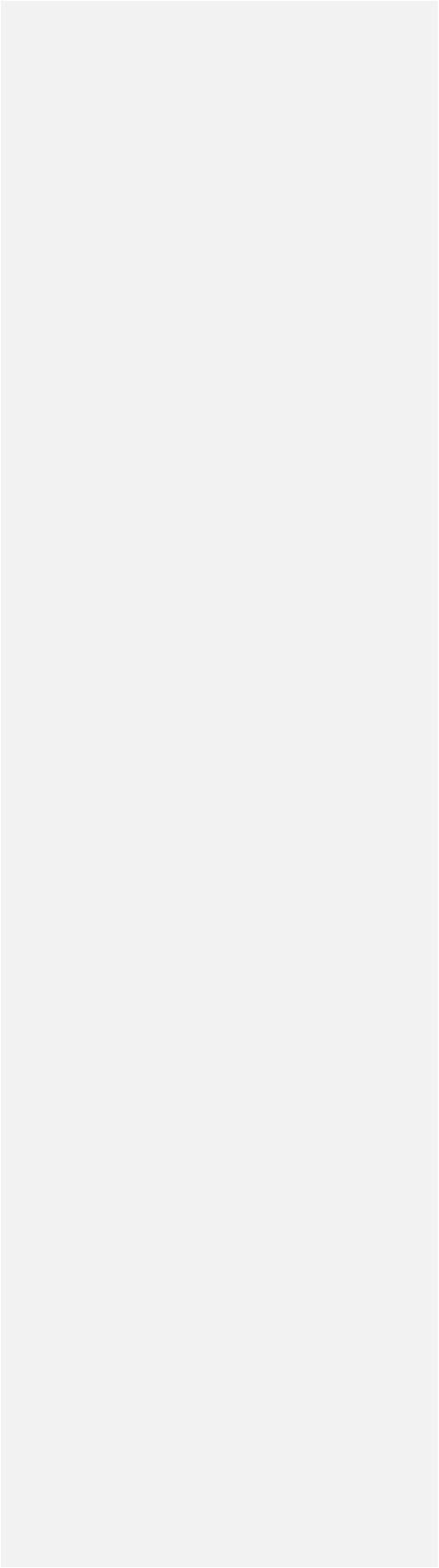
NOT FOR CONSTRUCTION

Figure 14



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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5.0 LAND USES

Table 1, PD Master Plan Allowed and Conditional Uses, presents uses allowed by the PD Master Plan. The table identifies the use as a permitted (P) or conditionally permitted (C) land use. Uses in bold are new uses added to the permitted uses in the CS zoning district as part of this PD Master Plan. Some uses permitted in the CS district were eliminated from the list. The MU-F General Plan designation permits the property to be developed in a mixed use fashion allowing residential and hospital uses not currently allowed within the 2035 General Plan Commercial land use designation or the CS zoning district.

The conceptual Site Plan portrays five types of uses on the property; however, a revised site plan, or the future reuse or re-purposing of buildings after they are constructed and initially occupied, could change or add to those uses. Table 1, PD Master Plan Allowed and Conditional Uses, provides a comprehensive list of allowed and conditional land uses that could be approved within the PD Master Plan.

Table 1-1 Parcel C PD Master Plan Allowed and Conditional Uses

Use	Planned Development
Hospitals	P
Medical Offices and Clinics	P
Mixed Use Residential	P

Use	Planned Development
Banks and Financial Institutions	P
Business Support Services	P
College and Trade Schools	C
Convenience Market	C
Commercial Recreation, Indoor <15,000 square feet	P
Community Assembly	C
Cultural Institutions	P
Day Care Center	C
Drive-Through and Drive-in Facilities	C

Use	Planned Development
Emergency Shelters	C
Farmers Markets	C
General Retail	P
Hospitals	P
Hotel and Motels	C
Instructional Services	P
Medical Offices and Clinics	P
Parking Lots and Structures	P
Parks and Recreational Facilities	P
Personal Services	P
Professional Offices	P
Residential Care Facilities	C
Residential Care Facilities, Small	C
Restaurant- Fast Food, Sit Down	C
School, Public and Private	C
Social Services	C
Accessory Uses	(per Section 18.44)
Temporary Uses	(per Section 18.92.150)

- Non-medical uses must be in conjunction with a Hospital or other medical uses.

6.0

DEVELOPMENT STANDARDS

Development standards such as heights, setbacks, and building coverage within the planned development combining district are established in the PD Master Plan. Those standards may deviate from development standards in the Service Commercial base zoning district except that the maximum permitted floor area ratio and residential density may not exceed maximums established in the 2035 General Plan for the commercial land use designation. The floor area ratio for the Commercial land use designation in the 2035 General Plan is 0.6. The general plan amendment to Mixed Use Flex changes the floor area ratio to 0.5, which is reflected in the PD Master Plan. Standards in bold have been revised from those of the CS zoning district as part of this PD Master Plan. [Table 2, PD Master Plan Development Standards](#), presents the development standards.

Table 2 PD Master Plan Development Standards

Development Aspect	Paramete
Minimum Lot Size	10,000 square feet
Minimum Lot Dimensions	100-foot width; 100-foot depth
Maximum building coverage	50%
Minimum setbacks (front, rear, side, street) [1]	25, 0 , 0, 15 feet (respectively)
Maximum height (exceptions 18.56.020)	Residential/Office – 3 stories or 35 feet Hospital – 4 stories or 55 feet
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
On-Site Parking	Per Section 18.72 [2]
Retail	1 space per 250 square feet of net floor area
Restaurant (sit down)	1 space per 100 square feet of net floor area
Medical Office	1 space per 200 square feet of net floor area
Residential (multi-family)	1 bedroom unit – 1 covered 2 bedroom unit – 1 covered and 1 uncovered per unit
Guest Parking	1 per 3 units (shared with Medical Office use)
Electrical Vehicle Parking	1 per 25 to 49 automobile spaces, 2 per 50 to 100 automobile spaces, plus 1 per 50 ratio over 100 automobile spaces
Non-Residential Bicycle Parking	10% of automobile spaces; long term (enclosed): 5% of automobile spaces
Residential Bicycle Parking	10% of automobile spaces; long-term (enclosed), 1 per 5 units

NOTE:

[1] Outdoor seating, courtyards, and other publicly-accessible spaces **may occupy** the front setback. Residential porches and similar entry features may project **ten** feet into the front setback.

[2] Unless otherwise modified in this table.

PD Master Plan Development Standards for Single Family Residential

Development Aspect	Paramete
Minimum Lot Size (Single Family Residential)	1,000 square feet
Minimum Lot Dimensions	22-foot width; 45-foot depth
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Minimum Setbacks (front, rear, interior side, street side)	5 or N/A, 5 or N/A, 0 [1] or 3, 5 feet (respectively)
Maximum Height	3 stories or 35 feet [2]
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
Open Space	Per Section 18.40-4 based on lot size
Parking	Per Section 18.72 [3]
Residential (Single Family)	2 spaces - 1 covered space for each housing unit
Guest Parking	1 per housing unit [4] (shared with Medical Office use)

NOTE:

[1] A setback of zero feet is acceptable on one side yard; provided, that the sum of both side yard setbacks is at least eight feet

[2] Roof elements with minimum 5:12 roof pitch may exceed the building plate height by up to eight feet.

[3] Unless otherwise modified in this table.

[4] These guest spaces may include a combination of driveway parking, alley parking, on-street parking in front of the residence, and designated guest parking spaces.

7.0

CONSISTENCY WITH 2035 GENERAL PLAN

7.1 General Plan Land Use Designations

2035 General Plan- Commercial. The Commercial designation is primarily located along arterial roadways west of US Highway 101 and along the eastern freeway frontage. This designation is intended to allow a wide range of retail businesses, administrative and executive office uses, and professional services, either in stand-alone buildings or as part of shopping centers. The largest concentrations of this designation are found along Monterey Road and at the freeway interchanges, where retail stores are emphasized. The Service Commercial overlay along Monterey Road, north of Wright Avenue, allows auto-related uses, except for sales. The Commercial designation allows a maximum FAR of 0.6 and Mixed Use Flex designation allows a maximum FAR of 0.5

The General Plan goals and policies for Commercial with a Planned Development Combining District overlay are described below. In general, the 2035 General Plan encourages neighborhood-scale shopping near residential neighborhoods to foster walking and biking and to avoid car trips.

2035 General Plan - Mixed Use Flex. The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of a Residential or Mixed-Use project within the Mixed Use Flex designation, a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

Because the PD Master Plan includes a mix of uses on the property including retail, medical office, medical hospital, multi-family apartments⁵, and a park element as part of the Planned Development Combining District, Mixed Use in addition to Commercial 2035 General Plan goals and policies have been analyzed.

⁵ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

7.2 General Plan Goals and Policies

Applicable 2035 General Plan Goals, Policies, and Implementation Measures are presented in Table 3 through Table 9 below, along with an assessment of PD Master Plan consistency.

City and Neighborhood Form

Table 3 General Plan 2035 - City and Neighborhood Form Goals and Policies

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Residential Neighborhoods-GOAL CNF-10 A variety of housing types and densities available to all residents.	Consistent: The PD Master Plan allows for a variety of housing types. The conceptual Site Plan shows multifamily residential which will provide the community with new housing types including one and two bedroom apartments. ⁶
Policy CNF-10.3 Adequate Supply of Multi-Family Housing. Provide for an adequate supply of multi-family housing, located convenient to shopping, services, and transportation routes.	The PD Master Plan will assist the City in achieving an adequate housing supply as the PD Master Plan allows for 150 residential units. The conceptual Site Plan provides for a mix of residential, commercial, and medical uses that will allow for the placement of housing convenient to the shops, services, and offices, and adjacent to major transportation routes.
Policy CNF-10.6 Density Near Infrastructure. Encourage higher residential densities at locations where convenient access and adequate infrastructure is readily available.	Consistent: The property is adjacent to Juan Hernandez Road and Barrett Avenue in an area with existing utilities. A survey was completed by Whitson Engineers that determined there was adequate infrastructure available around the project site to support the uses
New Subdivisions-GOAL CNF-11 High quality, aesthetically pleasing, livable, sustainable, well-planned residential neighborhoods, well-connected to neighborhood services.	Consistent: The PD Master Plan's conceptual Site Plan provides a well-planned, aesthetically pleasing, livable, sustainable and well-connected residential neighborhood with integrated commercial/retail and medical offices.

⁶ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Policy CNF-11.5 Outside Connections. Require new subdivisions to provide multiple connections to the surrounding community. Methods to achieve this may include: ▪ Providing multiple points of entry into the project for motorists, bicyclists and pedestrians. ▪ Extending the existing street pattern at the edges of the subdivision into the site. Extended streets should match the type and scale of streets to which they connect. ▪ Installing landscaping and street improvements at the edge of subdivisions that appear as common amenities shared with adjacent neighborhoods.	Consistent: As shown in the PD Master Plan conceptual Site Plan, development within the property will be designed to be compatible with the surrounding neighborhood. Multiple points of pedestrian ingress/egress are provided along Barrett Avenue and Juan Hernandez Drive, with connections to existing sidewalks. Two points of ingress/egress for vehicles and bicycles are provided along Barrett Avenue, and two along Juan Hernandez Drive. A private drive is provided along the southern portion of the property that could provide connectivity to the adjacent vacant parcel to the south when it is developed in the future. The conceptual Site Plan provides for connectivity to this adjacent vacant parcel to facilitate connectivity in anticipation of its eventual development. Residential and open space/park uses will be adjacent to existing residential uses and
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General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
- Minimizing the use of gates, fences, and walls that separate the subdivision from the surrounding community. - Planning for future connections to adjacent undeveloped property.	Barrett Elementary School, and connectivity within the property will be provided via several pedestrian paths. The open space area abuts Barrett Avenue, which is adjacent to Barrett Elementary School, and will be made accessible to the school. The northern most open space/park area will be dedicated by easement for public use, including use by the Barrett Elementary School, to be used as a common amenity.
Policy CNF-11.10 Open Space. Require new subdivisions to feature integrated common open spaces, parks, and community facilities that serve as social and design focal points. Open spaces should be a close walking distance from all residents and should be large enough to be useful for residents.	The conceptual Site Plan includes approximately three acres of passive park/open space. Approximately 1.7 acres of the open space will be available to the elementary school for its use and benefit. The remainder of open space, including walking trails, serves the residential, commercial and office components of the plan, as well as neighboring residents. The open space and park areas are within walking distance of all of these uses and connected by pedestrian paths.
Policy CNF-12.1 Neighborhood Center Design. Allow neighborhood centers within future residential neighborhoods. Neighborhood centers are envisioned as nodes or focal points that offer neighborhood-serving services and amenities within a reasonable walking distance from adjoining residential areas. These centers should be designed to increase the accessibility of goods and services within existing residential neighborhoods, particularly for the benefit of senior citizens and those with limited mobility, and to offer opportunities for socialization.	Consistent: The PD Master Plan includes neighborhood serving uses and amenities including retail, restaurant, and medical office/hospital uses to serve the proposed and existing neighborhood. These uses include public gathering areas and pedestrian access. These services will be within walking distance to the existing and proposed neighborhoods and will increase the accessibility of services for the existing neighborhood, particularly for the benefit of senior citizens by providing close walkable medical offices.
Policy CNF-12.4 Neighborhood Center Requirements. Require future neighborhood centers to meet the following requirements: - The design of neighborhood center should provide a sense of place, promote casual interaction, and enhance overall well-being. - The design of neighborhood center should complement the residential character of its immediate surroundings, including site design, access, building style, building materials, signage, lighting, and landscaping.	Consistent: The PD Master Plan conceptual Site Plan includes pedestrian pathways that connect the open space, residential, retail, and medical components of the plan. The PD Master Plan includes a small retail center and open space/park areas that, along with the pedestrian access ways, will provide gathering areas and a sense of place, thereby promoting casual interaction and overall wellbeing. The project will be required to undergo design review with the City of Morgan Hill to ensure that the design complements the residential character of the adjacent neighborhood.

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Mixed Use Flex-GOAL CNF-13 Mixed use flex developments that include a variety of uses and forms to foster a dynamic urban environment. Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private	Consistent: The PD Master Plan allows for a variety of uses including retail, residential, and medical uses. The combination of uses within the property provides for walkability to services for residents and employees.
Commercial and Office- GOAL CNF-15 Sufficient, sustainable, and concentrated commercial and office uses. Policy CNF-15.3 Retail Uses at Major Intersections. Encourage retail sales use at major intersections as the focus	Consistent: The PD Master Plan provides for clustered commercial, medical, and retail uses near a major intersection at the south side of Morgan Hill.
Policy CNF-15.5 Office Development. Encourage new regional and local-serving office development at appropriate locations.	Consistent: The PD Master Plan allows for medical offices / hospital uses to create a campus of medical offices to serve the community and region.
Commercial / Industrial-GOAL CNF-18 Integrated job-generating centers that offer workers and businesses a range of services to meet their daily needs. Policy CNF-18.1 Vibrant Job Centers. Encourage land with a Commercial/Industrial designation to develop with job-generating uses with amenities that support workers and businesses, such as restaurants, lodging, fitness centers, and hair	Consistent: The PD Master Plan allows for concentrated and integrated retail, medical offices and hospital uses that will provide jobs for the City and the surrounding neighborhood. The medical office/hospital is expected to produce approximately 472 jobs. The PD Master Plan also allows for amenities such as restaurants, and personal services to serve the neighborhood and the surrounding community.

Housing

Table 4 General Plan 2035 - Housing Goals and Policies

General Plan Housing Goals and Policies	Consistency
Goal HE-4 A range of housing types for all age groups, served by transit, recreational amenities, shopping, and health and personal services, that allows residents to age in	Consistent: The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office / hospital and retail uses. Residents of the neighborhood would live within walking distance of health and personal services that would allow for them to age in place.
Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.	The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office / hospital, retail uses, open space/park uses, and Barrett Elementary School. The nearest Valley Transportation Authority bus route is located more than one mile from the property, but the applicant is open to the establishment of service at the property.

Economic Development

Table 5 General Plan 2035 - Economic Development Goals and Policies

General Plan Economic Development Goals and Policies	Consistency Analysis
Policy ED-7.4 Compatible Uses in Retail Centers. Encourage the evolution of retail centers into mixed-use activity nodes by supporting integration of uses that provide necessary or useful services or amenities that will benefit nearby residential areas and commercial establishments. Such uses may include but shall not be limited to: a. Health services and fitness facilities. b. Childcare. c. Housing, including affordable and senior housing. d. Religious facilities. e. Education/training facilities. f. Parks/community facilities/public gathering places.	Consistent: The PD Master Plan provides a mix of retail and medical uses convenient to the proposed and existing adjacent neighborhood. The medical and retail uses will provide health and retail services and amenities to the existing and proposed neighborhood. The PD Master Plan also includes public plaza and gathering locations.
GOAL ED-8 Office and industrial areas that provide high-quality work locations for existing and new businesses. Policy ED-8.1 Office and Industrial Development. Support the development of office and industrial facilities to meet local demand, compete for regional growth opportunities, and create high-quality jobs that match with local housing opportunities.	Consistent: The PD Master Plan allows for medical and retail uses to meet local demand and create high quality jobs. The PD Master Plan also allows for residential uses thereby providing local housing opportunities adjacent to places of employment.

Healthy Community

Table 6 General Plan 2035 - Healthy Community Goals and Policies

General Plan Healthy Community Goals and	Consistency Analysis
Parks, Recreation, and Trails- GOAL HC-3 Usable, complete, well-maintained, safe, and high-quality activities and amenities, including active and passive parks and recreational facilities, community gardens, and trails that are accessible to all ages, functional abilities, and socio-economic groups.	Consistent: As shown in the conceptual Site Plan, the PD Master Plan includes over three acres of passive park areas, open space buffer areas, and a tot lot connected by meandering pedestrian pathways. The passive park and open space on the property will allow for multiple activities for all socio-economic groups, functional ability, and ages.
Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.	Consistent: The PD Master Plan identifies open space areas that will be available to residents and patrons of the medical and retail facilities.

General Plan Healthy Community Goals and	Consistency Analysis
Access to Health Care- GOAL HC-7 Access for all residents to health care facilities and other important community health amenities. Policy HC-7.2 Professional Education. Encourage increased education and professional development resources to support students and employees in the health care field.	Consistent: The PD Master Plan provides for 130,400 square feet of medical facilities and important health amenities for residents. It is expected that a wide variety of medical practices will be provided within a campus setting that could encourage increased professional development resources to support students/interns in the health care field.

Transportation

Table 7 General Plan 2035- Transportation Goals and Policies

General Plan Transportation Goals and Policies	Consistency Analysis
GOAL TR-3 A coordinated, continuous network of streets and roads. Policy TR-3.16 Private Development Access along Arterials. Require development that occurs along arterial streets to obtain access through a local street or major entrance and not through curb cuts directly onto the arterial street	Consistent: The property is not accessed directly from an arterial. Tennant Avenue and Butterfield Boulevard are the nearest arterials to the property. The property is accessed from Juan Hernandez Drive and Barrett Avenue, which connect to these arterials.
Policy TR-3.17 Planned Development Access near Highway 101. Require Planned Developments (PDs) for commercial, office, or industrial uses at the intersections of Highway 101 and arterial streets to take access from a public street intersecting with the arterial street at a minimum distance of 600 feet from the freeway on and off ramps, unless the City Engineer finds that direct access to the arterial street or closer access will meet safety standards, or that mitigating actions will be taken to ensure safe access and minimum interference with traffic flows.	Consistent: Access to the property will be from Juan Hernandez Drive and Barrett Avenue. Juan Hernandez Drive is an existing City street that intersects Tennant Avenue at a safe distance from the off ramp of US Highway 101. The nearest property driveway is more than 700 feet north of Tennant Avenue.
Parking-GOAL TR-5 Adequate off-street parking. Policy TE-5.1 Adequate Parking Supply. Ensure that all developments provide adequate and convenient parking...	Consistent: The conceptual Site Plan provides for a 500-space parking structure and 96 additional spaces for the existing and proposed medical uses, 55 spaces for the retail use, and 359 spaces for residential use, which totals 1,010 on-site parking spaces. Based on the parking demand study, the parking supply for the entire project is proposed to total 1,010 spaces, as indicated in the study. The total gross parking requirement for the entire project is 965 spaces using the more conservative approach. There will be an overall surplus of about 45 spaces using City gross parking requirements with selected ITE peak parking rates. The project therefore will provide an adequate total parking supply to meet the overall project demand. Parking is conveniently located within walking distance to the various uses, and can be easily facilitated through a shared parking arrangement.

Policy TR-5.3 Parking Lot Connection. Require cross-connection of parking lots, where feasible and practical, at the time of design review for all commercial and industrial developments.	Consistent: As shown in the PD Master Plan conceptual Site Plan, parking lots are cross-connected where practical.
Bikeways-GOAL TR-8 A useable and comprehensive bikeway system that safely connects neighborhoods with workplaces and community destinations. Policy TR-8.12 Bicycle Parking. Bicycle parking and other supportive facilities shall be provided at all schools, parks, recreation facilities, commercial centers, civic buildings (including the library), transit centers, and workplaces based on the	Consistent: Existing bike lanes on Juan Hernandez Drive will serve the development providing a safe bikeway system to get to and from the property. Bicycle parking will be provided at each use on the property to encourage residents, employees, and patrons to use alternative means of transportation. On-site bicycle parking will adhere to the Bikeways Master Plan guidelines, and zoning code requirements.
Pedestrian Network- GOAL TR-9 Expanded pedestrian opportunities. Policy TR9.7 Concurrent Implementation. Where feasible, implement the trails and pedestrian system concurrent with adjacent developments.	Consistent: As shown in the conceptual Site Plan, sidewalks and pathways will be provided throughout the property to encourage walking on the campus. Sidewalks connect to those located on adjacent streets to provide connectivity.
Policy TR 10.3 and TR-10.4 Flexible Work Hours. Encourage employers to provide a flexible set of working hours to ease traffic congestion. Carpooling. Support a Countywide car/vanpool matching program.	Consistent: The applicant will provide educational materials to end users or future developers to encourage employers to provide flexible work hours, carpooling options, and other alternative transportation methods as may be available. Bay Area employers with 50 or more full-time employees within the Bay Area Air Quality Management District geographic boundaries are required to register and offer commuter benefits to their employees in order to comply with Air District Regulation

Natural Resources and Environment

Table 8 General Plan 2035 - Natural Resources and Environment Goals and Policies

General Plan Natural Resources and Environment Goals and Policies	Consistency Analysis
Water Quality and Conservation - GOAL NRE-7 Conservation of water resources. Policy NRE-7.1 Water Standards for Private Development. Promote water conservation and efficient water use in all private development projects. Require development to exceed State standards for the use of water.	Consistent: Water saving measures will be implemented on the development project in the way of "green" design features. Very low flow toilets, efficient landscaping, and water capture and reuse will be used to conserve water.

Policy NRE-7.3 Water Efficiency and Landscaping. Promote water conservation and efficient water use in all public and private landscaping plans.	Consistent: Drought tolerant and area-suitable landscape materials will be utilized on the development project to promote water conservation.
Energy Efficiency-GOAL NRE-16 Conservation of energy resources. Policy NRE-16.1 Energy Standards for New Development. New development, including public buildings, should be designed to exceed State standards for the use of energy.	Consistent: New development will be designed consistent with energy standards that meet and exceed the City and State standards for use of energy.
Policy NRE-16.7 Renewable Energy. Encourage new and existing development to incorporate renewable energy generating features, like solar panels and solar hot water heaters.	Consistent: Future development of the property will adhere to new State climate change regulations, which include requirements to provide solar energy and otherwise reduce electrical use. Design approval of development is required, during which the merits of the project site plan and design will be considered, including

Safety, Services, and Infrastructure

Table 9 General Plan 2035- Safety, Services, and Infrastructure Goals and Policies

General Plan Safety, Services and Infrastructure Goals and Policies	Consistency Analysis
Noise GOAL SSI-8 Prevention of noise from interfering with human activities or causing health problems. Policy SSI-8.1 Exterior Noise Level Standards. Require new development projects to be designed and constructed to meet acceptable exterior noise level standards (see Table SSI-1), as follows: - Apply a maximum exterior noise level of 60 dBA Ldn in residential areas where outdoor use is a major consideration (e.g., backyards in single-family housing developments and recreation areas in multi-family housing projects). Where the City determines that providing an Ldn of 60 dBA or lower cannot be achieved after the application of reasonable and feasible mitigation, an Ldn of 65 dBA may be permitted. - Indoor noise levels should not exceed an Ldn of 45 dBA in new residential housing units.	Consistent: The conceptual Site Plan includes a 25 foot buffer from the US Highway 101 off-ramp and places the parking and parking garage closest to the freeway to further buffer the medical and residential uses. Residentially occupied buildings are located a minimum of 250 feet from the US Highway 101s through lanes. A noise analysis was completed for the project that determined all exterior and interior noise levels would be met with implementation of the recommendations contained therein. Mitigation measures will be implemented when the buildings are constructed to ensure the acceptable noise levels are met.

Noise levels in new residential development exposed to an exterior Ldn 60 dBA or greater should be limited to a maximum instantaneous noise level (e.g., trucks on busy streets, train warning whistles) in bedrooms of 50 dBA. Maximum instantaneous noise levels in all other habitable rooms should not exceed 55 dBA. The maximum outdoor noise level for new residences near the railroad shall be 70 dBA Ldn, recognizing that train noise is characterized by relatively few loud events.	
Policy SSI-8.4 Office Noise Level Standards. Interior noise levels in office buildings should be maintained at 45 dBA Leq (hourly average) or less, rather than 45 dBA Ldn (daily average).	Consistent: Mitigation measures including noise reduction measures and emergency generator noise suppressors will be implemented when the buildings are constructed to ensure the acceptable noise levels are met. A noise analysis is provided as part of the CEQA documentation.
Policy SSI-8.9 Site Planning and Design. Require attention to site planning and design techniques other than sound walls to reduce noise impacts, including: a) installing earth berms; b) increasing the distance between the noise source and the receiver; c) using non-sensitive structures such as parking lots, utility areas, and garages to shield noise sensitive areas; d) orienting buildings to shield outdoor spaces from the noise source; and e) minimizing the noise at its source.	Consistent: Building location was taken into account in the conceptual Site Plan to locate sensitive uses a minimum of 250 feet from the through lanes of US Highway 101. Building placement and strategically placed landscaping will help to minimize noise at its source. Additionally, the noise analysis recommends an 8 foot sound wall along Highway 101 to reduce noise impacts to the residential component of the project.

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8.0

PD MASTER PLAN AND ZONING FINDINGS

8.1 PD Master Plan Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.30.050.H.7 (Findings).

General Plan and Zoning Consistency

- a. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.*

Finding

The PD Master Plan incorporates an amendment of the 2035 General Plan. The 2035 General Plan designation of Mixed Use Flex with a seven dwelling unit per acre minimum and 24 dwelling unit per acre maximum will allow the residential uses proposed within the PD Master Plan and the hospital use, not currently an allowed use on the property. Section 7 outlines in greater detail how the PD Master Plan is consistent with the goals and policies of the 2035 General Plan. As allowed by Municipal Code Section 18.30.050, the PD Master Plan identifies several changes to the development standards that apply in the CS district; these changes include increased building heights and modifications to parking standards for shared parking arrangements. The floor area ratio is reduced from 0.6 to 0.5. The Planning Commission will have say on two aspects of future development, to ensure consistency with zoning regulations. Design approval is required for all development, during which the merits of the site plan and architectural design will be considered. Some uses may require a conditional use permit, and those will require a hearing to determine suitability. During these reviews, consistency with zoning code requirements will be analyzed as they specifically relate to the development project. The PD Master Plan is not located within a specific plan or area plan.

Superior to Development Under Existing Zoning

- b. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.*

Finding

The PD Master Plan allows a mix of compatible uses, including a much-needed residential component to provide sustainability to the remainder of the uses, and a retail and medical office / hospital component to provide work opportunities to the neighborhood and community. The urgent care/ pharmacy would provide a convenient location for the surrounding neighborhood and patrons to the school to utilize the services it will provide. The affordable multi-family residential uses will allow tenants to age in place, and will provide a near-by down-sizing option for empty nesters in the adjacent single family houses. The passive park with a walking/jogging trail system, located along Barrett Avenue and US Highway 101, will allow for enjoyment by the retail and medical office employees and visitors, as well as by the apartment residents⁷ and residents of the surrounding neighborhood. The high-density residential use will allow elementary school-aged children to walk to Barrett Elementary School. The retail area will provide convenience services to both the medical/office uses and residents.

Substantial Public Benefit

- c. *The proposed project will provide a substantial public benefit as defined in Paragraph 8 (Substantial Public Benefit Defined) below. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.*

Substantial Public Benefit Defined. When used in this section, “substantial public benefit” means a project feature not otherwise required by the zoning code or any other provision of local, state, or federal law that substantially exceeds the city’s minimum development standards and significantly advances goals of the general plan. A project must include one or more substantial public benefits to be rezoned as a planned development. The public benefit provided shall be of sufficient value as determined by city council to justify deviation from the standards of the zoning district that currently apply to the property. Examples of substantial public benefits include but are not limited to:

- a. **Housing that is affordable to lower-income households.**
- b. **Public plazas, courtyards, open space, and other public gathering places that provide opportunities for people to informally meet and gather.**
- c. **New or improved pedestrian and bicycle pathways that enhance circulation within the property and connectivity to the surrounding neighborhood.**
- d. **Green building and sustainable development features that substantially exceed the city’s minimum requirements.**
- e. *Preservation, restoration, or rehabilitation of a historic resource.*
- f. *Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.*
- g. **Publicly accessible parks and open space beyond the minimum required by the city or other public agency.**

⁷ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

- h. *Habitat restoration and or protection of natural resources beyond the minimum required by the city or other public agency.*

Finding

The items shown in bold above are items for which the PD Master Plan exceeds the City's minimum development standards.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. The residential units are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. The PD Master Plan proponent agrees to enter into a contract with the City to ensure the continued affordability of all affordable rental units for 55 years or a longer period of time if required by an applicable construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program. Rents for the lower income density bonus units will be set at an affordable rent as defined in Section 50053 of the Health and Safety Code.

Single Family for-sale units will comply with the City of Morgan Hill Municipal Code Section 18.48.070, and the city shall ensure that the initial occupant of all affordable for-sale units are households of low-, very low-, or moderate-income, as applicable, that the units are offered at an affordable housing cost as defined in Health and Safety Code Section 50052.5, and that affordability covenants and restrictions continue for 55 years.

Under Municipal Code Section 18.156, residential units are subject to Residential Development Control System (RDCS), and require an application for Residential Building Allotment for any units proposed. SB-330 (2019 – Nancy Skinner) was recently signed by the Governor and eliminates this program that is designed to meter new housing development over time.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public benefit. The two park areas encompass approximately 2.20 acres of land. This acreage does not include the walking trail within other open areas of the property. This area can be used by residents, employees, and the general public as they visit the uses on the project site. The tenants on the property may also use the passive park as an amenity for people to informally meet and gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the park to allow walking opportunities and exercise for seniors and youth. Walkways will connect from the park to all other uses on the property and to the surrounding local streets to provide full connectivity. This will encourage visitors to walk, bike, and use other forms of transportation to reduce greenhouse gas emissions and promote a healthy community. The pathways will provide a connection between the high-density residential uses and Barrett Elementary School, and will connect all uses to the retail commercial area.

Because the development is a Commercial subdivision, the applicant is technically not required to dedicate open space per Title 17, Section 17.28.150. However the proponents, because they are submitting for a PD Master Plan, would like to dedicate a portion of the property as park area, available to the public and to the adjacent Barrett Elementary School. The minimum required open space for this project, if it were a multi-family subdivision, would be to provide recreation amenities in the amount

of .0088 acres per dwelling unit, at 200 dwelling units this would equal 1.76 acres of land. The park area and open space adjacent to Barrett Avenue is approximately 1.73 acres and would be dedicated with an easement, and be available to the general public. Additional public open space is provided where the pathway continues along US Highway 101. Additional open space and amenities are provided for private use of the multi-family residences (approximately 0.70 acres) and as a break area for the employees (approximately 0.44 acres); these would remain in private ownership.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features such as LED smart lighting, solar power, very low flow toilets, and building materials to encourage healthy indoor air quality.

Residential market-rate and affordable housing rental units are proposed to provide a sustainable land use pattern that reduces the number and length of vehicle trips. This higher density residential and mixed use development is within walking distance to Barrett Elementary School, and will also provide for convenient services within walking distance for the on-site employees and residents.

Bicycle parking and pathways are provided to promote alternative modes of transportation. Landscaping will be designed to meet and exceed the state standards for water conservation, including low water use trees and shrubs, and plantings to provide shade to reduce the need for excessive building cooling.

Community Benefits from the Project

Healthcare Facilities. The PD Master Plan would provide much needed medical facilities to serve the community. The Urgent Care/Pharmacy would reduce trips traveled to receive routine medical care. The Cancer Center would provide services to meet the growing need for this service in the area.

Retail Component. Providing an appropriately sized retail/restaurant building would provide onsite workers the opportunity to have breakfast or lunch within walking distance from their place of employment, avoiding automobile travel.

Creates Jobs for Morgan Hill. The hospital, urgent care/pharmacy, medical office and retail uses proposed will provide varied work opportunities for the people living in Morgan Hill and the surrounding area.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public health benefit. The two park areas encompass approximately 2.20 acres of land. It is expected the Restaurants will also have outdoor dining areas, providing places to gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the parks to allow walking opportunities and exercise for all ages. Walkways will connect from the park and to all other uses on the property and to the sidewalks on the surrounding streets, providing full connectivity.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. As proposed in the Conceptual Site Plan, the residential units

are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. If the project is designed with Single Family for-sale units, affordable housing will be provided per the City code.

School Drop-off. The project will help to alleviate the parking and drop-off issues associated with Barrett Avenue Elementary School. Cross walks will be installed on both adjoining streets to enhance walkability to and from the project. Parking to serve the school and public is expected to be provided in the park adjacent to Barrett Avenue.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features.

Landscape the Site. The development will provide abundant landscaping throughout to create a green and aesthetic feel, as well as screen development from the traffic on US Highway 101, Juan Hernandez Drive and Barrett Avenue.

Restore Habitat. The project tree and landscape planting will enhance wildlife on the project site as well as provide a visually pleasing atmosphere for the surrounding area. Flowering plants and trees are proposed to accomplish this restoration. Adequate Property Size

Adequate Property Size

d. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

Finding

With approximately 19.67 acres of land, there is adequate land area to provide the uses proposed in the PD Master Plan. The medical office / hospital uses proposed are intentionally located adjacent to the existing medical office to promote a walkable medical campus. The retail uses, including public services, are proposed along the active local street to ensure visibility and ease of access by the surrounding residential uses and provide easy access by the residents and employees on the property. Residential uses, providing affordable housing, are located on the property to provide adequate separation from the highway and close proximity to the passive park and Barrett Elementary School.

The PD Master Plan under a Mixed Use Flex general plan designation, which includes multi-family residential uses, retail commercial and restaurant, medical office/hospital uses, and open space parks, will provide a dynamic environment of compact living. This will allow residents and employees to meet daily needs and lessen the need for a private automobile.

Adequate Infrastructure

e. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

Finding

The PD Master Plan, which abuts the US Highway 101 off-ramp, is surrounded on two sides by local streets and has a driveway connection just south of the existing medical offices, used for access to the medical campus and additional driveways are proposed for site access. Juan Hernandez Drive and Barrett Avenue are existing local streets with the capacity to handle the development of this property. Circulation to the property from within Morgan Hill is provided by Tennant Avenue and Butterfield Boulevard. Public utilities exist in the surrounding streets and can serve the proposed development.

Compatible with Surroundings

- f. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.*

Finding

The PD Master Plan deviates from the approved commercial zoning existing on the property by the addition of hospital and multi-family residential uses. With the incorporated general plan amendment to Mixed Use Flex, and the mixed use development envisioned in the conceptual Site Plan, suitable transitions between the existing uses will be provided. There are no uses included in the conceptual Site Plan that would have an adverse effect on the surrounding residential and school uses. The existing residential uses adjacent to Juan Hernandez Drive and Barrett Avenue, and Barrett Elementary School will benefit from the retail and restaurant uses that the PD Master Plan provides. The park and open space provided on the property will benefit the adjacent Barrett Elementary School and the adjacent residences. The high density residential use will provide a suitable buffer between the adjacent single family residences and school, and the walkable medical campus. The uses proposed will not cause odors, health risks, or safety issues to the surrounding sensitive uses. Adequate measures will be taken during the construction phase to protect the surrounding property from noise, vibration, dust, and construction traffic.

Zoning Map Findings

- g. Findings required for the concurrent approval of a zoning map amendment can be made.*

Finding

The project site is in a Services Commercial zoning district with a PD combining overlay so the finding can be made that it is consistent with the zoning map. Amending the 2035 General Plan use to allow the residential and hospital use will not alter the zoning map.

8.2 Zoning Amendment Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.114.060 - Findings for Approval.

A. Findings for all Zoning Code and Zoning Map Amendments.

General Plan Consistency

1. *The proposed amendment is consistent with the general plan and any applicable specific plan as provided by Government Code Section 65860.*

Finding

With the general plan amendment that is incorporated into the PD Master Plan, the zoning map amendment is consistent with the 2035 General Plan. The general plan land use diagram amendment from Commercial to Mixed Use Flex allows specific residential uses to be included in the CS district with the PD overlay.

Public Interest, Health, Safety, Convenience, Welfare

2. *The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.*

Finding

The multi-family residential uses would be beneficial to the public interest, health, safety, convenience, and welfare of the city. The multi-family residential uses would provide more opportunities for residents to work near the medical offices, retail uses, and medical/hospital facility on the property, all of which provide job opportunities for the onsite and surrounding residential uses. The residential uses, including 15 percent affordable units, would also allow seniors the opportunity to age in place, consistent with 2025 General Plan policy. Providing residential uses in close proximity to the commercial and office uses would also reduce the greenhouse gas emissions if the residents were employees or were patrons of the proposed uses, and would enable school-aged children to walk to school. The multi-family residential housing added on this property, when capped at 150 units, would not create an overload on the local street system. Additionally, where the housing is positioned on the property allows for a step down from the existing residential and public facility use to the denser office and commercial uses. The hospital use would also be beneficial to the public interest, health, safety, convenience, and welfare of the city. The hospital would provide much needed medical service to the community and a variety of job opportunities.

Internal Consistency

- B. *Additional Finding for Zoning Code Text Amendments. The proposed amendment is internally consistent with other applicable provisions of the zoning code.*

Finding

No changes to the existing zoning code text will be made. The PD Master Plan continues to rely on Zoning Code development standards for the most part. Several deviations from established standards are specifically outlined in the PD Master Plan, consistent with the regulations for establishing PD districts and PD Master Plans. There would be no internal inconsistencies as a result of the PD Master Plan.

Physically Suitable Site

- C. *Additional Finding for Zoning Map Amendments. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.*

Finding

The 19.67 acre parcel is suitable in design, location, shape and size to accommodate the uses allowed by the PD Master Plan. The multi-family residential use would be appropriate next to the passive park located on the property along Barrett Avenue and would serve as a buffer from the more intense uses of office/commercial on the southern end of the property. With the amendment to the 2035 General Plan changing the land use designation from Commercial to Mixed Use Flex, the PD Master Plan is consistent with the general plan and zoning code. All of the uses in the PD Master Plan will contribute to the health, safety, and welfare of persons living or working on the property and surrounding properties, and to the community at large. The PD Master Plan promote community health and social interaction within the neighborhood by providing retail stores, a restaurant, plazas, and open spaces as gathering places. The pathways provide places for healthful exercise.

9.0

LEGAL DESCRIPTIONS***Legal Description – APN 817-09-039 and 817-09-041***

Real property in the City of Morgan Hill, County of Santa Clara, State of California, described as follows:

All of parcels “D” and “E”, as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California on May 24, 1983 in Book 513 of Maps, on Pages 14, 15, and 16, more particularly described as follows:

Beginning at the most southerly corner of said parcel “D”, as shown on said Parcel Map; thence

- 1) South 89°03’ 48” West, 637.61’, thence
- 2) Along a non-tangent circular curve, concave west, the center of which bears South 89°03’ 47” West, with a radius 536.00’, through a central angle 3° 44’ 38”, an arc length of 35.02 feet; thence
- 3) North 89° 03’ 48” East, 276.87 feet; thence
- 4) North 19° 31’ 04” East, 203.35 feet; thence
- 5) North 70° 28’ 56” West, 58.00 feet; thence
- 6) North 25° 28’ 56” West, 83.00 feet; thence
- 7) South 64° 31’ 04” West, 321.00 feet; thence
- 8) Along a non-tangent circular curve, concave southwest, the center of which bears South 68° 32’ 11” West, with a radius 536.00’, through a central angle 4° 00’ 40”, and arc length of 37.52 feet; thence
- 9) North 25° 28’ 29” West, 711.68 feet; thence
- 10) Along a tangent circular curve, concave east, with a radius 20.00 feet, through a central angle 89° 59’ 29”, and arc length of 31.41 feet; thence
- 11) North 64° 31’ 00” East, 717.84 feet; thence
- 12) Along a non-tangent circular curve, concave south, the center of which bears South 15° 32’ 49” East, with a radius 20.00 feet, through a central angle 42° 46’ 35”, an arc length 14.93 feet; thence

- 13) Along a tangent reverse circular curve, concave northwest, with a radius 42.06 feet, through a central angle $137^{\circ} 35' 51''$, an arc length 101.01 feet; thence
- 14) South $20^{\circ} 31' 38''$ East, 842.39 feet; thence
- 15) Along a non-tangent circular curve, concave west, the center of which bears South $69^{\circ} 29' 06''$ West, with a radius 547.00 feet, through a central angle $46^{\circ} 59' 24''$, an arc length 448.61 feet; thence
- 16) South $26^{\circ} 26' 41''$ West, 17.26 feet, more or less to the Point of Beginning

End of Description

All of parcels "C", as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California

Legal Description – APN 817-09-040

The land referred to herein below is situated in the City of Morgan Hill, County of Santa Clara, State of California and is described as follows:

Parcel One:

Parcel C, as shown on Parcel Map recorded in Book 513 of Maps, at Pages 14, 15, 16, Santa Clara County Records, and being a portion of Lot 25 and lot 52 of "Catherine Dune Ranch Map No. 7", as shown on Map thereof, recorded in Book "L" of Maps, at page 26, Santa Clara County Records.

Parcel two:

An easement for ingress and egress over, under, on and across a strip of land 35.00 feet wide, described as follows:

Beginning at an iron pipe distant thereon South 25 degrees 57' 55" East 126.93 feet from the Southerly corner common to Lots 24 and 25, as shown on said Map and running thence North 89 degrees 03' 48" East 276.87 feet, South 00 degrees 56 deg. 12" East 35.00 feet, and South 89 degrees 03' 48" West 272.72 feet; thence along a curve to the left from a tangent bearing of North 00 degrees 56' 12" West, having a radius of 536.00 feet and a Central Angle of 3 degrees 44' 48", a distance of 35.03 feet to the Point of Beginning.



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Rebecca Garcia, Housing Manager
APPROVED BY: City Manager

APPROVE AGREEMENT WITH BURKE, WILLIAMS & SORENSEN FOR AFFORDABLE HOUSING LEGAL SERVICES

RECOMMENDATION(S)

Authorize the City Attorney to execute and administer a Consultant Agreement with Burke Williams & Sorensen, LLP (BWS) for Housing Program legal services through June 30, 2022, in an amount not to exceed \$75,000.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Diversity and Inclusiveness
Advancing Regional Initiatives

2020-2021 Strategic Priorities

Affordable Housing and Homelessness

GUIDING DOCUMENTS

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

The City of Morgan Hill's Housing Program has historically contracted with Burke Williams & Sorensen (BWS), LLP to represent the City and advise in negotiations with various Affordable Housing Project Tax Credit re-syndication and refinancing transactions. Over the past years, the City has also used the firm to prepare documents relating to Affordable Housing Agreements, Settlements, and more recently Inclusionary Housing Agreements, as well as assist with the review of various transfer documents. With several on-going housing related legal service needs, staff is recommending a new contract with Burke Williams Sorensen, LLP for an amount not to exceed \$75,000, for services through June 30, 2022.

The services of Burke Williams Sorensen are requested to support the contractual requirements of the City's Affordable Housing programs. This request is to approve a new contract and continue the prior service relationship. The past service has been excellent, with the contract attorney specializing in affordable housing financing, wind-downs of organizations, contract structuring, new legislation, inclusionary housing, real estate, and housing law. A continued relationship will provide needed expertise, responsiveness to legal inquiries and continued program stability.

The Affordable Housing program enhanced with years of support through the former Redevelopment Agency, has culminated in the production of a significant number of affordable housing units city-wide, both rental and ownership. There are several pending transactions requiring legal services. Where appropriate, the program strives to

share and/or recoup the costs associated with legal fees.

The services to be performed by BWS shall consist of the following: assisting with the review and drafting of loan agreements and related documents in connection with the City's provision of financing to and for affordable housing development, assisting with the implementation of the Inclusionary Housing Ordinance and drafting of documents in connection with the effective maintenance of City's affordable housing program, providing advice regarding compliance with state and federal housing law and regulations pertaining to affordable housing transactions, fair housing law, review and negotiation of lender and investor documents, escrow processing and closings for affordable housing transactions, the review and compliance of new housing legislation, general assistance to Housing and Development Services staff and related services, as may be authorized by the City Attorney.

COMMUNITY ENGAGEMENT:

This report services to inform the community of the proposed services agreement.

ALTERNATIVE ACTIONS:

The Council could alternatively choose not to approve the agreement and or direct staff to seek another qualified firm for these legal services.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

August 5, 2015 City Council approved a contract with Burke, Williams and Sorensen for \$110,000 for legal assistance in connection with the preparation of various transactional documents. On February 18, 2015 and February 25, 2015 respectively, the Successor Agency and the Oversight Board approved a \$25,000 contract for legal services with Burke, Williams and Sorensen.

FISCAL AND RESOURCE IMPACT:

Most of the services funded under this Agreement are cost-recovery. General advice is funded from the City's Housing Fund (Fund 236), and the adopted biennial budget includes \$45,000 in each of the fiscal years for these services.

CEQA (California Environmental Quality Act):

Not a Project – CEQA does not apply to organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. Burke Williams Sorensen

CONSULTANT AGREEMENT FOR LEGAL SERVICES BURKE WILLIAMS & SORENSEN, LLP

THIS AGREEMENT is made and entered into as of this ____ day of _____, 2020, ("Effective Date"), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and BURKE WILLIAMS & SORENSEN, LLP, a limited liability partnership ("CONSULTANT"). CITY and CONSULTANT may sometimes be referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. CONSULTANT is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date until June 30, 2022, subject to the provisions of 4.4 of this Agreement. The City Attorney is authorized to extend the term of this Agreement. Any such extension shall be in writing and signed by both parties to this Agreement.
2. **Services to be Provided.** The services to be performed by BWS shall consist of the following: assist with the review and drafting of loan agreements and related documents in connection with the City's provision of financing to and for affordable housing development, assist with the implementation of the Inclusionary Housing Ordinance and drafting of documents in connection with the effective maintenance of City's affordable housing program, assist with the provision of advice regarding compliance with state and federal housing law and regulations pertaining to affordable housing transactions, fair housing law, assist the review and negotiation of lender and investor documents, assist with escrow processing and closings in affordable housing transactions, assist with the review and compliance of new housing legislation, provide general assistance to Housing and Community Development Department staff and related services, all as may be requested by the City Attorney.
3. **Compliance with Outside Counsel Retention and Billing Policy.** CONSULTANT agrees that it will abide by the Outside Counsel Retention and Billing Policy attached hereto and incorporated herein as Exhibit "A."

4. **Compensation:** CONSULTANT shall be compensated as follows:

- 4.1. **Amount.** Compensation for all services, fees and expenses under this Agreement shall not exceed SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$75,000.00). Compensation shall be on an hourly billing rate, which rates are set forth in Exhibit "B," attached hereto and incorporated herein by reference. No rate changes shall be made during the term of this agreement without prior written approval from the CITY. Services or work performed in excess of the total compensation set forth above without written approval of the City Attorney shall be at no cost to CITY.

If the City Attorney extends the term of this Agreement pursuant to the provisions of Section 1 above, the City Attorney shall have the authority to increase the maximum compensation allowed to be paid to CONSULTANT during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for the extended term exceed the same authority provided to the City Manager pursuant to Chapter 3.04 of the Morgan Hill Municipal Code, unless otherwise authorized by City Council.

- 4.2. **Payment.** For work under this Agreement, payment shall be made per monthly invoice. For extra work not a part of this Agreement, written authorization by CITY will be required, payment shall be based on hourly rates in Exhibit "B."
- 4.3. **Records of Expenses.** CONSULTANT shall keep accurate records of payroll, travel, and expenses. These records will be made available to CITY.
- 4.4. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The City Attorney of CITY is authorized to terminate this AGREEMENT, in whole or in part, on behalf of CITY.

5. **Insurance Requirements.**

- 5.1. **Commencement of Work.** CONSULTANT shall not commence work under this Agreement until it has obtained CITY approved insurance as outlined below. Insurance coverages shall remain in full force and effect at all times during the period covered by this Agreement. Any deductibles or self-insured retentions must be declared to and approved by City. CONSULTANT shall furnish CITY with copies of all certificates subject to this Agreement, whether new or modified, promptly upon receipt. In the event of a claim or legal action, CONSULTANT shall promptly furnish CITY of Morgan Hill with copies of all policies outlined herein. No policy subject to this Agreement shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY by certified mail.

5.1.1 Insurance Types and Amounts.

- a. Commercial general liability. CONSULTANT shall maintain insurance against claims and liabilities for personal injury, death, or property damage, providing protection of at least \$1,000,000 combined single limit. Further, CONSULTANT shall provide proof of the following separate endorsements:
 - The CITY, its elected officials, officers, employees, agents and representatives are named as additional insureds; and,
 - the insurer waives the right of subrogation against CITY and CITY'S elected officials, officers, employees, agents, and representatives; and,
 - insurance shall be primary non-contributing.
- b. Automobile liability. CONSULTANT shall maintain insurance covering all owned, non-owned and hired automobiles against claims and liabilities for personal injury, death, or property damage, providing protection of at least \$1,000,000 combined single limit.
- c. Workers Compensation. CONSULTANT and all subcontractors shall maintain Worker's Compensation Insurance, as required by law. Further, if the performance of CONSULTANT's work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, CONSULTANT's presence during site visits and meetings, then CONSULTANT shall provide CITY, prior to commencement of work, with the following separate endorsement:
 - The insurer waives the right of subrogation against CITY and CITY'S elected officials, officers, employees, agents, and representatives.
- d. Professional liability. CONSULTANT shall maintain either a claims-made or occurrence liability insurance in the minimum amount of \$1,000,000.00 each claim. Further, if CONSULTANT maintains a claims-made policy, CONSULTANT shall provide written evidence of such insurance to City for at least five (5) years after the completion of work performed under this Agreement.

5.1.2 Acceptability of Insurers. All insurance required by this Agreement shall be carried only by responsible insurance companies licensed to do business in California. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

5.1.3 Provision of Agreement to Insurers. CONSULTANT represents and warrants that they have provided a copy of this Agreement to their respective insurers, and the insurers are aware of all obligations pertaining to CONSULTANT as stated in this Agreement.

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

7. **Independent Contractor.** It is agreed to that CONSULTANT shall act and be an independent contractor and not an agent or employee of CITY. CONSULTANT shall be solely responsible for the performance of its employees, agents or subcontractors under this agreement.

8. **Compliance with Law.**

8.1 CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.

8.2 Compliance with Wage and Hour Laws: Consultant, and any subcontractor it employs to complete work under this Agreement, shall comply with all applicable federal, state and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act and the California Labor Code.

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

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

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

of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. The City reserves the right to require CONSULTANT to enter into an agreement with the City regarding the manner in which any such final judgment, decision, or order will be satisfied.

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

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

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

9. **Maintenance of Records.**

- 9.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then CONSULTANT shall retain said records until such action is resolved.
- 9.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.
- 9.3. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

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

11. **Conflict of Interest and Reporting.** CONSULTANT states that it does not represent clients with adverse interests to the CITY.

12. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed addresses. These addresses shall be used for delivery of service of process.

Address of CONSULTANT is as follows:

Susan E. Bloch
Burke Williams & Sorensen, LLP
1901 Harrison Street, Suite 900
Oakland, CA 94612

Address of CITY is as follows:

City Attorney	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	17575 Peak Avenue
Morgan Hill, CA 95037	Morgan Hill, CA 95037

13. **Licenses, Permits and Fees.** CONSULTANT shall obtain all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

14. **Familiarity with Work.** By executing this Agreement, CONSULTANT warrants that: (1) it has investigated the work to be performed, (2) it has the skills, knowledge and experience to perform this work competently and fulfill all professional and ethical obligation of attorneys at law in the State of California; and (3) it understands the difficulties, and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

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

16. **Limitations Upon Subcontracting and Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.

17. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.

18. **Indemnification.** CONSULTANT agrees to protect, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected

with performance of the Agreement by CONSULTANT, CONSULTANT'S agents, officers, employees, subcontractors, or independent contractors hired by CONSULTANT.

The only exception to CONSULTANT'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY. This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by CONSULTANT.

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

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

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

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

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

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(Signature on Next Page)

23. **Binding Agreement**. Notwithstanding the provisions of Section 16 above, this Agreement shall bind any and all successors in interest, legal representatives and/or other permitted assignees or transferees of CONSULTANT in the same manner as if those successors in interest, legal representatives or other permitted assignees or transferees had entered into this Agreement originally.

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

[TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS: (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND** (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.]

ATTEST:

THE CITY OF MORGAN HILL

Michelle Bigelow, Deputy City Clerk

Date: _____

Donald A. Larkin, City Attorney

Date: _____

BURKE WILLIAMS & SORENSEN, LLP

By: _____

Title: Susan E. Bloch, Partner

Date: November 6, 2020

Attachment: Burke Williams Sorensen (2909 : Burke, Williams & Sorensen Housing Legal Services)

**CITY OF MORGAN HILL
OUTSIDE COUNSEL BILLING AND RETENTION POLICY
EXHIBIT A**

A. Retention

The role of retained counsel will be that of co-counsel with the retaining attorney. (City Attorney). All legal services provided will be pursuant to a written analysis (including strategy and budget) developed by retained counsel in cooperation with the retaining attorney, and approved by the retaining attorney before work on the specified project begins. Retained counsel will also:

1. Obtain authorization from the retaining attorney before beginning work on any pleading, discovery, motion, or other legal paper, and before securing the services of any expert;
2. Review the above with the retaining attorney prior to use;
3. Provide written status reports on the progress of the litigation to the retaining attorney on the progress of the project as necessary, logical, or requested, but no less frequently than every 60 days;
4. Provide summaries of each deposition taken to the retaining attorney;
5. Coordinate with the retaining attorney to use the legal and paralegal services of the City Attorney's office to keep costs down;
6. Maintain a complete file and provide a copy of all documents generated to the retaining attorney;
7. Make a continuous and diligent attempt to resolve any litigation at the lowest possible cost, with the least expensive professional effort consistent with quality legal representation. To this end, the City will be billed for the time of only one attorney at depositions, hearings, trial, and interoffice conferences. Services performed without prior approval of the retaining attorney are not authorized and may not be approved for payment.

From time to time the retaining attorney may direct a departure from the requirements listed above, or may disapprove certain efforts proposed by retained counsel, or may direct efforts with which retained counsel disagrees. The retaining attorney is responsible for these decisions and will consult with the client as appropriate about such matters.

B. Billing Requirements

Retained counsel's services must be itemized individually and billed monthly. Each monthly statement must include 1) the name and billing rate of each attorney and paralegal who worked on the matter; 2) the date each service was performed; 3) a brief description of each service performed; 4) the time spent by each attorney and paralegal on each service performed, to the nearest tenth of one hour; 5) itemized costs; and 6) subtotal of fees and costs billed for the month and total for the matter to date.

Retained counsel will be reimbursed customary costs. When authorized, telephone, photocopy, electronic research and expedited delivery charges may be billed at the actual net cost to retained counsel or a rate approved in advance by the retaining attorney. Charges for approved travel will be at coach rates and automobile mileage will be reimbursed at the City's current rate (reflects IRS).

Costs for the following items will not be reimbursed unless approved in advance by the retaining attorney:

- Electronic research (Lexis, Westlaw, etc.)
- Word processing and photocopying
- Secretarial time
- Secretarial and paralegal overtime
- Express mail and messenger delivery
- Travel time in excess of 3 hours per trip

Bills must be submitted to the attention of the retaining attorney, 17575 Peak Avenue, Morgan Hill, California, 95037, in the form discussed above.

C. Contract

Each retained counsel will be required to execute a consultant agreement in a form acceptable to the City.

Retained counsel may not bill in excess of the contracted amount without prior written approval from the City Attorney.

BURKE WILLIAMS & SORENSEN, LLP**EXHIBIT B – Billing Rates****July 1, 2020**

	Rates	Cost Recovery Rates*
Partners:	\$355 per hour	\$455 per hour
Senior Associated (years +):	\$315 per hour	\$395 per hour
Junior Associates years 1-3):	\$290 per hour	\$355 per hour
Paralegals	\$185 per hour	\$195 per hour

*Cost-recovery rates are for work done for a particular developer who pays the City's fees, e.g. inclusionary housing agreements, etc.



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Charlie Ha, Supervising Civil Engineer

APPROVED BY: City Manager

APPROVE FINAL MAP FOR EIGHT LOT SUBDIVISION AT SAN SEBASTIAN PHASE 2D - TRACT NO. 10529

RECOMMENDATION(S)

1. Approve the Final Map;
2. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
3. Authorize the recordation of the Final Map and the Stormwater BMP Operation and Maintenance Agreement.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Protecting the Environment and Preserving
Open Space and Agricultural Land

2020-2021 Strategic Priorities

Economic Development

GUIDING DOCUMENTS

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

San Sebastian Phase 2D–Tract No. 10529 is an 8-lot subdivision located at the northwest intersection of Peet Road and Half Road (Attachment 1). The developer, Toll CA XX, LP, has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on February 12, 2013.

The City Council is required to approve the map if it conforms to all the requirements of the Subdivision Map Act, and any conditions of approval for the Tentative Map.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map (Attachment 2) and has made provisions with a Title Company for the recordation of the Final Map. The Final Map conforms to the requirements of the Subdivision Map Act, and conditions of approval have been met. Staff recommends that City Council approve the Final Map and authorize the City Manager to sign a Stormwater BMP Operation and Maintenance Agreement pending review and approval by the City Attorney.

On June 6, 2018, City Council approved the Final Map and Subdivision Improvement Agreement for the Phase 2A of San Sebastian – Tract No. 10451 in which the surety bonds and insurance covered all public improvements necessary for all of Phase 2A,

2B, 2C, and 2D of the San Sebastian project. Therefore, no additional subdivision improvement agreement will be needed with the processing of this Final Map.

COMMUNITY ENGAGEMENT: Involve

On February 12, 2013, the Planning Commission approved the Tentative Map. Residents within a 300 feet radius were informed of the Planning Commission's intent to approve the Tentative Map for the project, in which a public hearing was held to allow the public to be involved and voice their concerns over Tentative Map requirements.

ALTERNATIVE ACTIONS:

There is no feasible alternative action as the developer has met the requirements of the tentative map conditions approved by the Planning Commission to file for a final map approval.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On December 4, 2019, the City Council approved San Sebastian Phase 2C – Tract 10478 Final Map.

FISCAL AND RESOURCE IMPACT:

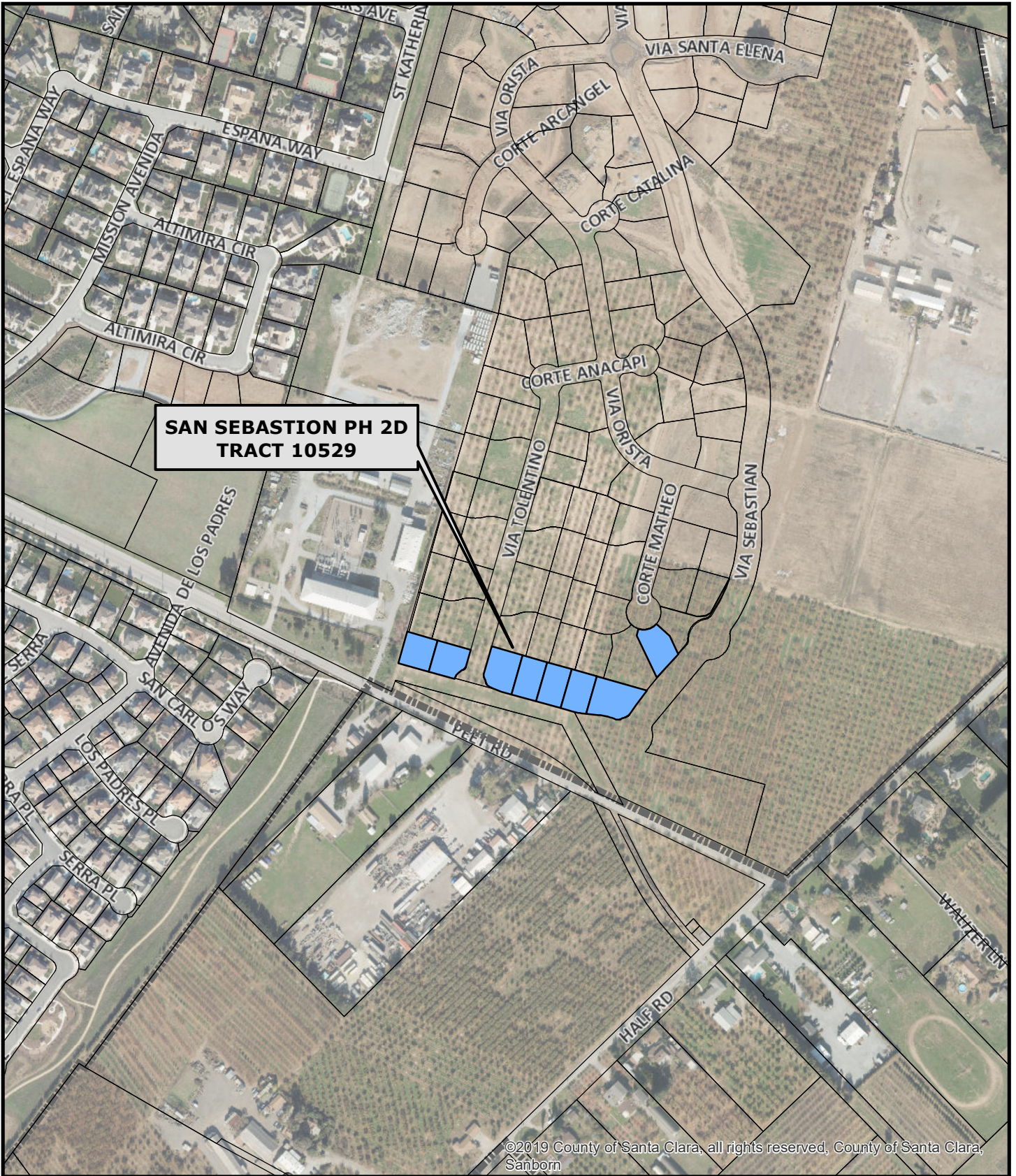
Development review costs for this project are paid for from development processing fees.

CEQA (California Environmental Quality Act):

An Environment Impact Report was adopted by the City Council on February 27, 2013.

LINKS/ATTACHMENTS:

1. Site Map
2. Final Map
3. Stormwater Best Management Practices, Operation, and Maintenance Agreement



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**Engineering and Utilities Department
Land Development Engineering Division**

Document Path: G:\R-14\PROJ\GIS\John\Santha_SanSebastian_2D.mxd

**SITE MAP
SAN SEBASTIAN PHASE 2D**



Attachment: Site Map [Revision 2] (2876 : FINAL MAP APPROVAL OF SAN SEBASTIAN PHASE 2D - TRACT NO. 10529)

OWNERS’ STATEMENT

WE HEREBY STATE THAT WE ARE THE OWNERS OF OR HAVE SOME RIGHT, TITLE, OR INTEREST IN AND TO THE REAL PROPERTY SHOWN ON THE SUBDIVISION WITHIN THE DISTINCTIVE SYMBOL LINE OF THIS MAP ENTITLED "TRACT 10529, SAN SEBASTIAN PHASE 2D", CONSISTING OF THREE (3) SHEETS, THIS STATEMENT BEING ON SHEET ONE (1) THEREOF; THAT WE ARE THE ONLY PERSONS WHOSE CONSENT IS NECESSARY TO PASS A CLEAR TITLE TO SAID REAL PROPERTY; THAT WE HAVE CAUSED SAID MAP TO BE PREPARED FOR RECORD, AND DO CONSENT TO THE MAKING AND FILING OF SAID MAP.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED AS AN EASEMENT FOR PUBLIC PURPOSES: EASEMENTS FOR ANY AND ALL PUBLIC SERVICE FACILITIES INCLUDING, BUT NOT LIMITED TO SIDEWALKS, POLES, WIRES AND CONDUITS FOR ELECTRICAL, TELEPHONE, TELEVISION, GAS, STORM, SANITARY AND WATER SERVICES, AND ALL APPURTENANCES THERETO UNDER, UPON, OR OVER THE LAND DESIGNATED AS "PUBLIC SERVICE EASEMENT" (PSE).

THE OFFERS OF DEDICATION DESCRIBED HEREIN TO THE CITY OF MORGAN HILL ARE TO BE ACCEPTED ONLY WHEN THE CITY COUNCIL OF THE CITY OF MORGAN HILL OR ITS SUCCESSOR AGENCY ADOPTS AND RECORDS IN THE OFFICE OF THE RECORDER OF SANTA CLARA COUNTY A RESOLUTION ACCEPTING SAID STREETS OR EASEMENTS. UNTIL SAID RESOLUTION(S) ARE RECORDED, ALL STREETS AND EASEMENTS ENCOMPASSED WITHIN SUCH OFFERS OF DEDICATION SHALL BE MAINTAINED BY THE OWNER DURING ANY REQUIRED WARRANTY PERIOD AND THEREAFTER BY THE OWNER(S) OF THE LOTS OR PARCELS IN THE SUBDIVISION. THE CITY OF MORGAN HILL SHALL NOT BE RESPONSIBLE FOR MAINTENANCE AND SHALL INCUR NO LIABILITY WITH RESPECT TO SUCH OFFERED STREETS AND EASEMENTS OR ANY IMPROVEMENT THEREON. ALL DEDICATED RIGHTS-OF-WAY AND EASEMENTS NOT ACCEPTED FOR MAINTENANCE BY THE CITY OR OTHER PUBLIC AGENCY SHALL BE MAINTAINED BY THE OWNER(S) OF THE LOTS OR PARCELS IN THE SUBDIVISION.

OWNER: TOLL CA XX, L.P., A CALIFORNIA LIMITED PARTNERSHIP

BY: TOLL WEST COAST LLC,
A DELAWARE LIMITED LIABILITY COMPANY
GENERAL PARTNER

BY: _____
NAME

ITS: _____

OWNER ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA }
COUNTY OF _____ } ss.

ON _____, 2020, BEFORE ME, _____,

PERSONALLY APPEARED _____
WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND.

NOTARY’S SIGNATURE: _____
NAME OF NOTARY (PLEASE PRINT): _____
PRINCIPAL COUNTY OF BUSINESS: _____
MY COMMISSION NUMBER: _____
MY COMMISSION EXPIRES: _____

SURVEYOR’S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION, AT THE REQUEST OF TOLL CA XX, L.P., A CALIFORNIA LIMITED PARTNERSHIP. IT IS BASED UPON A FIELD SURVEY PERFORMED BY ME OR UNDER MY DIRECTION COMPLETED FEBRUARY 06, 2019, IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE, AND IS TRUE AND COMPLETE AS SHOWN. I HEREBY STATE THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE CONDITIONALLY APPROVED TENTATIVE MAP, THAT ALL MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED OR THAT THEY WILL BE SET IN THOSE POSITIONS ON OR BEFORE SEPTEMBER 2022, AND THAT SAID MONUMENTS ARE OR WILL BE SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED.

BRYAN PIERCE, PLS 8859 DATE

CITY SURVEYOR’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP, AND THAT I AM SATISFIED THAT SAID MAP IS TECHNICALLY CORRECT.

DATE: _____



JOHN K. KING
ACTING CITY SURVEYOR – HANNA & BRUNETTI
P.L.S. NO. 6809

NOTES:

- 1.) THE DISTINCTIVE SYMBOL LINE INDICATES THE BOUNDARIES OF THE LAND SUBDIVIDED BY THIS FINAL MAP.
- 2.) THE AREA WITHIN THE DISTINCTIVE SYMBOL LINE IS 2.06 ACRES, MORE OR LESS.
- 3.) THE PROPERTY OWNER IS PROVIDING CONSTRUCTIVE NOTICE HEREON THAT EACH LOT IS SUBJECT TO THE REQUIREMENTS OF A DEVELOPMENT AGREEMENT, AND THAT COMMITMENTS UNDER THE AGREEMENT, WHICH THE CITY HAS PERMITTED THE PROPERTY OWNER TO DELAY, MUST BE FULFILLED BY THE SUBSEQUENT PROPERTY OWNER(S).
- 4.) A GEOTECHNICAL INVESTIGATION REPORT WAS PREPARED BY ENGEO, INC. JOB NO. 9301.000.000 AND IS ON FILE WITH THE CITY OF MORGAN HILL

CITY ENGINEER’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP AND THAT THE SUBDIVISION AS SHOWN IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATIONS THEREOF; THAT ALL PROVISIONS OF THE SUBDIVISION MAP ACT, AS AMENDED, AND OF ANY LOCAL ORDINANCE APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP HAVE BEEN COMPLIED WITH.



DATE: _____

SCOTT C. CREER
CITY ENGINEER
CITY OF MORGAN HILL, CALIFORNIA
R.C.E. NO. 58879

STATEMENT OF THE PLANNING COMMISSION

I HEREBY STATE THAT THE TENTATIVE MAP FOR THE WITHIN FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL ON FEBRUARY 12, 2013 , BY RESOLUTION NUMBER 13–13, APPLICATION NUMBER SD–09–07.

DATE: _____

JENNIFER CARMAN
SECRETARY
CITY OF MORGAN HILL, CALIFORNIA

STATEMENT OF THE CITY CLERK

I HEREBY STATE THAT THIS FINAL MAP, CONSISTING OF THREE (3) SHEETS, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AT A MEETING OF SAID COUNCIL HELD ON THE _____ DAY OF _____, 2020; AND THAT SAID COUNCIL DID ACCEPT, SUBJECT TO THEIR IMPROVEMENT IN ACCORDANCE WITH CITY STANDARDS, ON BEHALF OF THE PUBLIC, THE DEDICATION OF THE "PUBLIC SERVICE EASEMENT" (PSE), FOR PUBLIC USE IN CONFORMITY WITH THE TERMS OF THE DEDICATION, AS SHOWN ON THIS MAP.

DATE: _____

IRMA TORREZ – CITY CLERK
OF THE CITY OF MORGAN HILL, CALIFORNIA

RECORDER’S STATEMENT

FILE NO. _____ FEE \$ _____ PAID. ACCEPTED FOR RECORD AND FILED IN BOOK _____ OF MAPS AT PAGES _____, SANTA CLARA COUNTY RECORDS, THIS _____ DAY OF _____, 20__ AT _____ M., AT THE REQUEST OF WESTMINSTER TITLE COMPANY, INC.

REGINA ALCOMENDRAS, RECORDER
SANTA CLARA COUNTY, CALIFORNIA BY _____
DEPUTY

TRACT 10529
SAN SEBASTIAN PHASE 2D

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL G", "PARCEL H" AND "PARCEL I", AS SHOWN ON THE MAP ENTITLED "TRACT 10478, SAN SEBASTIAN PHASE 2C", FILED DECEMBER 10, 2019, IN BOOK 928 OF MAPS, AT PAGES 1 THROUGH 6, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

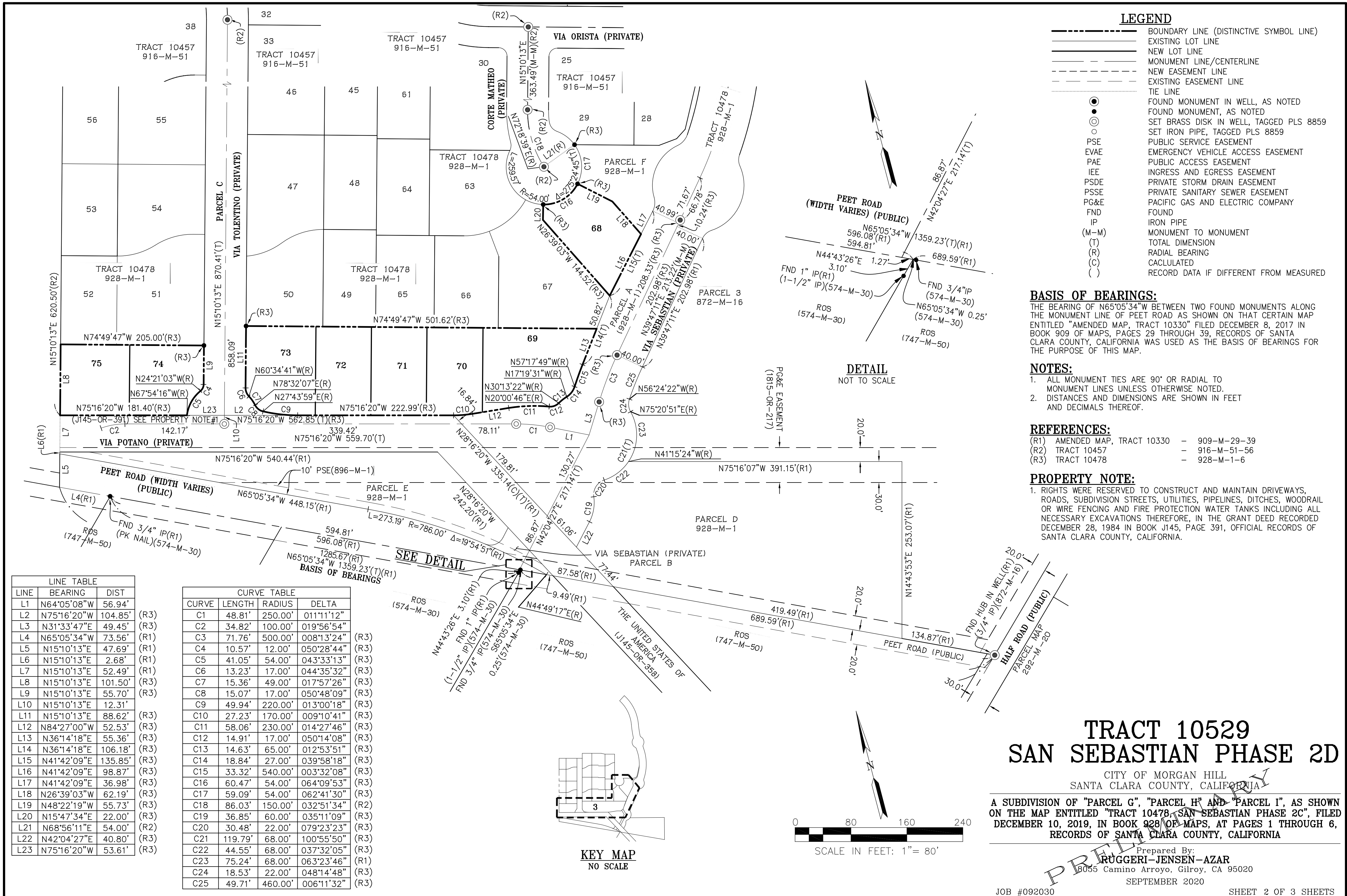
Prepared By:
RUGGERI–JENSEN–AZAR
8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 1 OF 3 SHEETS

2ND SUBMITTAL SEPTEMBER 2020



Attachment: Final Map (2876 : FINAL MAP APPROVAL OF SAN SEBASTIAN PHASE 2D - TRACT NO. 10529)

TRACT 10529 SAN SEBASTIAN PHASE 2D

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL G", "PARCEL H" AND "PARCEL I", AS SHOWN ON THE MAP ENTITLED "TRACT 10478, SAN SEBASTIAN PHASE 2C", FILED DECEMBER 10, 2019, IN BOOK 928 OF MAPS, AT PAGES 1 THROUGH 6, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By:
RUGGERI-JENSEN-AZAR
8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 2 OF 3 SHEETS

2ND SUBMITTAL SEPTEMBER 2020

LEGEND

- BOUNDARY LINE (DISTINCTIVE SYMBOL LINE)
- EXISTING LOT LINE
- NEW LOT LINE
- MONUMENT LINE/CENTERLINE
- NEW EASEMENT LINE
- EXISTING EASEMENT LINE
- TIE LINE
- FOUND MONUMENT IN WELL, AS NOTED
- FOUND MONUMENT, AS NOTED
- SET BRASS DISK IN WELL, TAGGED PLS 8859
- SET IRON PIPE, TAGGED PLS 8859
- PUBLIC SERVICE EASEMENT
- EMERGENCY VEHICLE ACCESS EASEMENT
- PUBLIC ACCESS EASEMENT
- INGRESS AND EGRESS EASEMENT
- PRIVATE STORM DRAIN EASEMENT
- PRIVATE SANITARY SEWER EASEMENT
- PACIFIC GAS AND ELECTRIC COMPANY
- FOUND
- IRON PIPE
- MONUMENT TO MONUMENT
- TOTAL DIMENSION
- RADIAL BEARING
- CALCULATED
- RECORD DATA IF DIFFERENT FROM MEASURED

BASIS OF BEARINGS:

THE BEARING OF N65°05'34"W BETWEEN TWO FOUND MONUMENTS ALONG THE MONUMENT LINE OF PEET ROAD AS SHOWN ON THAT CERTAIN MAP ENTITLED "AMENDED MAP, TRACT 10330" FILED DECEMBER 8, 2017 IN BOOK 909 OF MAPS, PAGES 29 THROUGH 39, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA WAS USED AS THE BASIS OF BEARINGS FOR THE PURPOSE OF THIS MAP.

REFERENCES:

- (R1) AMENDED MAP, TRACT 10330 - 909-M-29-39
- (R2) TRACT 10457 - 916-M-51-56
- (R3) TRACT 10478 - 928-M-1-6

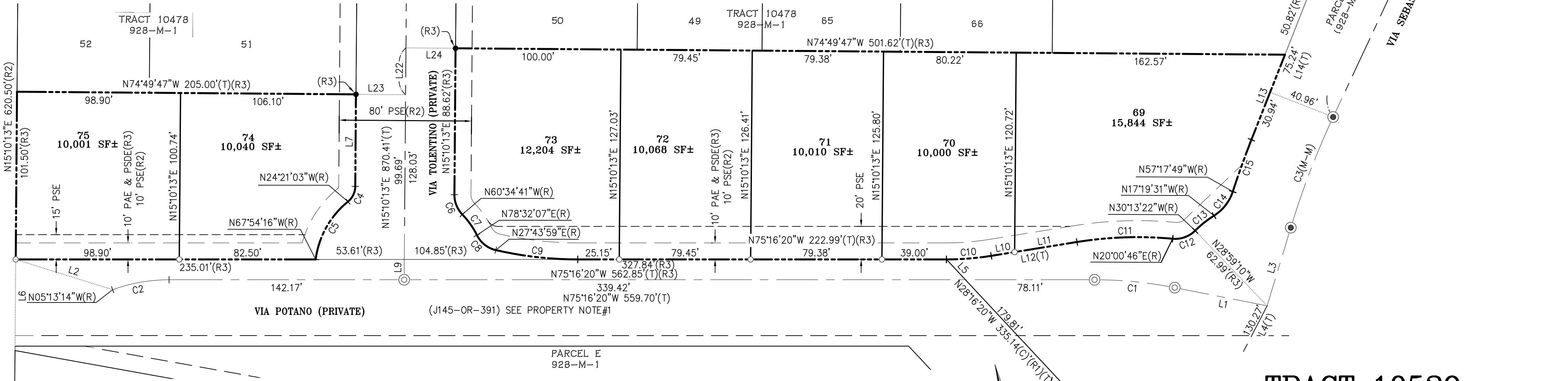
CURVE TABLE

CURVE	LENGTH	RADIUS	DELTA
C1	48.81'	250.00'	011°11'12"
C2	34.82'	100.00'	019°56'54"
C3	71.76'	500.00'	008°13'24"
C4	10.57'	12.00'	050°28'44"
C5	41.05'	54.00'	043°33'13"
C6	13.23'	17.00'	044°35'32"
C7	15.36'	49.00'	017°57'26"
C8	15.07'	17.00'	050°48'09"
C9	49.94'	220.00'	013°00'18"
C10	27.23'	170.00'	009°10'41"
C11	58.06'	230.00'	014°27'46"
C12	14.91'	17.00'	050°14'08"
C13	14.63'	65.00'	012°53'51"
C14	18.84'	27.00'	039°58'18"
C15	33.32'	540.00'	003°32'08"
C16	60.47'	54.00'	064°09'53"
C17	59.09'	54.00'	062°41'30"
C18	86.03'	150.00'	032°51'34"
C19	11.94'	17.00'	040°15'08"
C20	47.28'	180.00'	015°03'02"

LINE	BEARING	DIST
L1	N64°05'08"W	56.94'
L2	N57°55'33"W	61.42'
L3	N31°33'47"E	49.45'
L4	N42°04'27"E	217.14'
L5	N28°16'20"W	16.84'
L6	N15°10'13"E	52.49'
L7	N15°10'13"E	55.70'
L8	N74°49'47"W	30.00'
L9	N15°10'13"E	12.31'
L10	N84°27'00"W	14.32'
L11	N84°27'00"W	38.21'
L12	N84°27'00"W	52.53'
L13	N36°14'18"E	55.36'
L14	N36°14'18"E	106.18'
L15	N41°42'09"E	135.85'
L16	N41°42'09"E	98.87'
L17	N41°42'09"E	36.98'
L18	N26°39'03"W	62.19'
L19	N48°22'19"W	55.73'
L20	N15°47'34"E	22.00'
L21	N68°56'11"E	54.00'
L22	N15°10'13"E	28.35'
L23	N74°49'47"W	30.00'
L24	N74°49'47"W	30.00'
L25	N50°12'49"W	40.99'

NOTES:

- ALL MONUMENT TIES ARE 90° OR RADIAL TO MONUMENT LINES UNLESS OTHERWISE NOTED.
- DISTANCES AND DIMENSIONS ARE SHOWN IN FEET AND DECIMALS THEREOF.



PROPERTY NOTE:

- RIGHTS WERE RESERVED TO CONSTRUCT AND MAINTAIN DRIVEWAYS, ROADS, SUBDIVISION STREETS, UTILITIES, PIPELINES, DITCHES, WOODRAIL OR WIRE FENCING AND FIRE PROTECTION WATER TANKS INCLUDING ALL NECESSARY EXCAVATIONS THEREFORE, IN THE GRANT DEED RECORDED DECEMBER 28, 1984 IN BOOK J145, PAGE 391, OFFICIAL RECORDS OF SANTA CLARA COUNTY, CALIFORNIA.

TRACT 10529
SAN SEBASTIAN PHASE 2D

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL G", "PARCEL H" AND "PARCEL I", AS SHOWN ON THE MAP ENTITLED "TRACT 10478, SAN SEBASTIAN PHASE 2C", FILED DECEMBER 10, 2019, IN BOOK 928 OF MAPS, AT PAGES 1 THROUGH 6, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By:
RUGGERI-JENSEN-AZAR
8055 Camino Arroyo, Gilroy, CA 95020
SEPTEMBER 2020

JOB #092030

SHEET 3 OF 3 SHEETS

2ND SUBMITTAL SEPTEMBER 2020

RECORDING REQUESTED BY:

CITY OF MORGAN HILL

WHEN RECORDED MAIL DOCUMENT TO:

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

RECORD AT NO FEE PER
GOVERNMENT CODE SECTIONS 6103
& 27383

SPACE ABOVE THIS LINE FOR RECORDER'S
USE

**STORMWATER BEST MANAGEMENT PRACTICES,
OPERATION, AND MAINTENANCE AGREEMENT**

THIS STORMWATER BEST MANAGEMENT PRACTICES OPERATION, AND MAINTENANCE AGREEMENT ("AGREEMENT") is made and entered into this _____ day of _____, 2020, by **TOLL CA XX, LP, a California limited liability**, (hereinafter referred to as "COVENANTOR") and the City of Morgan Hill ("CITY"). CITY and COVENANTOR may be referred to individually as a "Party" or collectively as the "Parties" throughout this AGREEMENT.

RECITALS:

This AGREEMENT is made and entered into with reference to the following facts:

- A. CITY is authorized and required to regulate and control the disposition of storm and surface waters as set forth in CITY's National Pollutant Discharge Elimination System permit.
- B. COVENANTOR is the owner of a certain tract or parcel of land more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "PROPERTY").
- C. COVENANTOR desires to construct certain improvements of the kind or nature described in Morgan Hill Municipal Code Chapter 18.71 (the "ORDINANCE") on the PROPERTY that may alter existing stormwater conditions on both the PROPERTY and adjacent lands.
- D. To minimize adverse impacts due to these anticipated changes in existing storm and surface water flow conditions, COVENANTOR is required by CITY to implement Best Management Practices ("BMPs") and to build and maintain, at COVENANTOR's expense, stormwater management facilities ("FACILITIES"), more particularly described and shown in the **Stormwater Runoff Management Plan** prepared by **RJA Engineers** and dated _____, which plans and any amendments thereto, are on file with CITY's Public Works Department, and are hereby incorporated by this reference.
- E. CITY has reviewed and approved the Stormwater Runoff Management Plan (the "PLAN") subject to the execution of this AGREEMENT.

NOW, THEREFORE, in consideration of the benefit received and to be received by COVENANTOR, its successors, and assigns, as a result of CITY's approval of the Stormwater Runoff Management Plan, COVENANTOR, hereby covenants and agrees with CITY as follows:

1. Covenants Running With the Land; Property Subject to Agreement: All of the real property described in Exhibit "A" shall be subject to this AGREEMENT. It is intended and

determined that the provisions of this AGREEMENT shall run with the land and shall be binding on all parties having or acquiring any right, title, or interest in the real PROPERTY or any portion thereof and shall be for the benefit of each owner of any of said parcels or any portion of said PROPERTY and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof. Each and all of the limitations, easements, obligations, covenants, conditions, and restrictions contained herein shall be deemed to be, and shall be construed as, equitable servitudes, enforceable by any of the owners of any of the PROPERTY subject to this AGREEMENT against any other owner, tenant or occupant of the said PROPERTY, or any portion thereof.

2. Responsibility for Installation, Operation, and Maintenance: At its sole expense, COVENANTOR, its successors, and assigns, shall construct, operate, and perpetually maintain the FACILITIES in strict accordance with the PLAN and any amendments thereto that have been approved by CITY or required by the ORDINANCE.
3. Facility Modifications: At its sole expense, COVENANTOR, its successors, and assigns, shall make such changes or modifications to the FACILITIES as may be determined as reasonably necessary by CITY to ensure that the FACILITIES are properly maintained and continue to operate as originally designed and approved. COVENANTOR agrees that it shall not modify the BMPs and shall not allow BMP maintenance activities to alter the designed function of the FACILITIES from its original design unless approved by CITY prior to the commencement of the proposed modification or maintenance activity.
4. Facility Inspections by CITY: At reasonable times and in a reasonable manner as provided in the ORDINANCE, CITY, its agents, employees, and contractors shall have the right of ingress and egress to the FACILITIES and the right to inspect the FACILITIES in order to ensure that the FACILITIES are being properly maintained, are continuing to perform in an adequate manner, and are in compliance with the ORDINANCE, the PLAN and any amendments thereto approved by CITY.
5. Failure to Perform Required Facility Repairs or Modifications: Should either COVENANTOR or its successors and assigns fail to implement the BMPs, maintain the facilities, or correct any defects in the FACILITIES in accordance with the approved design standards and/or the PLAN, and in accordance with the law and applicable regulations of the ORDINANCE, after thirty (30) days from the date of the written notice from CITY, CITY shall have the right to enter the PROPERTY to perform remedial work, for which CITY will collect reimbursement for such work from COVENANTOR. Additionally, conditions from failure to implement the BMPs or to maintain or correct the FACILITIES shall be deemed a nuisance subject to abatement of such conditions as provided in Chapter 1.18 of the Morgan Hill Municipal Code. In addition, CITY may pursue other such remedies as provided by law, including, but not limited to, such civil and criminal remedies set forth in the ORDINANCE.
6. Indemnity: COVENANTOR, its successors, and assigns, shall defend, indemnify, and hold CITY harmless of and from any and all claims, liabilities, actions, causes of action, and damages for personal injury and property damage, including, without limitation, reasonable attorneys' fees, arbitration fees, or costs and court costs, arising out of or related to COVENANTOR's, its successors', and/or assigns' construction, operation, or maintenance of the FACILITIES except claims, liabilities, actions, causes of action, and damages that arise out of CITY's sole negligence or willful misconduct or the sole negligence or willful misconduct of any of CITY'S employees, agents, representatives, contractors, vendors, or consultants.
7. Obligations and Responsibilities of COVENANTOR: Initially, COVENANTOR is solely responsible for the performance of the obligations required hereunder and, to the extent permitted under applicable law, the payment of any and all fees, fines, and penalties

associated with such performance or failure to perform under this AGREEMENT. Notwithstanding any provisions of this AGREEMENT to the contrary, upon the recordation of a deed or other instrument of sale, transfer or other conveyance of fee simple title to the PROPERTY or any portion thereof (a "Transfer") to a third party (the "Transferee"), COVENANTOR shall be released of all of its obligations and responsibilities under this AGREEMENT accruing after the date of such Transfer to the extent such obligations and responsibilities are applicable to that portion of the PROPERTY included in such Transfer, but such release shall be expressly conditioned upon the Transferee assuming such obligations and responsibilities by recorded written agreement for the benefit of CITY. Such written agreement may be included in the Transfer deed or instrument, provided that the Transferee joins in the execution of such deed or instrument. A certified copy of such deed, instrument, or agreement shall be provided to CITY. The provisions of the preceding three sentences shall be applicable to the original COVENANTOR and any successor Transferee who has assumed the obligations and responsibilities of COVENANTOR under this AGREEMENT as provided above.

8. Property Transfer: Nothing herein shall be construed to prohibit a transfer by COVENANTOR to subsequent owners and assigns.
9. Attorneys' Fees: In the event that any Party institutes legal action or arbitration against the other to interpret or enforce this AGREEMENT, or to obtain damages for any alleged breach hereof, the prevailing party in such action or arbitration shall be entitled to reasonable attorneys' or arbitrators' fees in addition to all other recoverable costs, expenses, and damages.
10. Further Documents: The Parties covenant and agree that they shall execute such further documents and instructions as shall be necessary to fully effectuate the terms and provisions of this AGREEMENT.
11. Entire Agreement: This AGREEMENT constitutes the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior agreements, whether written or oral. There are no representations, agreements, arrangements, or undertakings, oral or written, that are not fully expressed herein.
12. Severability: In the event any part or provision of this AGREEMENT shall be determined to be invalid or unenforceable under the laws of the State of California, the remaining portions of this AGREEMENT that can be separated from the invalid, unenforceable provisions shall, nevertheless, continue in full force and effect.
13. No Waiver: The waiver of any covenant contained herein shall not be deemed to be a continuing waiver of the same or any other covenant contained herein.
14. Amendment: This AGREEMENT may be amended in whole or in part only by mutual written agreement. Any such amendment shall be recorded in Santa Clara County, California. In the event any conflict arises between the provisions of any such amendment and any of the provisions of any earlier document or documents, the most recently duly executed and recorded amendment shall be controlling.
15. Authority to Execute: The persons executing this AGREEMENT on behalf of the parties warrant that they are duly authorized to execute this AGREEMENT.
16. In the event that CITY shall determine, at its sole discretion, at any future time, that the FACILITIES are no longer required, then at the written request of COVENANTOR, its successors, and/or assigns, CITY shall execute a release of this AGREEMENT which COVENANTOR, its successors, and/or assigns, shall record in the Recorder's Office, at its expense.

Executed the day and year first above written.

COVENANTOR:

By: _____

Name: _____

Title: _____

CITY OF MORGAN HILL:

By: _____

Name: **CHRISTINA J. TURNER**

Title: **CITY MANAGER, CITY OF MORGAN HILL**

APPROVED AS TO FORM:

By: _____

Name: **DONALD A. LARKIN**

Title: **CITY ATTORNEY, CITY OF MORGAN HILL**

EXHIBIT "A"

(Description to be inserted)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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State of **California**
County of **Santa Clara**

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WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Charlie Ha, Supervising Civil Engineer
APPROVED BY: City Manager

APPROVE FINAL MAP FOR TWO LOT SUBDIVISION AT SAN SEBASTIAN PHASE 3 - TRACT NO. 10534

RECOMMENDATION(S)

1. Approve the Final Map; and
2. Authorize the recordation of the Final Map.

COUNCIL PRIORITIES, GOALS & STRATEGIES

2020-2021 Strategic Priorities
Economic Development

GUIDING DOCUMENTS

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

San Sebastian Phase 3—Tract No. 10534 is a 2-lot subdivision located at the northwest intersection of Peet Road and Half Road (Attachment 1). The purpose of this two-lot subdivision is to better facilitate the future phasing of San Sebastian Phase 3. The owners, Stanley B. Borello and Janell R. Borello, trustees of the Stanley and Janell Borello 2007 Family Trust dated December 3, 2007, have met the requirements specified by the Planning Commission in the approval of the Tentative Map on February 12, 2013.

The City Council is required to approve the map if it conforms to all the requirements of the Subdivision Map Act, and any conditions of approval for the Tentative Map.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map (Attachment 2) and has made provisions with a Title Company for the recordation of the Final Map. The Final Map conforms to the requirements of the Subdivision Map Act, and conditions of approval have been met. Staff recommends that City Council approve the Final Map.

COMMUNITY ENGAGEMENT: Involve

On February 12, 2013, the Planning Commission approved the Tentative Map. Residents within a 300 foot radius were informed of the Planning Commission's intent to approve the Tentative Map for the project, in which a public hearing was held to allow the public to be involved and voice their concerns over Tentative Map requirements.

ALTERNATIVE ACTIONS:

There is no feasible alternative action as the developer has met the requirements of the tentative map conditions approved by the Planning Commission to file for a final map approval.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On December 4, 2019, the City Council approved San Sebastian Phase 2C – Tract 10478 Final Map.

FISCAL AND RESOURCE IMPACT:

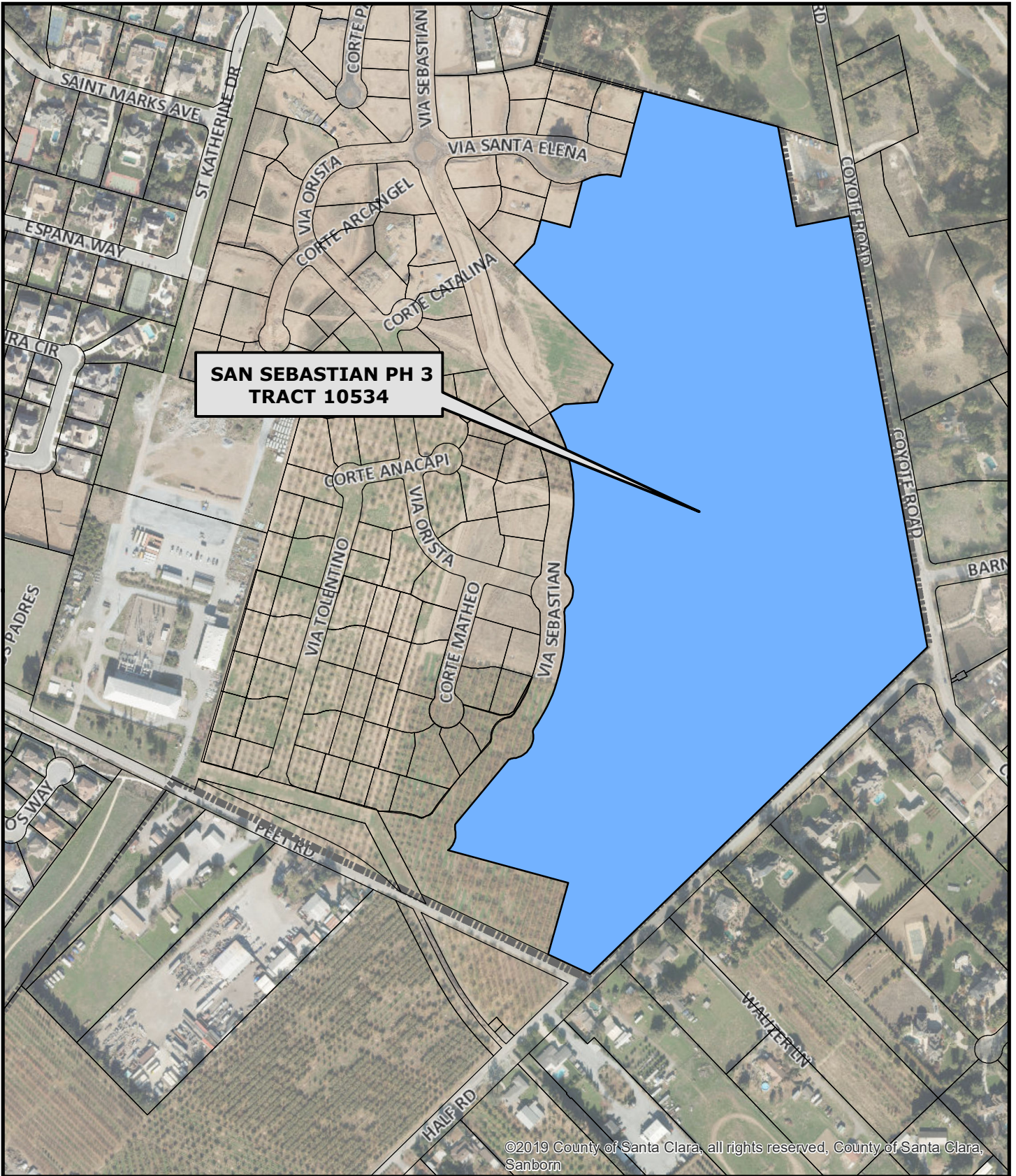
Development review costs for this project are paid for from development processing fees.

CEQA (California Environmental Quality Act):

An Environment Impact Report was adopted by the City Council on February 27, 2013.

LINKS/ATTACHMENTS:

1. Site Map
2. Final Map



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**Engineering and Utilities Department
Land Development Engineering Division**

Document Path: G:\R-14\PROJ\GIS\John\Charlie_SanSebastian_3.mxd

SITE MAP SAN SEBASTIAN PHASE 3



Attachment: Site Map [Revision 2] (2877 : FINAL MAP APPROVAL OF SAN SEBASTIAN PHASE 3 - TRACT NO. 10534)

OWNERS’ STATEMENT

WE HEREBY STATE THAT WE ARE THE OWNERS OF OR HAVE SOME RIGHT, TITLE, OR INTEREST IN AND TO THE REAL PROPERTY SHOWN ON THE SUBDIVISION WITHIN THE DISTINCTIVE SYMBOL LINE OF THIS MAP ENTITLED "TRACT 10534 SAN SEBASTIAN, PHASE 3", CONSISTING OF FOUR (4) SHEETS, THIS STATEMENT BEING ON SHEET ONE (1) THEREOF; THAT WE ARE THE ONLY PERSONS WHOSE CONSENT IS NECESSARY TO PASS A CLEAR TITLE TO SAID REAL PROPERTY; THAT WE HAVE CAUSED SAID MAP TO BE PREPARED FOR RECORD, AND DO CONSENT TO THE MAKING AND FILING OF SAID MAP.

OWNERS: STANLEY B. BORELLO AND JANELL R. BORELLO, TRUSTEES OF THE STANLEY AND JANELL BORELLO 2007 FAMILY TRUST DATED DECEMBER 3, 2007.

BY: STANLEY B. BORELLO, TRUSTEE BY: JANELL R. BORELLO, TRUSTEE

ROBERT S. BORELLO, TRUSTEE OF THE BYPASS TRUST CREATED UNDER THE ROBERT S. AND JANET L. BORELLO FAMILY TRUST.

BY: ROBERT S. BORELLO, TRUSTEE

STEVEN CANCELLA AND PAMELA CANCELLA, AS TRUSTEES OF THE STEVEN AND PAMELA CANCELLA 2011 FAMILY TRUST DATED JULY 29, 2011.

BY: STEVEN CANCELLA, TRUSTEE BY: PAMELA CANCELLA, TRUSTEE

RICHARD F. BORELLO AND DEBRA K. BORELLO AS TRUSTEES OF THE RICHARD F. BORELLO AND DEBRA K. BORELLO 2007 FAMILY TRUST.

BY: RICHARD F. BORELLO, TRUSTEE BY: DEBRA K. BORELLO, TRUSTEE

BARBARA J. BORELLO–EISENBACH, AS TRUSTEE OF THE BARBARA J. BORELLO–EISENBACH REVOCABLE SEPARATE PROPERTY TRUST DATED NOVEMBER 15, 2008.

BY: BARBARA J. BORELLO–EISENBACH, TRUSTEE

RUDY A. BORELLO, TRUSTEE OF THE RUDY A. BORELLO REVOCABLE TRUST DATED FEBRUARY 27, 2007.

BY: RUDY A. BORELLO, TRUSTEE

CHRISTINA BORELLO, TRUSTEE OF THE CHRISTINA P. BORELLO REVOCABLE TRUST DATED APRIL 27, 2005.

BY: CHRISTINA BORELLO, TRUSTEE

KATHLEEN J. BORELLO, TRUSTEE OF THE KATHLEEN J. BORELLO REVOCABLE TRUST DATED JULY 8, 2006.

BY: KATHLEEN J. BORELLO, TRUSTEE

OWNER ACKNOWLEDGMENT

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STATE OF CALIFORNIA } ss. COUNTY OF

ON , 2020, BEFORE ME, ,

PERSONALLY APPEARED WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND.

NOTARY’S SIGNATURE: NAME OF NOTARY (PLEASE PRINT): PRINCIPAL COUNTY OF BUSINESS: MY COMMISSION NUMBER: MY COMMISSION EXPIRES:

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RECORDER’S STATEMENT

FILE NO. FEE \$ PAID. ACCEPTED FOR RECORD AND FILED IN BOOK OF MAPS AT PAGES , SANTA CLARA COUNTY RECORDS, THIS DAY OF , 20 AT M., AT THE REQUEST OF WESTMINSTER TITLE COMPANY INC..

REGINA ALCOMENDRAS, RECORDER BY DEPUTY SANTA CLARA COUNTY, CALIFORNIA

TRACT 10534 SAN SEBASTIAN, PHASE 3

CITY OF MORGAN HILL SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL 8" AS SHOWN ON THE MAP ENTITLED "PARCEL MAP, SAN SEBASTIAN, FILED MAY 23, 2014, IN BOOK 872 OF MAPS, PAGES 18 THROUGH 23, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By: RUGGERI–JENSEN–AZAR 8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 1 OF 4 SHEETS

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COUNTY OF _____}ss.

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ON _____, 2020, BEFORE ME, _____,

PERSONALLY APPEARED _____
WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND.

NOTARY’S SIGNATURE: _____
NAME OF NOTARY (PLEASE PRINT): _____
PRINCIPAL COUNTY OF BUSINESS: _____
MY COMMISSION NUMBER: _____
MY COMMISSION EXPIRES: _____

OWNER ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA }
COUNTY OF _____}ss.

ON _____, 2020, BEFORE ME, _____,

PERSONALLY APPEARED _____
WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND.

NOTARY’S SIGNATURE: _____
NAME OF NOTARY (PLEASE PRINT): _____
PRINCIPAL COUNTY OF BUSINESS: _____
MY COMMISSION NUMBER: _____
MY COMMISSION EXPIRES: _____

TRACT 10534
SAN SEBASTIAN, PHASE 3

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL 2" AS SHOWN ON THE MAP ENTITLED "PARCEL MAP, SAN SEBASTIAN, FILED MAY 23, 2014, IN BOOK 872 OF MAPS, PAGES 18 THROUGH 23, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By:
RUGGERI-JENSEN-AZAR
8055 Camino Arroyo, Gilroy, CA 95020
SEPTEMBER 2020

JOB #092030

SHEET 2 OF 4 SHEETS

SURVEYOR’S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION, AT THE REQUEST OF STANLEY B. BORELLO AND JANELL R. BORELLO, TRUSTEES OF THE STANLEY AND JANELL BORELLO 2007 FAMILY TRUST DATED DECEMBER 3, 2007; ROBERT S. BORELLO, TRUSTEE OF THE BYPASS TRUST CREATED UNDER THE ROBERT S. AND JANET L. BORELLO FAMILY TRUST; STEVEN CANCELLA AND PAMELA CANCELLA, AS TRUSTEES OF THE STEVEN AND PAMELA CANCELLA 2011 FAMILY TRUST DATED JULY 29, 2011; RICHARD F. BORELLO AND DEBRA K. BORELLO AS TRUSTEES OF THE RICHARD F. BORELLO AND DEBRA K. BORELLO 2007 FAMILY TRUST; BARBARA J. BORELLO–EISENBACH, AS TRUSTEE OF THE BARBARA J. BORELLO–EISENBACH REVOCABLE SEPARATE PROPERTY TRUST DATED NOVEMBER 15, 2008; RUDY A. BORELLO, TRUSTEE OF THE RUDY A. BORELLO REVOCABLE TRUST DATED FEBRUARY 27, 2007; CHRISTINA BORELLO, TRUSTEE OF THE CHRISTINA P. BORELLO REVOCABLE TRUST DATED APRIL 27, 2005; AND KATHLEEN J. BORELLO, TRUSTEE OF THE KATHLEEN J. BORELLO REVOCABLE TRUST DATED JULY 8, 2006. IT IS BASED UPON A FIELD SURVEY PERFORMED BY ME OR UNDER MY DIRECTION COMPLETED IN AUGUST 2019, IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE, AND IS TRUE AND COMPLETE AS SHOWN. I HEREBY STATE THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE APPROVED TENTATIVE MAPS, THAT ALL MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED OR THAT THEY WILL BE SET IN THOSE POSITIONS ON OR BEFORE SEPTEMBER 2022, AND THAT SAID MONUMENTS ARE OR WILL BE SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED.

DATE: _____
BRYAN PIERCE
P.L.S. NO. 8859

CITY SURVEYOR’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP, AND THAT I AM SATISFIED THAT SAID MAP IS TECHNICALLY CORRECT.

DATE: _____
JOHN K. KING
ACTING CITY SURVEYOR – HANNA & BRUNETTI
P.L.S. NO. 6809

NOTES:

- 1.) THE DISTINCTIVE SYMBOL LINE INDICATES THE BOUNDARIES OF THE LAND SUBDIVIDED BY THIS PARCEL MAP.
- 2.) THE AREA WITHIN THE DISTINCTIVE SYMBOL LINE IS 52.42 ACRES, MORE OR LESS.
- 3.) ALL DISTANCES AND DIMENSIONS ARE IN FEET AND DECIMALS THEREOF.
- 4.) THE VESTING TENTATIVE MAP FOR 80 LOTS (RESOLUTION NUMBER 13–12) AND THE TENTATIVE MAP FOR 179 LOTS RESOLUTION NUMBER 13–13) ARE THE APPROVED AND OPERATIVE TENTATIVE SUBDIVISION MAPS FOR SAN SEBASTIAN, PHASE 3 AND THE PARCEL COMPRISING TRACT MAP 10534. THE FILING OF THIS FINAL MAP OR THE SUBSEQUENT FILING OF ANY PHASED FINAL MAPS OR PARCEL MAPS BY THE SUBDIVIDER TO CREATE LARGER PARCELS SHALL NOT EXTINGUISH THE APPROVED TENTATIVE SUBDIVISION MAPS FOR SAN SEBASTIAN, PHASE 3, AND MAY BE FILED TO EFFECTUATE THE SUBDIVISION OF PHASE 3 IN ACCORDANCE WITH THE ABOVE–REFERENCE TENTATIVE SUBDIVISION MAPS.

CITY ENGINEER’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP AND THAT THE SUBDIVISION AS SHOWN IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATIONS THEREOF; THAT ALL PROVISIONS OF THE SUBDIVISION MAP ACT, AS AMENDED, AND OF ANY LOCAL ORDINANCE APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP HAVE BEEN COMPLIED WITH.

DATE: _____
SCOTT C. CREER
CITY ENGINEER
CITY OF MORGAN HILL, CALIFORNIA
R.C.E. NO. 58879

STATEMENT OF THE PLANNING COMMISSION

I HEREBY STATE THAT THE VESTING TENTATIVE MAP FOR THE WITHIN FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL ON FEBRUARY 12, 2013, BY RESOLUTION NUMBER 13–12 AND THAT THE TENTATIVE MAP FOR THE WITHIN FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL ON FEBRUARY 12, 2013, BY RESOLUTION NUMBER 13–13. BOTH THE VESTING TENTATIVE MAP AND NON–VESTING TENTATIVE MAP WERE PROCESSED AS APPLICATION #SD–09–07.

DATE: _____
JENNIFER CARMAN
SECRETARY
CITY OF MORGAN HILL, CALIFORNIA

STATEMENT OF THE CITY CLERK

I HEREBY STATE THAT THIS FINAL MAP, CONSISTING OF FOUR (4) SHEETS, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AT A MEETING OF SAID COUNCIL HELD ON THE _____ DAY OF _____, 2020.

DATE: _____
IRMA TORREZ – CITY CLERK
OF THE CITY OF MORGAN HILL, CALIFORNIA

TRACT 10534
SAN SEBASTIAN, PHASE 3

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

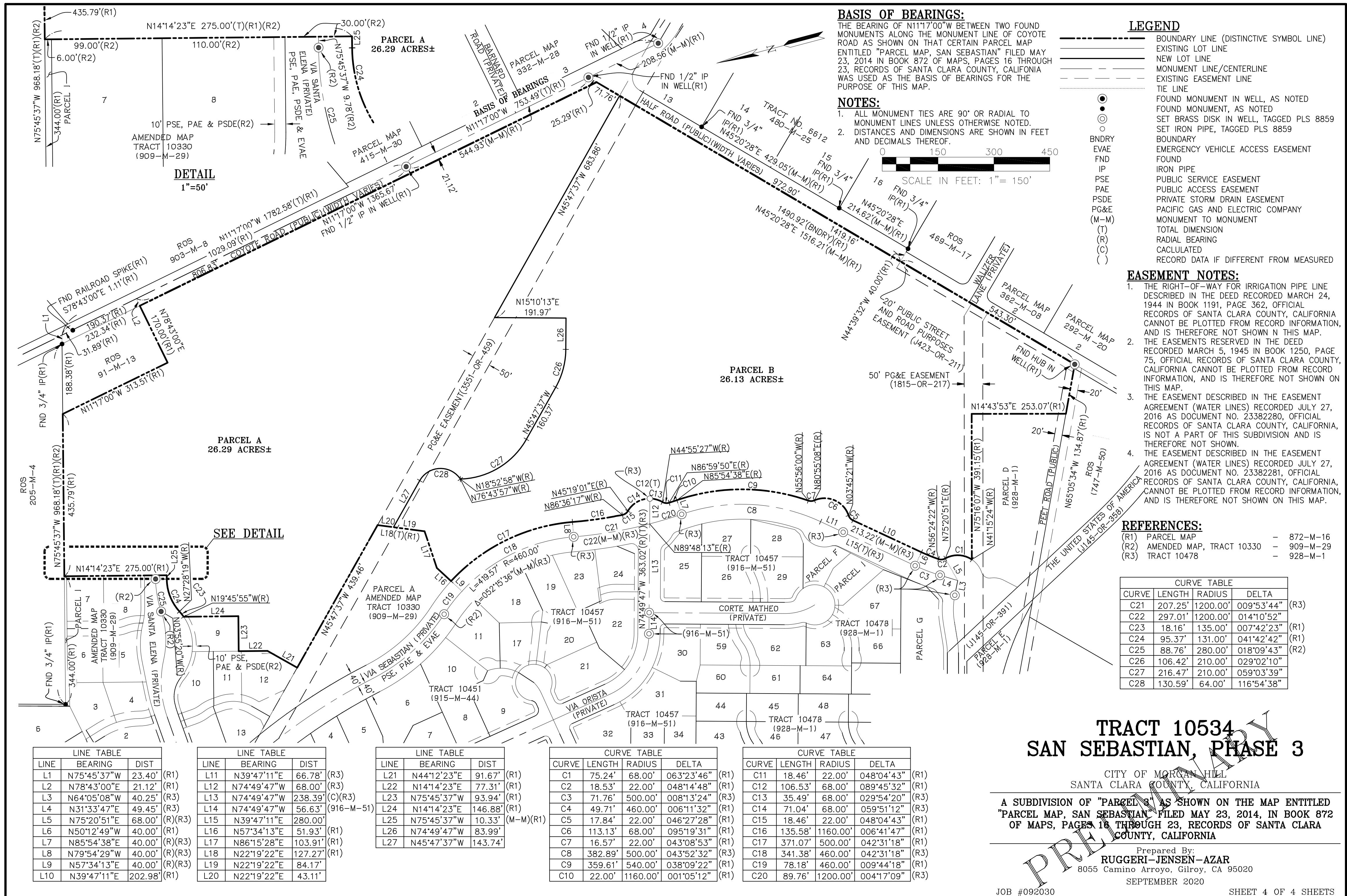
A SUBDIVISION OF "PARCEL 3" AS SHOWN ON THE MAP ENTITLED "PARCEL MAP, SAN SEBASTIAN, FILED MAY 23, 2014, IN BOOK 872 OF MAPS, PAGES 18 THROUGH 23, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By:
RUGGERI–JENSEN–AZAR
8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 3 OF 4 SHEETS





CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Mario Jimenez, Associate Engineer
APPROVED BY: City Manager

APPROVE THE FINAL MAP, AND AGREEMENTS FOR SUBDIVISION IMPROVEMENTS AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE FOR ANDALUSIA - TRACT NO. 10521

RECOMMENDATION(S)

1. Approve the Final Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with MH Andalusia 2020 Inc.;
3. Authorize the City Manager to execute 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.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Protecting the Environment and Preserving
Open Space and Agricultural Land

2020-2021 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

Andalusia – Tract No. 10521 is a 46-unit multi-family residential condominium development on a 3.5-acre site located on the north side of East Dunne Avenue, adjacent to the north side of the Morgan Hill KinderCare Learning Center at 605 E. Dunne Avenue, and as shown on the attached site map (Attachment No. 1). The developer, MH Andalusia 2020 Inc., has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on November 27, 2018.

The City Council is required to approve the map if it conforms to all the requirements of the Subdivision Map Act, and any conditions of approval for the Tentative Map.

The Developer has furnished the City with the necessary documents to complete the processing of the Final Map (Attachment No. 2) and has provided the required fees, security, and insurance prior to recordation of the Final Map. The Final Map conforms to the requirements of the Subdivision Map Act, and conditions of approval have been met. Staff recommends that City Council authorize the City Manager to sign a Subdivision Improvements Agreement (Attachment No. 3) on behalf of the City and sign

a Stormwater BMP Operation and Maintenance Agreement (Attachment No. 4) pending review and approval by the City Attorney.

COMMUNITY ENGAGEMENT: Involve

On November 27, 2018, the Planning Commission approved the Tentative Map. Residents within a 300 foot radius were informed of Planning Commission's intent to approve the Tentative Map for the project, in which a public hearing was held to allow the public to be involved and voice their concerns over the Tentative Map requirements.

ALTERNATIVE ACTIONS:

There is no feasible alternative action as the developer has met the requirements of the Tentative Map conditions approved by the Planning Commission to file for a final map approval.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On January 23, 2019, the City Council adopted the Ordinance approving the Development Agreement (Ordinance No. 2294).

FISCAL AND RESOURCE IMPACT:

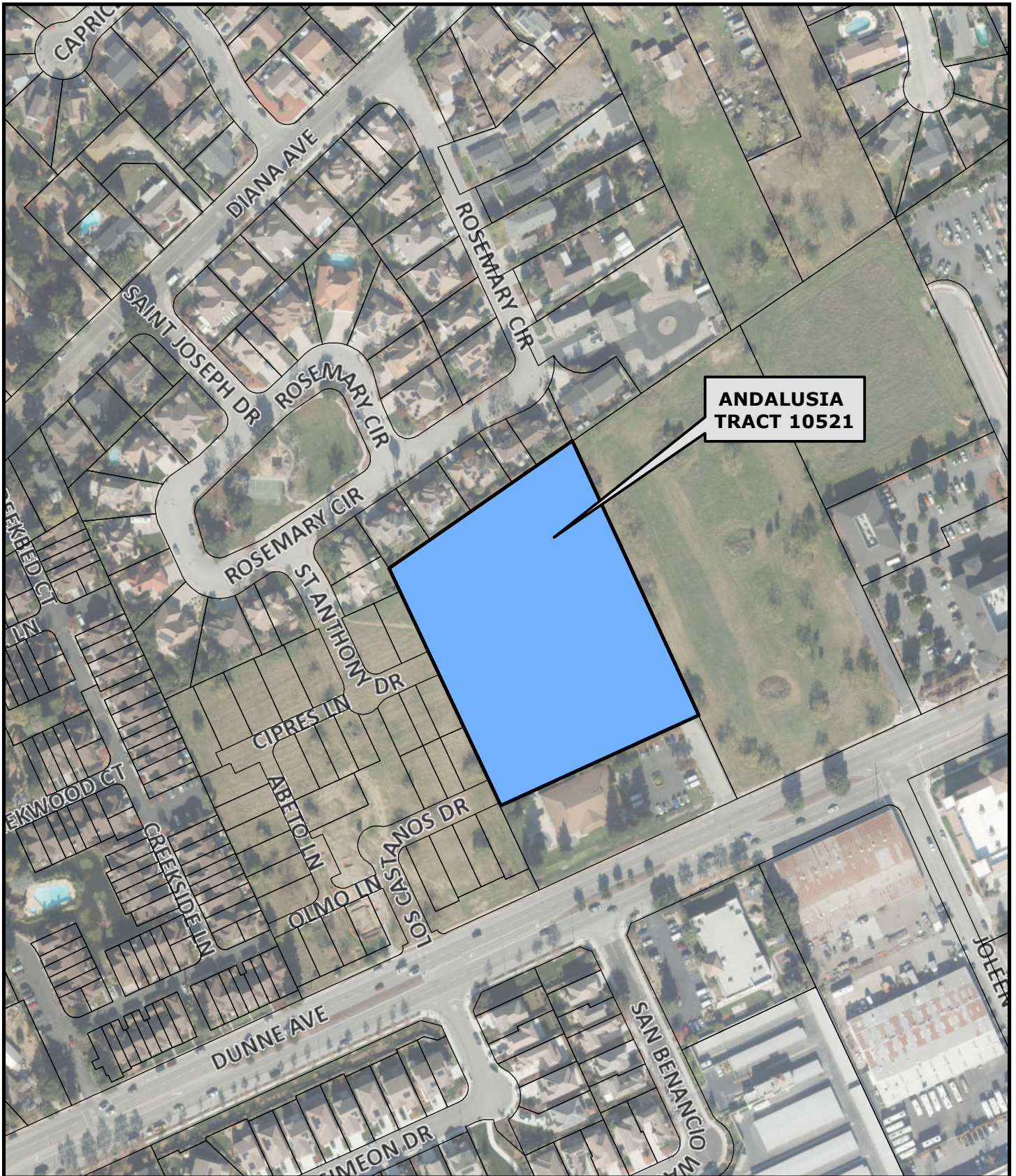
Development review costs for this project are paid for from development processing fees by the developer. The developer will contribute subdivision infrastructure improvements to the City at the estimated value of \$758,267.

CEQA (California Environmental Quality Act): Project

A Mitigated Negative Declaration for the project was adopted on November 27, 2018.

LINKS/ATTACHMENTS:

1. Site Map
2. Final Map
3. Subdivision Improvements Agreement
4. Stormwater BMP Operation and Maintenance Agreement



Attachment: Site Map [Revision 1] (2907 : Final Map Approval of Andalusia - Tract No. 10521)



CITY OF MORGAN HILL

**Engineering and Utilities Department
Land Development Engineering Division**

Document Path: G:\R-14\PROJ\GIS\John\Mario_Andalusia Tr10521.mxd

**SITE MAP
ANDALUSIA
TRACT 10521**



0 75 150 300 450 600
Feet

OWNER'S STATEMENT

WE HEREBY STATE THAT WE ARE THE OWNERS OF, OR HAVE SOME RIGHT, TITLE, OR INTEREST IN AND TO THE REAL PROPERTY INCLUDED WITHIN THE SUBDIVISION SHOWN UPON THE HEREIN MAP; THAT WE ARE THE ONLY PERSONS WHOSE CONSENTS ARE NECESSARY TO PASS A CLEAR TITLE TO SAID REAL PROPERTY; THAT WE HEREBY CONSENT TO THE PREPARATION AND FILING OF SAID MAP AND SUBDIVISION AS SHOWN WITHIN THE DISTINCTIVE BOUNDARY LINE.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED IN FEE FOR PUBLIC PURPOSES: ALL STREETS AND PORTIONS OF STREETS NOT HERETOFORE EXISTING AND DESIGNATED AS **ANDALUSIA DRIVE, LOS CASTAÑOS DRIVE AND ST. ANTHONY DRIVE** AS SHOWN UPON THIS MAP. SAID DEDICATIONS AND OFFERS OF DEDICATION ARE FOR ANY AND ALL PUBLIC USES UNDER, UPON, AND OVER SAID STREETS AND PORTIONS THEREOF.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED AS AN EASEMENT FOR PUBLIC PURPOSES: EASEMENTS FOR ANY AND ALL PUBLIC SERVICE FACILITIES INCLUDING, BUT NOT LIMITED TO SIDEWALKS, POLES, WIRES AND CONDUITS FOR ELECTRICAL, TELEPHONE, TELEVISION, GAS, STORM DRAINAGE, SANITARY SEWER AND WATER SERVICES, AND ALL APPURTENANCES THERETO UNDER, UPON, OR OVER THE LAND DESIGNATED AS **PUBLIC SERVICE EASEMENT (P.S.E.)** ON THE WITHIN MAP.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED AS AN EASEMENT FOR PUBLIC PURPOSES: EASEMENTS FOR EMERGENCY ACCESS PURPOSES ONLY, UPON AND OVER THOSE STRIPS OF LAND WITHIN THE 'COMMON AREA DRIVEWAY' DELINEATED AND DESIGNATED AS **EMERGENCY VEHICLE ACCESS EASEMENT (E.V.A.E.)**, ON THE WITHIN MAP.

WE HEREBY RESERVE FOR THE BENEFIT OF THE OWNERS OF UNITS 1 THROUGH 46, OF 'ANDALUSIA' DEVELOPMENT, AND THEIR LICENSEES, VISITORS AND TENANTS, ALL OF PARCELS 1 AND 2, EACH ALSO DESIGNATED AS **Pr.U.E. (PRIVATE UTILITY EASEMENT)** FOR THE PRIVATE USE THEREOF FOR COMMON AREA AND OPEN SPACE PURPOSES, INCLUDING WITHOUT LIMITATION, LANDSCAPING, RECREATIONAL AMENITIES, WALKWAYS AND TRASH ENCLOSURES, AND FOR PRIVATE UTILITY PURPOSES, INCLUDING OVERHEAD SYSTEMS, POLES, WIRES AND CONDUITS FOR SOLAR, ELECTRICAL, TELEPHONE, TELEVISION, GAS, STORM WATER DRAINAGE, CONVEYANCE & STORAGE SYSTEMS, SANITARY SEWER AND WATER SERVICES, AND ALL APPURTENANCES THERETO UNDER, UPON, OR OVER SAID LAND. SAID PARCELS SHALL BE CONVEYED TO AND MAINTAINED BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS.

WE HEREBY RESERVE FOR THE BENEFIT OF THE OWNERS OF UNITS 1 THROUGH 46, OF 'ANDALUSIA' DEVELOPMENT, AND THEIR LICENSEES, VISITORS AND TENANTS, THE PORTIONS OF PARCELS 1 AND 2 ALSO DESIGNATED AS **PRIVATE COMMON AREA DRIVEWAY AND INGRESS AND EGRESS EASEMENT (I.E.E.)**; FOR THE PURPOSES OF ACCESS ACROSS THE 'COMMON AREA DRIVEWAY' AND FOR THE INSTALLATION & MAINTENANCE OF PRIVATE COMMON AREA DRIVEWAYS, WALKWAYS AND UTILITIES, AND ALL OTHER APPURTENANCES THERETO, UNDER, UPON OR OVER SAID LAND. SAID PRIVATE COMMON AREA DRIVEWAYS SHALL BE CONVEYED TO AND MAINTAINED BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS.

ALL OF THE HEREIN DESCRIBED STREETS AND EASEMENTS SHALL BE KEPT FREE OF BUILDINGS, EXCEPT LAWFUL UNSUPPORTED ROOF OVERHANGS, AND OBSTRUCTIONS THAT DO NOT IMPAIR THE USE OF, OR ARE CONSISTENT WITH THE PURPOSES OF THE STREET OR EASEMENT.

THE HEREIN DESCRIBED OFFERS OF DEDICATION TO THE CITY OF MORGAN HILL ARE TO BE ACCEPTED ONLY WHEN THE CITY COUNCIL OF THE CITY OF MORGAN HILL OR ITS SUCCESSOR AGENCY ADOPTS AND RECORDS IN THE OFFICE OF THE RECORDER OF SANTA CLARA COUNTY A RESOLUTION ACCEPTING SAID STREETS AND EASEMENTS. UNTIL SAID RESOLUTION(S) ARE RECORDED, ALL STREETS AND EASEMENTS ENCOMPASSED WITHIN SUCH OFFERS OF DEDICATION SHALL BE MAINTAINED BY THE DEVELOPER DURING ANY WARRANTY PERIOD AND THEREAFTER BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS. THE CITY OF MORGAN HILL SHALL NOT BE RESPONSIBLE FOR MAINTENANCE AND SHALL INCUR NO LIABILITY WITH RESPECT TO SUCH OFFERED STREETS AND EASEMENTS OR ANY IMPROVEMENT THEREON. ALL DEDICATED RIGHTS-OF-WAY AND EASEMENTS NOT ACCEPTED FOR MAINTENANCE BY THE CITY OR OTHER PUBLIC AGENCY SHALL BE MAINTAINED BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS.

AS OWNER:

MH ANDALUSIA 2020 INC., a California Corporation

BY: _____

ITS: _____

AS BENEFICIARY:

NAME: _____

BY: _____

ITS: _____

CITY CLERK'S STATEMENT

I HEREBY STATE THAT THE CITY COUNCIL OF THE CITY OF MORGAN HILL AT ITS REGULAR MEETING HELD ON _____, 20____, DULY APPROVED THE FINAL MAP SHOWN HEREON, AUTHORIZED ITS RECORDATION, AND ACCEPTS ON BEHALF OF THE PUBLIC, SUBJECT TO THEIR IMPROVEMENT IN ACCORDANCE WITH CITY STANDARDS, THE STREETS AND EASEMENTS OFFERED FOR DEDICATION FOR PUBLIC USE IN CONFORMITY WITH THE TERMS OF THE OFFER OF DEDICATION.

IRMA TORREZ
CITY CLERK OF THE CITY OF MORGAN HILL

DATE

Tract No.10521
"Andalusia"
For Condominium Purposes
- Forty Six Condominium Units -

Being All of 'Parcel A', as shown upon certain Parcel Map, filed for record in the office of the Recorder of the County of Santa Clara, State of California, on May 21, 1986 in Book 560 of Maps, Page 1.

Lying within the City of Morgan Hill, County of Santa Clara
State of California
June 2020

NOTES

- 1.) THE DISTINCTIVE BOUNDARY LINE INDICATES THE BOUNDARIES OF THE LAND SUBDIVIDED BY THIS FINAL MAP.
- 2.) THE AREA WITHIN THE DISTINCTIVE BOUNDARY IS 3.488 ACRES.
- 3.) ALL DISTANCES AND DIMENSIONS ARE IN FEET AND DECIMALS THEREOF.
- 4.) A GEOTECHNICAL STUDY WAS PREPARED BY Quantum Geotechnical, Inc., Dated January 8, 2018, PROJECT NO. D059.G.
- 5.) THE PROPERTY OWNER IS PROVIDING CONSTRUCTIVE NOTICE HEREON THAT EACH LOT IS SUBJECT TO REQUIREMENTS OF A DEVELOPMENT AGREEMENT, AND THAT COMMITMENTS UNDER THE AGREEMENT, WHICH THE CITY HAS PERMITTED THE PROPERTY OWNER TO DELAY, MUST BE FULFILLED BY THE SUBSEQUENT PROPERTY OWNERS/OWNER.

ACKNOWLEDGMENT

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

State Of California
County Of _____

On _____, _____, before me, _____

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

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

WITNESS my hand and official seal.

Signature _____

Printed Name

Principal County Of Business: _____

Commission Expires: _____

Commission # Of Notary: _____

ACKNOWLEDGMENT

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

State Of California
County Of _____

On _____, _____, before me, _____

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

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

WITNESS my hand and official seal.

Signature _____

Printed Name

Principal County Of Business: _____

Commission Expires: _____

Commission # Of Notary: _____

SURVEYOR'S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION AND IS BASED UPON A FIELD SURVEY IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE, AT THE REQUEST OF DIVIDEND HOMES, ON MAY 9, 2019; THE SURVEY IS TRUE AND COMPLETE AS SHOWN; I HEREBY STATE THAT ALL THE MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED, OR WILL BE SET IN SUCH POSITIONS ON OR BEFORE November, 2021 AND THAT SUCH MONUMENTS ARE, OR WILL BE, SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED. AND THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE CONDITIONALLY APPROVED TENTATIVE MAP.



HARINDER SINGLA, P.L.S. 8347

DATE

CITY ENGINEER'S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP, THE SUBDIVISION AS SHOWN IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP, IF REQUIRED, AND ANY APPROVED ALTERATIONS THEREOF. ALL PROVISIONS OF THE SUBDIVISION MAP ACT, AS AMENDED, AND OF ANY LOCAL ORDINANCES APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP, IF REQUIRED, HAVE BEEN COMPLIED WITH.



SCOTT C. CREER - CITY ENGINEER
CITY OF MORGAN HILL, CALIFORNIA
R.C.E. NO. 58879

DATE

CITY SURVEYOR'S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP AND THAT I AM SATISFIED THAT SAID MAP IS TECHNICALLY CORRECT.



JOHN K. KING - ACTING CITY SURVEYOR
P.L.S. NO. 6809
HANNA AND BRUNETTI

DATE

PLANNING COMMISSION STATEMENT

I HEREBY STATE THAT THE TENTATIVE MAP FOR THE FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED ON NOVEMBER 27, 2018 BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL, CALIFORNIA, BY RESOLUTION NUMBER 18 - 35, APPLICATION NUMBER SD2018-0004

JENNIFER CARMAN
SECRETARY OF THE PLANNING COMMISSION

DATE

COUNTY RECORDER'S STATEMENT

FILED THIS _____ DAY OF _____, 20____

AT _____M. IN BOOK _____OF MAPS, AT PAGES _____ AT THE REQUEST OF FIRST AMERICAN TITLE COMPANY.
FILE NO. _____

FEE \$ _____

REGINA ALCOMENDRAS, COUNTY RECORDER OF SANTA CLARA COUNTY

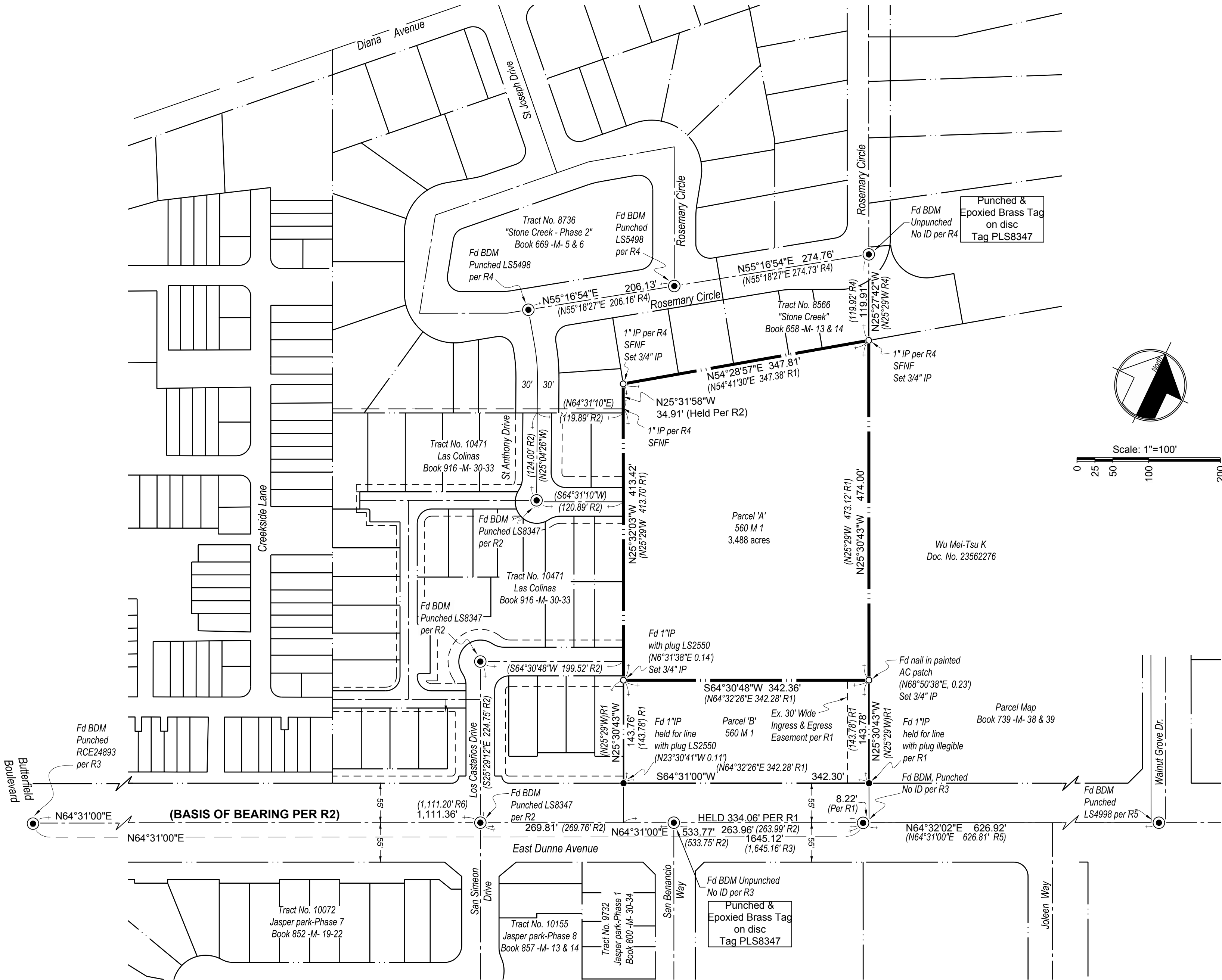
BY: _____
DEPUTY



MH engineering Co.

16075 Vineyard Boulevard
Morgan Hill, CA 95037

217110



LEGEND

- FOUND STANDARD CITY MONUMENT PER R1 OR AS NOTED
- SET STANDARD CITY MONUMENT, TAGGED PLS 8347
- SET 3/4" IRON PIPE, TAGGED PLS 8347
- FOUND IRON PIPE AS NOTED
- (...) RECORD DATA
- BDM BRASS DISC MONUMENT
- E.V.A.E. EMERGENCY VEHICLE ACCESS EASEMENT
- FD. FOUND
- I.E.E. INGRESS AND EGRESS EASEMENT
- Pr.U.E. PRIVATE UTILITY EASEMENT
- P.S.E. PUBLIC SERVICE EASEMENT
- SFNF SEARCHED FOR, NOT FOUND
- (r) RADIAL BEARING

- CENTERLINE
- DISTINCTIVE BOUNDARY LINE
- LOT LINE
- EASEMENT LINE

RECORD DATA

- R1 PARCEL MAP BOOK 560 OF MAPS, PG. 1
- R2 TRACT NO. 10471 - Las Colinas BOOK 916 OF MAPS, PGS. 30-33
- R3 TRACT NO. 9732 - JASPER PARK - PHASE 1 BOOK 800 OF MAPS, PGS. 30-34
- R4 TRACT NO. 8736 - STONE CREEK - PHASE 2 BOOK 669 OF MAPS, PGS. 5 & 6
- R5 PARCEL MAP BOOK 739 OF MAPS, PGS. 38 & 39
- R6 TRACT NO. 10155 - JASPER PARK - PHASE 8 BOOK 857 OF MAPS, PGS. 13 & 14

BASIS OF BEARINGS

Bearings shown upon the herein map are based upon the centerline of East Dunne Avenue, as found monumented and recorded as North 64°31'00" East, as shown upon that certain Tract No. 10471 entitled "Las Colinas", filed for record on July 19, 2018 in Book 916 of Maps, pages 30-33.

Tract No.10521
"Andalusia"
For Condominium Purposes
- Forty Six Condominium Units -

Being All of 'Parcel A', as shown upon certain Parcel Map, filed for record in the office of the Recorder of the County of Santa Clara, State of California, on May 21, 1986 in Book 560 of Maps, Page 1.

Lying within the City of Morgan Hill, County of Santa Clara
State of California

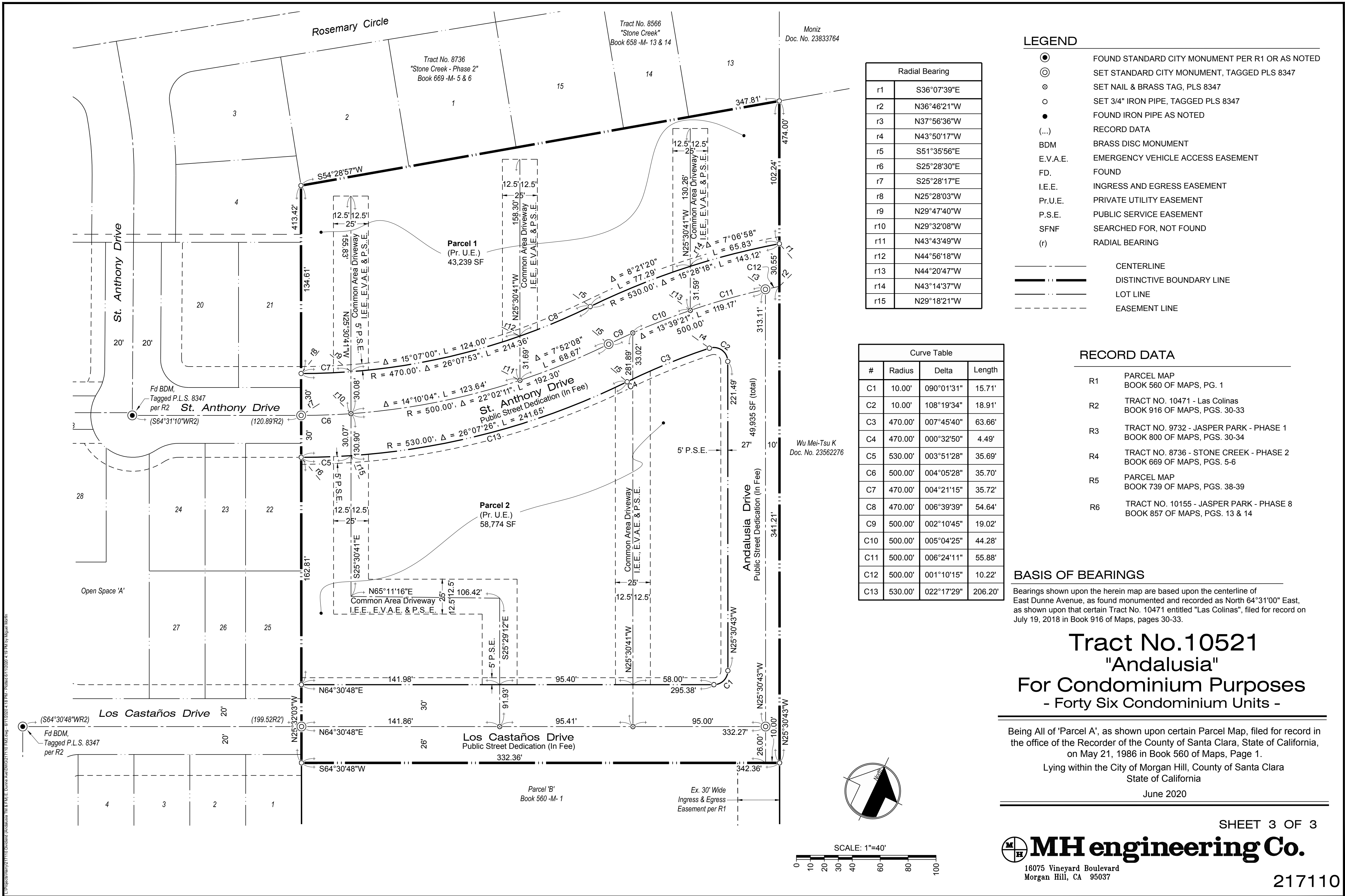
June 2020

SHEET 2 OF 3

 **MH engineering Co.**

16075 Vineyard Boulevard
Morgan Hill, CA 95037

217110



LEGEND

- FOUND STANDARD CITY MONUMENT PER R1 OR AS NOTED
- ⊙ SET STANDARD CITY MONUMENT, TAGGED PLS 8347
- ⊗ SET NAIL & BRASS TAG, PLS 8347
- SET 3/4" IRON PIPE, TAGGED PLS 8347
- FOUND IRON PIPE AS NOTED
- (...) RECORD DATA
- BDM BRASS DISC MONUMENT
- E.V.A.E. EMERGENCY VEHICLE ACCESS EASEMENT
- FD. FOUND
- I.E.E. INGRESS AND EGRESS EASEMENT
- Pr.U.E. PRIVATE UTILITY EASEMENT
- P.S.E. PUBLIC SERVICE EASEMENT
- SFNF SEARCHED FOR, NOT FOUND
- (r) RADIAL BEARING

Radial Bearing	
r1	S36°07'39"E
r2	N36°46'21"W
r3	N37°56'36"W
r4	N43°50'17"W
r5	S51°35'56"E
r6	S25°28'30"E
r7	S25°28'17"E
r8	N25°28'03"W
r9	N29°47'40"W
r10	N29°32'08"W
r11	N43°43'49"W
r12	N44°56'18"W
r13	N44°20'47"W
r14	N43°14'37"W
r15	N29°18'21"W

- — — — — CENTERLINE
- — — — — DISTINCTIVE BOUNDARY LINE
- — — — — LOT LINE
- - - - - EASEMENT LINE

Curve Table			
#	Radius	Delta	Length
C1	10.00'	090°01'31"	15.71'
C2	10.00'	108°19'34"	18.91'
C3	470.00'	007°45'40"	63.66'
C4	470.00'	000°32'50"	4.49'
C5	530.00'	003°51'28"	35.69'
C6	500.00'	004°05'28"	35.70'
C7	470.00'	004°21'15"	35.72'
C8	470.00'	006°39'39"	54.64'
C9	500.00'	002°10'45"	19.02'
C10	500.00'	005°04'25"	44.28'
C11	500.00'	006°24'11"	55.88'
C12	500.00'	001°10'15"	10.22'
C13	530.00'	022°17'29"	206.20'

RECORD DATA	
R1	PARCEL MAP BOOK 560 OF MAPS, PG. 1
R2	TRACT NO. 10471 - Las Colinas BOOK 916 OF MAPS, PGS. 30-33
R3	TRACT NO. 9732 - JASPER PARK - PHASE 1 BOOK 800 OF MAPS, PGS. 30-34
R4	TRACT NO. 8736 - STONE CREEK - PHASE 2 BOOK 669 OF MAPS, PGS. 5-6
R5	PARCEL MAP BOOK 739 OF MAPS, PGS. 38-39
R6	TRACT NO. 10155 - JASPER PARK - PHASE 8 BOOK 857 OF MAPS, PGS. 13 & 14

BASIS OF BEARINGS

Bearings shown upon the herein map are based upon the centerline of East Dunne Avenue, as found monumented and recorded as North 64°31'00" East, as shown upon that certain Tract No. 10471 entitled "Las Colinas", filed for record on July 19, 2018 in Book 916 of Maps, pages 30-33.

Tract No.10521
"Andalusia"
For Condominium Purposes
- Forty Six Condominium Units -

Being All of 'Parcel A', as shown upon certain Parcel Map, filed for record in the office of the Recorder of the County of Santa Clara, State of California, on May 21, 1986 in Book 560 of Maps, Page 1.

Lying within the City of Morgan Hill, County of Santa Clara
State of California

June 2020

SHEET 3 OF 3

MH engineering Co.

16075 Vineyard Boulevard
Morgan Hill, CA 95037

217110

Project: Morgan Hill Andalusia Tract No. 10521, 10522, 10523, 10524, 10525, 10526, 10527, 10528, 10529, 10530, 10531, 10532, 10533, 10534, 10535, 10536, 10537, 10538, 10539, 10540, 10541, 10542, 10543, 10544, 10545, 10546, 10547, 10548, 10549, 10550, 10551, 10552, 10553, 10554, 10555, 10556, 10557, 10558, 10559, 10560, 10561, 10562, 10563, 10564, 10565, 10566, 10567, 10568, 10569, 10570, 10571, 10572, 10573, 10574, 10575, 10576, 10577, 10578, 10579, 10580, 10581, 10582, 10583, 10584, 10585, 10586, 10587, 10588, 10589, 10590, 10591, 10592, 10593, 10594, 10595, 10596, 10597, 10598, 10599, 10600, 10601, 10602, 10603, 10604, 10605, 10606, 10607, 10608, 10609, 10610, 10611, 10612, 10613, 10614, 10615, 10616, 10617, 10618, 10619, 10620, 10621, 10622, 10623, 10624, 10625, 10626, 10627, 10628, 10629, 10630, 10631, 10632, 10633, 10634, 10635, 10636, 10637, 10638, 10639, 10640, 10641, 10642, 10643, 10644, 10645, 10646, 10647, 10648, 10649, 10650, 10651, 10652, 10653, 10654, 10655, 10656, 10657, 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RECORDING REQUESTED BY
WHEN RECORDED RETURN TO

CITY OF MORGAN HILL
City Clerk's Office
17575 PEAK AVENUE
MORGAN HILL, CA 95037

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

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

SUBDIVISION IMPROVEMENTS AGREEMENT

MH ANDALUSIA 2020, INC.

ANDALUSIA – TRACT NO. 10521

This Subdivision Improvements Agreement ("Agreement") between the City of Morgan Hill, a municipal corporation ("City"), and **MH ANDALUSIA 2020 INC., a California Corporation**, ("Subdivider"), is entered into this day of , 2020. City and Subdivider hereby acknowledge the following:

1. Subdivider has filed a Tentative Subdivision Map and supporting documents for **Tract No. 10521**, the subdivision known as **ANDALUSIA** ("Map").
2. City desires, as part of the conditions of approval ("Conditions") of the Final Tract Map or Parcel Map ("Final Map"), that certain improvements be installed by Subdivider ("Improvements") as shown on the City Engineer approved and signed Subdivision Improvement Plans entitled "Improvement Plans for **ANDALUSIA, Tract No. 10521**" ("Plans").
3. Subdivider has been unable to complete, prior to filing of the Final Map, all of the improvements required by City to the satisfaction of the City Engineer.
4. Subdivider is required by the terms of the Morgan Hill Municipal Code ("Municipal Code"), to improve all streets, highways, or public areas which are part of the development, including but not limited to necessary paving, curbs, sidewalks, catch basins, water mains, culverts, storm drains, and sanitary sewers, in accordance with the plans and specifications on file with the City Engineer and to post certain securities to secure the completion of the Improvements.
5. To assure City that Subdivider will construct, install and complete all Improvements required for the Subdivision, the parties have entered into this Agreement.

6. This Agreement is executed pursuant to California Government Code Section 66410 et seq., and Chapter 17.32 of the Municipal Code in order to provide for the manner in which Improvements shall be constructed and completed.

NOW, THEREFORE, and in consideration of the approval of the Final Map, and in order to ensure satisfactory performance by Subdivider of Subdivider's obligations under the Conditions, the Subdivision Map Act, and applicable ordinances of City, the parties hereto, for themselves, their successors, and assigns, hereby agree as follows:

Section 1. Incorporation by Reference

The Development Agreement between Subdivider and City, if applicable, Subdivider's Map application, the Conditions, the Map, all Plans as referenced in Section 2 below and all items submitted to the Planning Department, Planning Commission and City Council, all are incorporated herein by reference. In the event of any inconsistency between their representations in any incorporated documents and this Agreement, this Agreement shall govern.

Section 2. Construction of Improvements

(a) Subdivider shall construct to the approval of City, and as provided for in the Conditions, the Improvements as shown fully executed in the Plans entitled "Improvement Plans for ANDALUSIA TRACT 10521".

(b) Subdivider shall acquire and dedicate, or pay the cost of acquisition by City, of all rights-of-way, easements, and other interests in real property for the construction or installation of the Improvements, free and clear of all liens and encumbrances.

(c) Survey Monumentation:

(1) Subdivider shall place survey monumentation as described on the Map.

(2) Subdivider shall replace or repair all survey monumentation that is destroyed or damaged as a result of Subdivider's activities. Any such repair or replacement shall be to the satisfaction and subject to the approval of City.

Section 3. Modification of Plans

Subdivider agrees that, if during the construction of the Improvements, it is determined by City that revisions to the Plans are necessary in the interest of the public, Subdivider will undertake such design and construction changes required by City. Said changes, if any, shall be confined to the premises owned by Subdivider.

Section 4. Security

(a) Pursuant to California Government Code Section 66499.3(a), and the Municipal Code, Subdivider shall, concurrently with the execution hereof, furnish a surety bond in an amount equal to at

least one hundred percent (100%) of the estimated construction cost of the Improvements as security guaranteeing the faithful performance of the Improvements and this Agreement ("Performance Bond").

Improvements and the City Engineer's Estimated Costs of Improvements as of **October 18, 2019** are attached hereto as Exhibit "A".

The Performance Bond shall be in a form substantially the same as Exhibit "B".

(b) Pursuant to California Government Code Section 66499.3(b), Subdivider shall, concurrently with the execution hereof, furnish a surety bond in an amount equal to one hundred percent (100%) of the estimated construction cost of the Improvements (as listed in Section 4(a) above) as security guaranteeing the payment to the contractors, subcontractors and persons furnishing labor, materials, or equipment in connection with this Agreement ("Labor and Materials Bond"). The Labor and Materials Bond shall be in a form substantially the same as Exhibit "C".

(c) Subdivider shall, upon completion of the Improvements, furnish a surety bond in an amount equal to fifty percent (50%) of the construction cost of the Improvements to secure the guarantee and warranty of the work for a period of one year following the completion and acceptance thereof by the City Council ("Warranty Period") against any defective work or labor performed, or defective materials furnished by Subdivider in connection with this Agreement ("Warranty Bond"). The Warranty Bond shall be in a form substantially the same as Exhibit "D".

(d) Pursuant to Government Code Section 66499.9, any liability upon the security given for faithful performance of any act or agreement shall be limited to:

(1) The performance of the work covered by the Agreement or the performance of the required act.

(2) The performance of any changes or alterations in such work; provided that all changes or alterations do not exceed ten percent of the original estimated cost of the Improvements.

(3) The guarantee and warranty of the work for a period of one year following completion and acceptance thereof, against any defective work or labor done or defective materials furnished in the performance of the Agreement or the performance of the act.

(4) Costs and reasonable expenses and fees, including reasonable attorneys' fees.

(e) The surety on each bond and the form thereof shall be satisfactory to City. The surety shall be furnished by a surety company authorized to write the same in the State of California and that is approved and accepted by the City's risk manager.

(f) Subdivider agrees to furnish any bonds required by the State or County for Improvements outside the City's jurisdiction.

(g) The release of any securities shall be governed by the provisions of Government Code Section 66499.7.

Section 5. Inspections

At least fifteen (15) calendar days prior to the commencement of any work hereunder, Subdivider shall notify City in writing of the fixed start date of construction so that City shall be able to provide inspection services. Subdivider shall at all times maintain proper facilities and provide safe access to all parts of the work site(s) for City inspections, including any workshops or plants where work related to the Improvements is being conducted.

Subdivider shall pay and reimburse City for all expenses incurred by City for inspecting and checking all work to be performed under the provisions of the Municipal Code or this Agreement. City Engineering plan checking and field improvement inspection costs are included in the Department of Public Works Fee Schedule which may be revised from time to time.

Section 6. Timing of Performance

Subdivider agrees to perform and complete all Improvements within eighteen (18) months from the date of the recording of the Final Map; provided however, the City Manager may extend the deadline for completion by not more than six (6) months at his or her reasonable discretion and determination that granting the extension will not be detrimental to the public welfare. No extension of this deadline for completion shall be made except upon the basis of a written application made by Subdivider stating fully the ground for the application and the facts relied upon for an extension.

It is further agreed by and between Subdivider and City that any extension granted shall in no way affect the validity of this Agreement or release the surety(ies) on any bond attached hereto or the financial institution guaranteeing the same. Subdivider further agrees to maintain the securities described in Section 4 above in full force and effect during the terms of this Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by City.

Section 7. Work Performance and Warranty

(a) Subdivider shall construct, at Subdivider's own expense, all of the Improvements in a good and workmanlike manner, and furnish all required materials incident thereto, in accordance with the Plans and to the satisfaction of City, including any changes required by City which in City's opinion are necessary to complete the Improvements.

(b) All work shall be conducted and completed in accordance with the Plans and federal, state, Municipal Code, laws, ordinances, and regulations. For any Improvements partially completed prior to this Agreement, Subdivider agrees to complete the Improvements in accordance with this Agreement.

(c) Neither Subdivider, nor any of Subdivider's agents or contractors in connection with Subdivider's obligations under this Agreement are, or shall be considered to be, employees or agents of City.

(d) The work performance for the Improvements shall not be deemed complete until such time as such Improvements have been accepted for maintenance by the City Council.

(e) Subdivider warrants that: (1) it has investigated the work to be performed under this agreement, (2) it has investigated the site of the work and is aware of all conditions there; and (3) it

understands the difficulties and restrictions of the work under this Agreement. Should Subdivider discover any conditions materially differing from those inherent in the Improvements or work or as represented by City, it shall immediately inform City and shall not proceed, except at Subdivider's risk, until written instructions are received from City.

(f) Subdivider guarantees and warrants the work required by this Agreement and agrees to remedy any defects in the Improvements or work arising from faulty or defective materials or construction occurring within one year after its acceptance. Following notice, Subdivider shall, without delay or cost to City, repair, replace, or construct any defective or unsatisfactory portion of the Improvements. City may, at its sole option, perform the repair or replacement itself if Subdivider or its surety has failed to commence repair within twenty (20) days after City has mailed written notice to Subdivider. In such event, Subdivider or its surety agrees to pay the cost of repair and replacement to City, plus fifteen percent (15%); and City may recover such costs as a lien against the Subdivision. City may proceed immediately to make repairs should an emergency arises.

Section 8. Acquisition and Dedication of Easements or Rights-of-Way

(a) No construction or installation of the Improvements shall be commenced before:

(1) The offer of dedication to City of appropriate rights-of-way, easements, or other interests in real property for the Improvements, which offer of dedication shall be irrevocable and remain open pursuant to California Government Code Section 66477.2, and authorization from the property owner to allow construction or installation of Improvements, or

(2) The dedication to, and acceptance by, City of appropriate rights-of-way, easements, or other interests in real property, as determined by the City Engineer, or

(3) The issuance by a court of competent jurisdiction pursuant to state Eminent Domain Law of an order of possession.

(b) Except as otherwise provided by this Agreement, City rejects all lands, rights-of-way, and easements offered for dedication on the Final Map of the Subdivision. All such offers shall, however, remain open, and shall constitute irrevocable offers of dedication in accordance with Government Code Section 66477.2. All such offers may be accepted by City in its sole discretion at any later date without further notice to Subdivider as provided by law. By way of explanation only, it is the current intention of City to accept all or part of the irrevocable offers to dedicate upon acceptance of the Improvements called for in this Agreement.

(c) Nothing in this Section 8 shall be construed as authorizing or granting an extension of time to Subdivider.

Section 9. Indemnity

Subdivider hereby agrees to save harmless and indemnify, including, without limitation, City's defense costs (including reasonable attorney's fees), from and against any and all suits, actions, or claims, of any character whatever, brought for, or on account of any injuries or damages sustained by any person or property resulting or arising, or alleged to have resulted or arisen, from Subdivider or Subdivider's contractors, subcontractors, agents, or employees activities, omissions or operations pursuant to this

Agreement. Should City be named in any suit, or should any claim be brought against it by suit or otherwise, whether the same be groundless or not, arising out of this Agreement, or its performance, Subdivider will defend City, (at City's request and with counsel satisfactory to City) and will indemnify City for any judgment rendered against it or any sums paid out in settlement or otherwise.

Subdivider shall defend, indemnify, and hold harmless the City and its elective and appointive boards, officials, officers, agents, employees and volunteers from any claim, action, or proceeding to review, set aside, void, or annul an approval of the City concerning the Map and acts made in respect thereof, provided any such action is brought within the time period provided for in California Government Code Section 66499.37.

City shall promptly notify Subdivider of any claim, action, or proceeding, and cooperate fully in the defense of any claim, action, or proceeding.

It is expressly understood and agreed that this Section 9 will survive termination of this Agreement.

Section 10. Insurance

Concurrent with the execution of this Agreement, Subdivider is required to procure and provide proof of the insurance coverage required by this section in the form of certificates and endorsements. The required insurance must cover the activities of Subdivider and its Subcontractors relating to or arising from the performance of work associated with the Improvements, and must remain in full force and effect at all times during the period covered by the Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by the City. The coverages may be arranged under a single policy for the full limits required or by a combination of underlying policies with the balance provided by excess or "umbrella" policies, provided each such policy complies with the requirements set forth herein. Any deductibles or self-insured retentions must be declared to and approved by City. If the Subdivider will utilize the services of a General Contractor to perform all of the work associated with the Improvements, then Subdivider may opt to have all coverages provided by Subdivider's General Contractor, provided that a written contract is executed between Subdivider and the General Contractor whereby the written contract specifically required General Contractor to fulfill all of the City insurance requirements as outlined in this Agreement, including all endorsements in favor of the City. Verification of the written contract must be provided to City upon request. If Subdivider fails to provide any of the required coverage in full compliance with the requirements outlined in this Agreement City shall issue a stop work order, or terminate the Agreement for default. Subdivider further understands that the City reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to Subdivider, at any time as deemed necessary to protect the interests of the City.

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

- (1) Commercial General Liability Insurance ("CGL"): Subdivider shall maintain CGL and shall include coverage for liability arising from Subdivider's or its Subcontractor's acts or omissions in the performance of work associated with the Improvements against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) five million dollars (\$5,000,000.00) combined single limit each occurrence and either a general aggregate limit of ten million dollars (\$10,000,000.00) or a general aggregate limit of five million dollars (\$5,000,000) as applied on a "per project"

or “per location” basis, or (ii) the maximum amount of such insurance available to Subdivider under Subdivider’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater. Further, if CGL coverage is being provided by Subdivider’s General Contractor pursuant to Section 10, General Contractor may elect to insure the CGL exposures under an “Owners and Contractors Protective Liability Policy (OCP)” on which the City is included as an additional insured.

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

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

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

(2) **Workers’ Compensation Insurance and Employer’s Liability:** Subdivider shall maintain Workers Compensation coverage, as required by law. The policy must comply with the requirements of the California Workers’ Compensation Insurance and Safety Act and provide protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to Subdivider under Subdivider’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater. If Subdivider is self-insured, Subdivider must provide its Certificate of Permission to Self-Insure, duly authorized by the State of California Department of Industrial Relations.

(3) **Automobile Liability:** Subdivider shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if Subdivider does not own automobiles, then Subdivider shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit, or (ii) the maximum amount of such insurance available to Subdivider under Subdivider’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater.

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

(b) Required Endorsements. Subdivider shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below. Further, if coverages are being provided by Subdivider's General Contractor pursuant to Section 10, endorsements may not be restricted to work performed "under a written contract" (i.e. "blanket endorsements")

(1) ALL Policies:

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

(2) ALL Policies except Workers Compensation:

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

(c) Subcontractors. Subdivider must ensure that each Subcontractor is required to maintain the same insurance coverage required under this Section 10 as appropriate based on each subcontractor's scope of work, with respect to its performance of work associated with the Improvements, including those requirements related to the additional insureds and waiver of subrogation.

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

(e) Certificates. Subdivider shall furnish City with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to the Subdivider's agreement with the City shall be reduced, canceled, allowed to expire, or materially changed except after thirty (30) days' notice by the insurer to City, unless due to non-payment of premiums, in which case ten (10) days written notice must be made to City. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein.

Certificate Holder address:

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

Section 11. Permits and Requisite Fees

(a) Subdivider shall pay all current fee obligations in the total amount of **\$2,143,146** due under City Resolution No. **5592**, as amended, in accordance with the Department of Public Work fee schedule, as follows:

- (1) **\$441,652** payable at the time of recording of the Final Map, and
- (2) **\$1,701,494** payable on a pro-rata basis for each individual lot in the Subdivision prior to final inspection of each and every residence.

(3) All fees payable pursuant to this Subsection (a) constitutes valid and due consideration for City's approval of the Final Map, and amounts set forth are estimates that are subject to change prior to the issuance of building permit(s), subject to resolution or ordinance of the City Council.

(b) Subdivider shall, at its expense, obtain all necessary permits and licenses for the construction of the Improvements, give all necessary notices, and pay all fees and taxes required by law.

(c) Subdivider shall obtain a City of Morgan Hill Business License.

(d) Subdivider agrees to procure, at its expense, any necessary permits for Improvements outside the City's jurisdiction.

Section 12. On-Site Supervision

Subdivider shall designate an on-site supervisor, satisfactory to City, who shall be on the work site(s) at all times during the construction of the Improvements, and who has the authority to act on behalf of Subdivider when communicating with City personnel.

Section 13. Waiver

Waiver by City or Subdivider of any breach of any of the provisions of the Agreement shall not constitute a waiver of any other provision, nor a waiver of any subsequent breach or violation of the same or any other provision of this Agreement. Acceptance by City of any work by Subdivider shall not be a waiver of any of the provisions of this Agreement.

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

- a. Address of Subdivider is as follows:

C/O RICHARD OLIVER
MH ANDALUSIA 2020, INC.
385 WOODVIEW AVENUE #100
MORGAN HILL, CA 95037

b. Address of City is as follows:

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

With a copy to:

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

Section 15. Noncompliance

If City determines that Subdivider is in violation of any federal, state, County or City laws, ordinances, rules, regulations, and requirements, and/or the terms and provisions of this Agreement, it may issue a cease and desist order, stop work order, or other action City deems necessary.

Section 16. Notice of Breach and/or Default

City may serve written notice upon Subdivider and surety of breach of this Agreement or of any portion thereof, and default of Subdivider for any of the following circumstances:

- (a) Subdivider refuses or fails to complete the Improvements as required in Section 6 above.
- (b) Subdivider refuses or fails to perform or cure any defects in the Improvements as required in Section 7.
- (c) Subdivider is insolvent, is subject to a receivership, or files any petition in bankruptcy, either voluntary or involuntary which Subdivider fails to discharge within thirty (30) days.
- (d) The commencement of a foreclosure action against the Subdivision or any portion thereof, or any conveyance in lieu of or in avoidance of foreclosure.
- (e) Subdivider or any of Subdivider's contractors, subcontractors, agent, or employees materially violates any of the provisions of this Agreement and not cure the violation within a reasonable time.

Section 17. Performance by Surety or City

- (a) In the event of a material breach and/or default by Subdivider, Subdivider's surety shall have the duty to take over and complete the Improvements.
- (b) If the surety, within a reasonable time after receiving notice of Subdivider's default does not provide City written notice to take over the performance of this Agreement or if the surety does not commence performance thereof within the time specified in such notice to City, City may take over the construction of the Improvements and prosecute the same to completion, by contract or by any method City may deem advisable, on behalf and at the expense of Subdivider, and Subdivider's surety shall be liable to City for any excess cost or damages incurred by City thereby. In such event, City, without liability for so doing, may take possession of and utilize such materials, appliances, and other property belonging to Subdivider as may be on the work site(s) and necessary therefore to complete the Improvements.

(c) City shall have the right to draw upon or utilize the appropriate security provided for in Section 4 to recover costs and damages to City damages. The right of City to draw upon or utilize the security is additional and not in lieu of any other remedy available to City at law or in equity. The parties agree that the estimated costs and security amounts may not reflect the actual cost of construction or installation of Improvements, and therefore, City damages for Subdivider's default shall be measured by the cost of completing the required Improvements.

(d) Failure of Subdivider to comply with terms of this Agreement shall constitute consent to filing by City of a notice of violation against all lots in the Subdivision, or to rescind the approval or otherwise revert the Subdivision to acreage. The remedies provided in this Subsection (d) are in addition to and not in lieu of other remedies available to City.

(e) In the event that Subdivider fails to perform any obligation under this Agreement, Subdivider agrees to pay all costs and expenses incurred by City in securing performance of such obligation, including the costs of suit and reasonable attorney's fees.

(f) The failure by City to take an enforcement action with respect to a default, or to declare a breach, shall not be construed as a waiver of that default or breach or subsequent default or breach.

Section 18. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties. It shall be recorded in the Office of the Recorder of Santa Clara County concurrently with the Final Map of the Subdivision and shall constitute a covenant running with the land and an equitable servitude upon the real property within the Subdivision. It shall be the responsibility of City to cause the executed Agreement to be recorded.

Section 19. Effective Date

This Agreement shall be effective as of the date and year first above written.

Section 20. Amendment of Agreement

This Agreement may only be amended by mutual consent of the original parties or their successors in interest, provided that any such amendment is executed in writing by the parties to be bound thereby.

Section 21. Execution

By signing this Agreement, the person signing states that he or she is authorized to enter into contracts on behalf of Subdivider. The undersigned, on behalf of Subdivider, binds Subdivider, its partners, successors, executors, administrators, and assigns with respect to the terms and conditions of this Agreement.

Section 22. Non-Liability of Officials and Employees of the City.

No official or employee of City shall be personally liable for any default or liability under this Agreement.

Section 23. Law to Govern: Venue

The law of the State of California shall govern this Agreement. In the event of litigation between the parties, the action must be filed in the Santa Clara County Superior Court.

Section 24. Limitations Upon Subcontracting and Assignment.

Neither this Agreement or any portion shall be assigned by Subdivider without prior written consent of City.

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Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

Section 25. Miscellaneous

(a) Compliance with Law: Subdivider shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.

(b) Non-Discrimination. Subdivider covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, ancestry, or sexual orientation in any activity pursuant to this Agreement.

(c) Conflict of Interest and Reporting. Subdivider shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

(d) Time of Essence. Time is of the essence in the performance of this Agreement.

(e) Interpretation. This Agreement shall be interpreted as though prepared by both parties.

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

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

[TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS: (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND** (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.]

CITY OF MORGAN HILL

By:

Christina J. Turner, City Manager

Date: _____

ATTEST:

By:

Michelle Bigelow, Deputy City Clerk

Date: _____

APPROVED AS TO FORM:

By:

"Subdivider"

**MH Andalusia 2020 Inc., a
California Corporation**

By:

Print Name and Title

(If Corporation, must be Chairperson of the Board, President, or Vice President)

Date: 9-21-2020

By:

Print Name and Title

JACOB C. GRUNBAUM, ASSISTANT SECRETARY

(If Corporation, must be Secretary, Assistant Secretary, CFO, or Assistant Treasurer)

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

Donald A. Larkin, City Attorney

Date: _____

Date: 9/21/2020

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

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

State of **California**
County of **Santa Clara**

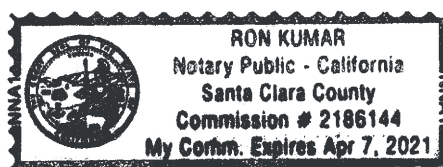
On September 21 2020 before me, Ron Kumar a Notary Public in and for said County and State, personally appeared Jacob C. Granbaum — proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

[Signature]

SIGNATURE OF NOTARY PUBLIC



(ABOVE AREA FOR NOTARY SEAL)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

EXHIBIT "A"
IMPROVEMENTS AND
ESTIMATED COSTS OF IMPROVEMENTS
AS OF OCTOBER 18, 2019

MH 217110

10/18/2019

Engineer's Cost Estimate - Andalusia
(Public Improvements Only)

<u>Item</u>	<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Total</u>
Schedule I - In-Tract Improvements					
1	Site clearing and grubbing (excludes structural demo and tree removal)	1	LS	\$ 2,000.00	\$ 2,000.00
2	Street rough grading	1,990	CY	\$ 9.00	\$ 17,910.00
3	Street finish grading	49,935	SF	\$ 0.15	\$ 7,490.25
4	Street pavement (4" AC on 13.5" AB)	31,056	SF	\$ 6.00	\$ 186,336.00
5	City std sidewalk on agg base (incl. handicap ramps)	7,742	SF	\$ 7.00	\$ 54,194.00
6	City std curb & gutter on agg. Base	1,572	LF	\$ 31.00	\$ 48,732.00
7	6" PCC curb along east side of Andalusia Drive	371	LF	\$ 25.00	\$ 9,275.00
8	City std driveway approaches (quantity NOT adjusted for pavers)	900	SF	\$ 25.00	\$ 22,500.00
9	Street name signs	3	LF	\$ 400.00	\$ 1,200.00
10	Street monuments	4	EA	\$ 500.00	\$ 2,000.00
11	Electroliners incl. conduit & pull boxes	7	EA	\$ 3,200.00	\$ 22,400.00
12	Stop sign & legends	2	LF	\$ 600.00	\$ 1,200.00
13	8" Ø DIP Water Main	1,045	LF	\$ 48.00	\$ 50,160.00
14	Fire hydrant assembly complete	4	EA	\$ 3,200.00	\$ 12,800.00
15	1.5" Ø City landscape water service with RPB	2	EA	\$ 3,000.00	\$ 6,000.00
16	8" Ø PVC (SDR-26) sewer	1,007	LF	\$ 46.00	\$ 46,322.00
17	City std. sewer manhole	6	EA	\$ 3,200.00	\$ 19,200.00
18	18" Ø RCP storm	217	LF	\$ 73.00	\$ 14,155.00
19	15" Ø RCP storm	270	LF	\$ 65.00	\$ 17,550.00
20	City std. storm manhole	2	EA	\$ 3,200.00	\$ 6,400.00
21	City std. curb inlet	7	EA	\$ 2,800.00	\$ 19,600.00
22	Erosion Control	1	LS	\$ 12,000.00	\$ 12,000.00
Total Schedule I					\$ 579,374.25
Schedule II - Out of Tract Street Improvements on Andalusia Drive fronting KinderCare					
1	Site clearing and grubbing (excludes structural demo and tree removal)	1	LS	\$ 1,500.00	\$ 1,500.00
2	Street rough grading	100	CY	\$ 9.00	\$ 900.00
3	Street finish grading	6,300	SF	\$ 0.15	\$ 945.00
4	Street pavement (4" AC on 13.5" AB)	4,200	SF	\$ 6.00	\$ 25,200.00
5	City std sidewalk on agg base (incl. handicap ramps)	776	SF	\$ 7.00	\$ 5,432.00
6	City std curb & gutter on agg. Base	156	LF	\$ 31.00	\$ 4,836.00
7	6" PCC curb along east side of Andalusia Drive	135	LF	\$ 25.00	\$ 3,375.00
8	City Std. driveway approach	1	LS	\$ 6,000.00	\$ 6,000.00
9	Street name signs	1	LF	\$ 400.00	\$ 400.00
10	Stop sign & legends	1	LF	\$ 600.00	\$ 600.00
11	8" DIP Water Main	16	LF	\$ 48.00	\$ 768.00
12	1.5" Ø City landscape water service with RPB (complete in place) KinderCare	1	EA	\$ 4,500.00	\$ 4,500.00
13	1" Ø City std. water service (complete in place) KinderCare	1	EA	\$ 1,400.00	\$ 1,400.00
14	8" PVC (SDR-26) sewer (incl pavement restoration at E. Dunne Ave)	184	LF	\$ 46.00	\$ 8,464.00
15	City std. sewer manhole	1	EA	\$ 3,500.00	\$ 3,500.00
16	18" Ø RCP storm (incl pavement restoration at E. Dunne Ave)	168	LF	\$ 73.00	\$ 10,920.00

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

17	15" Ø RCP storm	24	LF	\$ 65.00	\$ 1,560.00
18	City std. storm manhole	2	EA	\$ 2,800.00	\$ 5,600.00
19	City std. curb inlet (NO hood on the Easterly inlet)	2	EA	\$ 2,700.00	\$ 5,400.00
Total Schedule II					\$ 91,300.00

Schedule II - Out of Tract E. Dunne Avenue Sidewalk Improvements fronting KinderCare

1	Demo & haul-off existing monolithic sidewalk	1	LS	\$ 6,500.00	\$ 6,500.00
2	Install City std. detached sidewalk	1,520	SF	\$ 8.00	\$ 12,160.00
Total Schedule III					\$ 18,660.00
Estimated Const Cost (Sch I-III)					\$ 689,334.25

10% CONTINGENCY = \$68,933

TOTAL ENGINEER'S ESTIMATE = 758,267

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

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and _____ (hereinafter designated as "principal") have entered into a Subdivision Improvement Agreement:

[ENTER Subdivider NAME]
 [ENTER SUBDIVISION NAME – ENTER TRACT NO.XXXX]

whereby principal agrees to install and complete certain designated public improvements, which said agreement, dated _____, 20_____, and identified as project [ENTER PROJECT NAME], is hereby referred to and made a part hereof; and

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

Now, therefore, we, the principal and _____, as surety, are held and firmly bound unto the City of Morgan Hill hereinafter called ("City"), in the penal sum of _____ dollars (\$_____) lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The Surety's office is located at _____,

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

License No.: _____

Address: _____

Telephone No.: _____

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

Name of non-resident _____

Performance Bond Page 1 of 4
 Version July 2017

agent:

Non-resident agent's office
address:

Telephone
No.:

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

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

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

Executed this _____ day of _____ 20____.

[form document – do not execute]

[form document – do not execute]

Principal

Principal

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

Surety

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

Attorney-in Fact

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

California Resident Agent

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

Non-resident Agent - Attorney-in-Fact

APPROVED:

[form document – do not execute]

Scott Creer, City Engineer

Date:

APPROVED AS TO FORM:

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

Donald A. Larkin, City Attorney

Date:

(Acknowledgment on following page.)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and [ENTER Subdivider NAME] (hereinafter designated as "the principal") have entered into a Subdivision Improvement Agreement:

[ENTER Subdivider NAME]
[ENTER SUBDIVISION NAME – ENTER TRACT NO.XXXX]

whereby the principal agrees to install and complete certain designated public improvements, which agreement, dated _____, 20_____, and identified as project [ENTER PROJECT NAME], is hereby referred to and made a part hereof; and

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

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

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

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

The Surety's office is located at _____,

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

License No.:

Address:

Telephone No.:

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

Name of non-resident agent:

Non-resident agent's office address:

Telephone No.:

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

Executed this _____ day of _____, 20____.

[form document – do not execute]

Principal

[form document – do not execute]

Principal

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

Surety

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

Attorney-in Fact

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

California Resident Agent

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

Non-resident Agent - Attorney-in-Fact

APPROVED:

[form document – do not execute]

Scott Creer, City Engineer

Date:

APPROVED AS TO FORM:

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

Donald A. Larkin, City Attorney

Date:

(Acknowledgment on following page.)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

EXHIBIT "D"
WARRANTY BOND
(50% of Cost of Construction)

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California (hereinafter designated as "City"), and [ENTER Subdivider NAME] (hereinafter designated as "Principal") have entered into a Subdivision Improvement Agreement (hereinafter "Agreement"):

[ENTER Subdivider NAME]
[ENTER SUBDIVISION NAME – ENTER TRACT NO.XXXX]

whereby the Principal agrees to install and complete certain designated public improvements (hereinafter "Improvements"), which said Agreement, dated _____, 20_____, and identified as project _____, is hereby referred to and made a part hereof; and

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

Now, therefore, we, the Principal and _____ as Surety, are held and firmly bound unto the City of Morgan Hill in the penal sum of _____ dollars (\$____) for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

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

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

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

Attn: _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

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

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

SURETY:

Principal:

Date: _____

Date: _____

s/ [form document – do not execute]

s/ [form document – do not execute]

Name: _____

Name: _____

Title: _____

Title: _____

(Attach Acknowledgment with Notary

Seal and Power of Attorney)

APPROVED:

Warranty Bond Page 2 of 4
Version July 2017

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

[form document – do not execute]

Scott Creer, City Engineer

Date: _____

APPROVED AS TO FORM:

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

Donald A. Larkin, City Attorney

Date: _____

END OF WARRANTY BOND

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

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State of **California**
County of **Santa Clara**

On _____, 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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State of **California**
County of **Santa Clara**

On _____, 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

Warranty Bond Page 4 of 4
Version July 2017

RECORDING REQUESTED BY:

CITY OF MORGAN HILL

WHEN RECORDED MAIL DOCUMENT TO:

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

RECORD AT NO FEE PER GOVERNMENT
CODE SECTIONS 6103 & 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**STORMWATER BEST MANAGEMENT PRACTICES,
OPERATION, AND MAINTENANCE AGREEMENT**

THIS STORMWATER BEST MANAGEMENT PRACTICES OPERATION, AND MAINTENANCE AGREEMENT ("AGREEMENT") is made and entered into this _____ day of _____, 2020, by **MH ANDALUSIA 2020 INC., a California Corporation**, (hereinafter referred to as "COVENANTOR") and the City of Morgan Hill ("CITY"). CITY and COVENANTOR may be referred to individually as a "Party" or collectively as the "Parties" throughout this AGREEMENT.

RECITALS:

This AGREEMENT is made and entered into with reference to the following facts:

- A. CITY is authorized and required to regulate and control the disposition of storm and surface waters as set forth in CITY's National Pollutant Discharge Elimination System permit.
- B. COVENANTOR is the owner of a certain tract or parcel of land more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "PROPERTY").
- C. COVENANTOR desires to construct certain improvements of the kind or nature described in Morgan Hill Municipal Code Chapter 18.140 (the "ORDINANCE") on the PROPERTY that may alter existing stormwater conditions on both the PROPERTY and adjacent lands.
- D. To minimize adverse impacts due to these anticipated changes in existing storm and surface water flow conditions, COVENANTOR is required by CITY to implement Best Management Practices ("BMPs") and to build and maintain, at COVENANTOR's expense, stormwater management facilities ("FACILITIES"), more particularly described and shown in the **STORM WATER RUNOFF MANAGEMENT PLAN for Andalusia (Tract No. 10521)** prepared by **MH engineering Co** and dated **April 01, 2020**, which plans and any amendments thereto, are on file with CITY's Development Services Department, and are hereby incorporated by this reference.
- E. CITY has reviewed and approved the Stormwater Runoff Management Plan (the "PLAN") subject to the execution of this AGREEMENT.

NOW, THEREFORE, in consideration of the benefit received and to be received by COVENANTOR, its successors, and assigns, as a result of CITY's approval of the Stormwater Runoff Management Plan, COVENANTOR, hereby covenants and agrees with CITY as follows:

1. Covenants Running with the Land; Property Subject to Agreement: All of the real property described in Exhibit "A" shall be subject to this AGREEMENT. It is intended and determined that the provisions of this AGREEMENT shall run with the land and shall be binding on all parties having or acquiring any right, title, or interest in the real PROPERTY or any portion thereof and shall be for the benefit of each owner of any of said parcels or any portion of said PROPERTY and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof. Each and all of the limitations, easements, obligations, covenants, conditions, and restrictions contained herein shall be deemed to be, and shall be construed as, equitable servitudes, enforceable by any of the owners of any of the PROPERTY subject to this AGREEMENT against any other owner, tenant or occupant of the said PROPERTY, or any portion thereof.
2. Responsibility for Installation, Operation, and Maintenance: At its sole expense, COVENANTOR, its successors, and assigns, shall construct, operate, and perpetually maintain the FACILITIES in strict accordance with the PLAN and any amendments thereto that have been approved by CITY or required by the ORDINANCE. COVENANTORS with structural FACILITIES serving their property shall conduct inspections on the property in accordance with Exhibit "B."
3. Facility Modifications: At its sole expense, COVENANTOR, its successors, and assigns, shall make such changes or modifications to the FACILITIES as may be determined as reasonably necessary by CITY to ensure that the FACILITIES are properly maintained and continue to operate as originally designed and approved. COVENANTOR agrees that it shall not modify the BMPs and shall not allow BMP maintenance activities to alter the designed function of the FACILITIES from its original design unless approved by CITY prior to the commencement of the proposed modification or maintenance activity.
4. Facility Inspections by City: At reasonable times and in a reasonable manner as provided in the ORDINANCE, CITY, its agents, employees, and contractors shall have the right of ingress and egress to the FACILITIES and the right to inspect the FACILITIES in order to ensure that the FACILITIES are being properly maintained, are continuing to perform in an adequate manner, and are in compliance with the ORDINANCE, the PLAN and any amendments thereto approved by CITY.
5. Failure to Perform Required Facility Repairs or Modifications: Should either COVENANTOR or its successors and assigns fail to implement the BMPs, maintain the FACILITIES, or correct any defects in the FACILITIES in accordance with the approved design standards and/or the PLAN, and in accordance with the law and applicable regulations of the ORDINANCE, after thirty (30) days from the date of the written notice from CITY, CITY shall have the right to enter the PROPERTY to perform remedial work, for which CITY will collect reimbursement for such work from COVENANTOR. Additionally, conditions from failure to implement the BMPs or to maintain or correct the FACILITIES shall be deemed a nuisance subject to abatement of such conditions as provided in Chapter 1.18 of the Morgan Hill Municipal Code. In addition, CITY may pursue other such remedies as provided by law, including, but not limited to, such civil and criminal remedies set forth in the ORDINANCE.
6. Indemnity: COVENANTOR, its successors, and assigns, shall defend, indemnify, and hold CITY harmless of and from any and all claims, liabilities, actions, causes of action, and damages for personal injury and property damage, including, without limitation, reasonable attorneys' fees, arbitration fees, or costs and court costs, arising out of or related to COVENANTOR's, its successors', and/or assigns' construction, operation, or maintenance of the FACILITIES except claims, liabilities, actions, causes of action, and damages that arise out of CITY's sole negligence or willful misconduct or the sole

negligence or willful misconduct of any of CITY'S employees, agents, representatives, contractors, vendors, or consultants.

7. Obligations and Responsibilities of Covenantor: Initially, COVENANTOR is solely responsible for the performance of the obligations required hereunder and, to the extent permitted under applicable law, the payment of any and all fees, fines, and penalties associated with such performance or failure to perform under this AGREEMENT. Notwithstanding any provisions of this AGREEMENT to the contrary, upon the recordation of a deed or other instrument of sale, transfer or other conveyance of fee simple title to the PROPERTY or any portion thereof (a "Transfer") to a third party (the "Transferee"), COVENANTOR shall be released of all of its obligations and responsibilities under this AGREEMENT accruing after the date of such Transfer to the extent such obligations and responsibilities are applicable to that portion of the PROPERTY included in such Transfer, but such release shall be expressly conditioned upon the Transferee assuming such obligations and responsibilities by recorded written agreement for the benefit of CITY. Such written agreement may be included in the Transfer deed or instrument, provided that the Transferee joins in the execution of such deed or instrument. A certified copy of such deed, instrument, or agreement shall be provided to CITY. The provisions of the preceding three sentences shall be applicable to the original COVENANTOR and any successor Transferee who has assumed the obligations and responsibilities of COVENANTOR under this AGREEMENT as provided above.

COVENANTOR is responsible for paying to CITY an annual administrative fee as established by City Council to cover costs associated with review of inspection reports, logging inspections as required for compliance with CITY'S Phase II NPDES Permit, reporting to the Regional Water Quality Control Board, and follow-up as needed. City Council shall update fee schedules thereafter as applicable in perpetuity. COVENANTOR will be responsible for paying late fees and other penalties for submitting inspection reports and other documentation required by CITY more than seven days after submission deadlines.

8. Property Transfer: Nothing herein shall be construed to prohibit a transfer by COVENANTOR to subsequent owners and assigns.
9. Attorneys' Fees: In the event that any Party institutes legal action or arbitration against the other to interpret or enforce this AGREEMENT, or to obtain damages for any alleged breach hereof, the prevailing party in such action or arbitration shall be entitled to reasonable attorneys' or arbitrators' fees in addition to all other recoverable costs, expenses, and damages.
10. Further Documents: The Parties covenant and agree that they shall execute such further documents and instructions as shall be necessary to fully effectuate the terms and provisions of this AGREEMENT.
11. Entire Agreement: This AGREEMENT constitutes the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior agreements, whether written or oral. There are no representations, agreements, arrangements, or undertakings, oral or written, that are not fully expressed herein.
12. Severability: In the event any part or provision of this AGREEMENT shall be determined to be invalid or unenforceable under the laws of the State of California, the remaining portions of this AGREEMENT that can be separated from the invalid, unenforceable provisions shall, nevertheless, continue in full force and effect.

13. No Waiver: The waiver of any covenant contained herein shall not be deemed to be a continuing waiver of the same or any other covenant contained herein.
14. Amendment: This AGREEMENT may be amended in whole or in part only by mutual written agreement. Any such amendment shall be recorded in Santa Clara County, California. In the event any conflict arises between the provisions of any such amendment and any of the provisions of any earlier document or documents, the most recently duly executed and recorded amendment shall be controlling.
15. Authority to Execute: The persons executing this AGREEMENT on behalf of the parties warrant that they are duly authorized to execute this AGREEMENT.
16. In the event that CITY shall determine, at its sole discretion, at any future time, that the FACILITIES are no longer required, then at the written request of COVENANTOR, its successors, and/or assigns, CITY shall execute a release of this AGREEMENT which COVENANTOR, its successors, and/or assigns, shall record in the Recorder's Office, at its expense.

Executed the day and year first above written.

COVENANTOR:

By: Mary Beth Long, V.P.

Name: MARY BETH LONG

Title: VICE PRESIDENT, MH ANDALUSIA 2020 INC.

CITY OF MORGAN HILL:

By: _____

Name: CHRISTINA J. TURNER

Title: CITY MANAGER, CITY OF MORGAN HILL

APPROVED AS TO FORM:

By: _____

Name: DONALD A. LARKIN

Title: CITY ATTORNEY, CITY OF MORGAN HILL

EXHIBIT "A"**LEGAL DESCRIPTION OF PROPERTY****(TO BE ADDED BY TITLE COMPANY BEFORE RECORDING)****Attachment: Stormwater BMP Operation and Maintenance Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)**

EXHIBIT "B"**INSPECTION REQUIREMENTS**

Inspections shall occur on a schedule compliant with the requirements imposed by the State of California. At this time, the following requirements are in place:

- (a) The COVENANTOR shall be responsible for having all stormwater management facilities inspected for condition and function by a certified Qualified Stormwater Practitioner (QSP).
- (b) Stormwater facility inspections completed by the QSP shall be completed once in the fall in preparation for the wet season, and once in the spring. Fall inspections shall include a visual inspection only. The spring inspection shall include a visual inspection as well as completion of technical tests and observations required under the CITY'S Phase II National Pollutant Discharge Elimination System (NPDES) Permit. COVENANTOR shall provide the CITY with records of inspections using the City's approved visual inspection report template (fall and spring inspections) and applicable City approved technical field data sheets (spring inspection only). COVENANTOR shall submit to the CITY all inspection documents with completed records of inspections, maintenance, and repair.

COVENANTOR understands that these requirements may be changed in the future as the direct result of changes in the regulations imposed on CITY or COVENANTOR by the State of California. CITY shall provide COVENANTOR with reasonable notice of changes in these requirements.

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

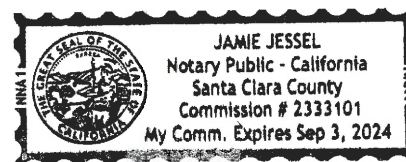
State of **California**
County of **Santa Clara**

On October 29 2020, before me, Jamie Jessel a Notary Public in and for said County and State, personally appeared Mary Beth Long proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Jamie Jessel
SIGNATURE OF NOTARY PUBLIC



(ABOVE AREA FOR NOTARY SEAL)

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State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

Wednesday, October 28, 2020 6:00 pm

Virtual Meeting

SPECIAL MEETING

A Special Meeting of the City Council was called at 6:00 pm for continuation of the Industrial Ordinance Public Hearing from the October 21, 2020 City Council meeting.

CALL TO ORDER

Mayor Constantine called the meeting to order at 6:00 pm.

ROLL CALL ATTENDANCE

Deputy City Clerk Michelle Bigelow

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

DECLARATION OF POSTING OF AGENDA

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

Minutes Acceptance: Minutes of Oct 28, 2020 6:00 PM (CONSENT CALENDAR)

PUBLIC COMMENT

Public comment opened at 6:01 pm

Brian Faircloth was called to speak.

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

ADOPTION OF AGENDA

MOTION:

Adopting the agenda as posted.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Rene Spring, Council Member
SECONDER:	Larry Carr, Council Member
AYES:	Constantine, Carr, McKay, Spring
ABSENT:	Martinez Beltran

CONTINUED PUBLIC HEARING

This item has been continued from the October 21, 2020 City Council Meeting.

1. ADOPT ORDINANCE AMENDING THE ZONING CODE TO PROHIBIT HEAVY DISTRIBUTION AND PARCEL SORTING USES, AMEND PROVISIONS RELATED TO LOCAL DELIVERY SERVICES AND CLARIFY THE DEFINITION OF SIGNIFICANT PROJECTS SUBJECT TO DESIGN REVIEW

Recommendation:

1. Open/close the public hearing;
2. Waive the first and second reading of the ordinance; and
3. Introduce the ordinance.

City Attorney Donald Larkin provided the presentation and report.

The meeting recessed at 8:14 pm and reconvened at 8:25 pm.

Public hearing opened at 8:25 pm. The following people were called to speak:

Gino Borgioli

Rick Kent

Steve Chappell

Bryan Espiritu on behalf of himself and his wife Kathlea Espiritu

Joe Baranowski on behalf of himself and Terry Williams, Gail McCloskey, Sonia Sidle, and Kathy Baranowski

Susie Jimenez

Miguel Jimenez

John Williams

Brian Matteoni

Dave

Linda Nowlen on behalf of herself and Leticia Magbual

There being no further requests to speak, the public hearing closed.

MOTION:

Amend the proposed ordinance to remove both Small and Large Parcel Hubs as a conditional use and make it not permitted (Table 18.26-1), amend section 18.108.040 to reduce the size of significance to 75,000 square feet, amend the proposed definition for Heavy Distribution in 18.124.050 C to include distributions centers of 100,000 square feet or greater, and amend 18.108.040 to make residential projects of 100 units or more significant.

RESULT: **AMENDED [UNANIMOUS]**
MOVER: Yvonne Martinez Beltran, Mayor Pro Tem
SECONDER: Rene Spring, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Waiving the first and second reading of the ordinance.

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

MOTION:

Introducing the ordinance.

RESULT: **INTRODUCED [UNANIMOUS]**
MOVER: Yvonne Martinez Beltran, Mayor Pro Tem
SECONDER: Rene Spring, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

FUTURE COUNCIL INITIATED AGENDA ITEMS

Council Member McKay asked that industry experts be brought into the industrial land use workshop.

Council Member Spring asked that the staff review RFP criteria.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:21 pm.

MINUTES PREPARED BY:

Michelle Bigelow, Deputy City Clerk

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

Wednesday, November 4, 2020 7:00 pm

Virtual Meeting

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 called the meeting to order at 7:00 pm.

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	Late	
Larry Carr	Council Member	Remote	
John McKay	Council Member	Remote	
Rene Spring	Council Member	Remote	

DECLARATION OF POSTING AGENDA

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

Minutes Acceptance: Minutes of Nov 4, 2020 7:00 PM (CONSENT CALENDAR)

PRESENTATIONS

2021 TRANSIT SERVICE PLAN- DRAFT OPTIONS, JAY TYREE, SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

VTA PRESENTATION SUPPLEMENT

PROCLAMATIONS

Proclaiming the month of November 2020 as Philanthropy Month

CITY MANAGER'S REPORT

City Manager Christina Turner spoke to the evening's supplements and presentations. She then spoke to the two items that were continued from the October 21, 2020 meeting.

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin reported that yesterday the County Board of Supervisors approved an extension of the County's eviction moratorium for small businesses. That moratorium will be extended to the earlier of either the expiration of Governor Newsom's executive order, which is currently set to expire on March 31, 2021, or April 30, 2021 if the Governor's order is extended. If the community has questions about business evictions, they may contact City Attorney Larkin or the County.

PUBLIC COMMENT

Public comment opened at 7:23 pm. The following people were called to speak:

Gino Borgioli

Joe Baranowski

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

PUBLIC COMMENT SUPPLEMENT

ADOPTION OF AGENDA

MOTION:

Adopting the agenda as posted.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Rene Spring, Council Member
SECONDER:	Rich Constantine, Mayor
AYES:	Constantine, Carr, McKay, Spring
ABSENT:	Martinez Beltran

CONSENT CALENDAR

MOTION:

Approving consent calendar items 1 through 3 and 5 through 7.

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

Minutes Acceptance: Minutes of Nov 4, 2020 7:00 PM (CONSENT CALENDAR)

1. APPROVE PACIFIC GAS AND ELECTRIC COMPANY AGREEMENT TO UNDERGROUND DRY UTILITIES FOR THE HALE AVENUE EXTENSION PROJECT NEAR MAIN AND HALE AVENUES

Recommendation:

Approve and authorize the City Manager to execute and administer a Pacific Gas and Electric Company Agreement to underground dry utilities at the intersection of Main and Hale Avenues for the Hale Avenue Extension Project for a not to exceed amount of \$384,876.

2. APPROVE SUBDIVISION IMPROVEMENTS AGREEMENT FOR 185 SANCHEZ DRIVE

Recommendation:

1. Authorize the City Manager to execute the Subdivision Improvements Agreement with Mike Brewer (property owner); and
2. Authorize the recordation of the Subdivision Improvements Agreement.

3. APPROVE SECOND AMENDMENT TO CARBONIC SERVICE INC. SERVICE AGREEMENT

Recommendation:

1. Determine that competitive bids upon notice would not likely result in a lower price to the City from a responsible bidder or would cause unnecessary expense or delay under the circumstances per Section 3.04.150 (1) of the Morgan Hill Municipal Code; and
2. Approve and authorize the City Manager to execute and administer the second amendment to the service agreement with Carbonic Service, Inc. extending the agreement for two additional years of service at no increase to the total contract amount of \$200,000.

4. ITEM PULLED FOR DISCUSSION

5. APPROVE THE OCTOBER 21, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

6. RECEIVE CORPORATION YARD SPACE STUDY

Recommendation:

Receive Corporation Yard Space Study.

7. RECEIVE REPORT REGARDING UPCOMING 2021 COMMISSION VACANCIES - PER MADDY ACT

Recommendation:

Receive report.

ITEMS PULLED FOR DISCUSSION

4. APPROVE FISCAL YEAR 2020-21 WORK PLANS FOR PARKS AND RECREATION AND LIBRARY, CULTURE AND ARTS COMMISSIONS

Recommendation:

1. Approve the proposed Parks and Recreation Commission FY 2020-21 Work Plan; and
2. Approve the proposed Library, Culture and Arts Commission FY 2020-21 Work Plan.

Public comment opened at 7:34 pm.

There being no requests to speak, public comment closed.

MOTION

Approving the recommended actions.

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

OTHER BUSINESS

8. RECEIVE REPORT ON SCU LIGHTNING COMPLEX FIRE AND TERMINATE LOCAL EMERGENCY PROCLAMATION

Recommendation:

1. Receive report; and
2. Adopt resolution terminating the local emergency related to the SCU Lightning Complex fire.

Fire Chief Jake Hess, along with Communications and Engagement Director Maureen Tobin provided the presentation and report.

Public comment opened at 8:30 pm.

Joe Baranowski was called to speak.

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

MOTION:

Approving the recommended actions.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Larry Carr, Council Member
SECONDER:	John McKay, Council Member
AYES:	Constantine, Martinez Beltran, Carr, McKay, Spring

9. CONSIDER FOLLOW UP ITEM REQUESTING COUNCIL REPORTS BE ADDED TO COUNCIL AGENDA

Recommendation:

Consider whether to direct staff to bring a report back to City Council for a discussion of adding Council Reports to the agendas.

City Manager Christina Turner provided the report.

Public comment opened at 8:34 pm.

Armando Benavides was called to speak.

There being no requests to speak, public comment closed.

MOTION:

Direct staff to bring a report back to City Council for a discussion of adding Council Reports to the agendas.

RESULT: DIRECTED [UNANIMOUS]
MOVER: Rene Spring, Council Member
SECONDER: Yvonne Martinez Beltran, Mayor Pro Tem
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

The meeting recessed at 8:38 pm and reconvened at 8:45 pm.

PUBLIC HEARING

10. ACCEPT THE MORGAN HILL TOURISM BUSINESS IMPROVEMENT DISTRICT (MHTBID) OWNER'S ASSOCIATION ANNUAL REPORT AND ADOPT A RESOLUTION AMENDING THE MHTBID MANAGEMENT PLAN

Recommendation:

1. Accept and direct the City Clerk to file the Visit Morgan Hill Annual Report; and
2. Open and Close a Public Hearing to amend the Morgan Hill Tourism Business Improvement District (MHTBID) Management Plan to change reporting schedule to conform with the California Streets and Highways Code.

Economic Development Director Edith Ramirez, along with Krista Rupp, Executive Director for Visit Morgan Hill provided the presentation and report.

The public hearing opened at 8:54 pm.
 There being no requests to speak, the public hearing closed.

MOTION:

Approving the recommended actions.

RESULT: ACCEPTED [UNANIMOUS]
MOVER: Larry Carr, Council Member
SECONDER: John McKay, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

11. APPROVE AMENDMENTS TO THE GENERAL PLAN LAND USE MAP AND ZONING MAP, TENTATIVE PARCEL MAP AND MITIGATED NEGATIVE DECLARATION FOR A MIXED USE DEVELOPMENT ON A 19.67-ACRE SITE (APNS 817-09-039, 817-09-040 AND 817-09-041) (GPA2019-0005/ZA2019-0016/SD2019-0007/EA2019-0023-JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS))

Recommendation:

1. Open/close public hearing;
2. Adopt resolution approving the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program prepared for the project;
3. Adopt resolution approving an amendment to the General Plan land use designation;
4. Waive the first and second reading of Zoning Amendment Ordinance;
5. Introduce Zoning Amendment Ordinance; and
6. Adopt resolution approving a Tentative Parcel Map.

Principal Planner Adam Paszkowski provided the presentation and report.

The public hearing opened at 10:43 pm. The following people were called to speak:
 Steve Betando

Armando Benavides
 Brittney Sherman
 Joe Baranowski
 Stephanie Mansfield
 Gino Borgioli
 David Clancy
 There being no further requests to speak, the public hearing closed.

MOTION:

Extending the meeting until 11:30 pm.

RESULT: **EXTENDED [UNANIMOUS]**
MOVER: Rich Constantine, Mayor
SECONDER: John McKay, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Extending the meeting until midnight.

RESULT: **EXTENDED [UNANIMOUS]**
MOVER: Rich Constantine, Mayor
SECONDER: Yvonne Martinez Beltran, Mayor Pro Tem
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Tabling this item to a future date to be determined.

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

MOTION:

Adopt resolution approving the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program prepared for the project.

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

MOTION:

Extending the meeting until 12:15 am.

RESULT: **EXTENDED [UNANIMOUS]**
MOVER: Rich Constantine, Mayor
SECONDER: John McKay, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Adopt resolution approving an amendment to the General Plan land use designation and eliminate independent living as an allowed use in the PD, ensure that any allowed uses in the PD are all tied to or connect to a medical campus and none of them are stand alone uses, ensure that we explicitly say no new uses will be added to the PD, explicitly no residential housing will be added to the PD, and directing staff to bring back to Council before the final reading of the ordinance, an agreement that conditions any housing permits on one of two things, either the infrastructure to a medical campus being constructed or that we are half way through the OSHPD process on a hospital.

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

MOTION:

Waive the first and second reading of Zoning Amendment Ordinance.

RESULT: **WAIVED [4 TO 1]**
MOVER: Larry Carr, Council Member
SECONDER: John McKay, Council Member
AYES: Constantine, Carr, McKay, Spring
NAYS: Martinez Beltran

MOTION:

Introduce Zoning Amendment Ordinance.

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

MOTION:

Adopt resolution approving a Tentative Parcel Map

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

FUTURE COUNCIL INITIATED AGENDA ITEMS

None.

ADJOURNMENT

There being no further business, the meeting adjourned in honor of Mayor Pro Tem Martinez Beltran's late grandmother Dolores Guterrez at 12:16 am.

MINUTES PREPARED BY:

Michelle Bigelow, Deputy City Clerk

Minutes Acceptance: Minutes of Nov 4, 2020 7:00 PM (CONSENT CALENDAR)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Cynthia Iwanaga, Management Analyst
APPROVED BY: City Manager

AWARD JANITORIAL SERVICE AGREEMENT TO FIRATO SERVICE COMPANY. INC.

RECOMMENDATION(S)

1. Deny bid protest and appeal filed by JLP Maintenance;
2. Award a two-year service agreement to Firato Service Company, Inc. in the amount of \$874,332; and
3. Authorize the City Manager to execute and administer the service agreement with Firato Service Company, Inc.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

The City contracts for janitorial services at the majority of the City facilities. The current contract expires on December 31, 2020. The purpose of this report is to summarize the results of the recent Request for Proposals (RFP) process, and to request the Council's approval and authorization to enter into a new agreement for these needed services. The proposed new service agreement has an initial two-year term with three one-year optional extensions.

The RFP was issued on August 17, 2020 and 15 proposals were received on October 8, 2020. The RFP was posted on the City website and Public Purchase. The non-mandatory virtual pre-proposal meeting and pre-proposal facility walks were well attended with over 15 attendees. The following firms submitted proposals:

1. Aim to Please Janitorial Services, Inc.
2. Allied Universal Janitorial Services
3. Building Maintenance Services, Inc.
4. Central Maintenance Company
5. Express Facility Management
6. Firato Service Company, Inc.
7. Imperial Maintenance Services, Inc.
8. Impec Group
9. JLP Building Maintenance, LLC
10. Karla's Janitorial Services and Suppliers
11. Starblast

12. Tony Fraga Building Service, Inc.
13. Tri County Building
14. Universal Building Services
15. US Metro Group, Inc.

The City's Review Committee consisted of the Public Services Director, Maintenance Manager, Maintenance Coordinator and Recreation Manager. The Recreation Manager will be the staff person managing the janitorial services agreement for the City.

The proposals were evaluated using a "Best Value," methodology in which contractors receiving a minimum score of 30 points (out of the 40 points possible) in the Qualifications, Experience and References narrative were then scored based upon their cost proposals. Of the 15 proposals received, one was deemed non-responsive because the proposal was substantially incomplete. Of the 14 responsive proposals, nine scored the minimum 30 points to advance to the scoring of their cost proposals. Due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet rate in different sections of the RFP, Bid Alternate #3 pricing was not scored. Since Bid Alternate #3 was originally valued at 1 point in the scoring criteria, eliminating this factor reduced the total possible points possible from 100 down to 99.

The final total score (including both the narrative and cost criteria) for the nine service providers who scored the minimum 30 points on the narrative were as follows:

87.18 points	1. Firato Service Company, Inc.
86.91 points	2. JLP Building Maintenance, LLC
84.25 points	3. Karla's Janitorial Services and Suppliers
83.03 points	4. Impec Groups
80.27 points	5. US Metro Group
67.16 points	6. Universal Building Services
66.35 points	7. Express Facility Management
64.24 points	8. Aim to Please Janitorial Services, Inc.
61.44 points	9. Imperial Maintenance Services, Inc.

The top three scoring firms, Firato Service Company, Inc., JLP Building Maintenance, LLC and Karla's Janitorial Services and Suppliers, were interviewed. The winning proposal was selected based on the total combined points scored by those proposals receiving 30 points or more on their qualifications, experience and references and their corresponding points for janitorial service costs. Attachment 1 is the Scoring Summary.

A bid protest was received from JLP Building Maintenance, LLC stating that they believed they were the more qualified candidate (than Firato Service Company) to service the City of Morgan Hill. They requested clarification on the narrative scoring, local preference points, and the Bid Alternate #3 exclusion. JLP Building Maintenance disputed the narrative scoring asserting that Firato Service Company's score should have been impacted (lower) in the "previous experience providing superior level of service" and "assessments of work quality, performance and working relationships by

current and recent clients” categories because Firato Service Company incurred service penalties due to below standard work during their current contract term with the City. Although Firato Service Company did have instances of not meeting standards, this does not mean that the City is not satisfied with their level of service. The purpose of the City’s outcome-based contract and inspection problem resolution process is to notify janitorial service providers when they need to bring their work up to City standards and to give them an opportunity to correct any deficiencies. When Firato Service Company has been notified that their work was below standard, they have always responded by bringing their work up to standards and satisfying staff’s requests. The four reviewers rated Firato accordingly.

Staff also confirmed that Firato Service Company did not receive a local preference as a factor in the scoring. Staff also confirmed that Bid Alternate #3 was not scored and was not considered a deciding factor in whether to award to JLP Maintenance or Firato Service Company. If the pricing for Bid Alternate #3 had been scored, it would NOT have changed the #1 and #2 ranking of Firato Service Company and JLP Maintenance as Firato Service Company bid \$390 per swim meet and JLP Maintenance bid \$400 per swim meet. Attachments 2 and 3 are the bid protest letter and the City’s response letter respectively.

City staff recommends denial of the bid protest and appeal, and award of the contract (Attachment 4) to Firato Service Company in the amount of \$874,332. If approved, the initial two-year term will be from January 1, 2021 to December 31, 2022. Due to the COVID-19 pandemic, the City’s janitorial service needs are currently reduced as some City facilities are closed. The Service Provider has acknowledged the limited level of service needed by the City. The City will provide at least five days’ notice to the Service Provider with a list of impacted facilities and services pursuant to section 5.2 of the Service Agreement. Attachment 5 is Firato Service Company’s proposal.

COMMUNITY ENGAGEMENT: Not Applicable

As janitorial services are a regular and expected City service, no efforts were made to inform the community about this proposed agreement.

ALTERNATIVE ACTIONS:

The City Council could elect not to award this service agreement and request that the services be rebid in hopes of obtaining a lower bid. Please note that the amount of this two-year agreement is \$874,332 for two years, which is slightly lower than the current agreement’s amount of \$880,859 for two years. Furthermore, this action would require the extension of the current janitorial service agreement until March 31, 2021, in order to allow enough time to rebid the services.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The Council has previously approved service agreements for janitorial services for over a decade. The City’s current agreement was approved by the Council on June 6, 2018.

FISCAL AND RESOURCE IMPACT:

If approved, the total funding authorization for this agreement will be \$874,332 for two years. Funding for the janitorial services is budgeted and accounted for in the Building Maintenance budget (Fund 740) of each facility serviced.

CEQA (California Environmental Quality Act): Categorical Exemption

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

LINKS/ATTACHMENTS:

1. Janitorial RFP Scoring Summary_distributed_102720
2. JLP_Maintenance_Bid_Protest_Letter
3. Response_to_JLP_Protest_Letter
4. Firato_Service_Co._Service_Agmt_FY21_22
5. Firato_Service_Co._Inc_Proposal

SHEET 1

City of Morgan Hill Janitorial Services RFP:

NARRATIVE SCORING POINTS

	NARRATIVE SCORING (40 points)															
ITEM	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Previous Experience providing superior level of janitorial service at like-sized public and/or private facilities.	10.00	7.15	-	5.15	6.95	7.78	7.90	8.15	7.50	7.53	8.20	3.88	5.85	5.50	9.13	6.03
Assessments of work quality, performance and working relationships by current and recent clients	15.00	11.75	-	12.50	6.50	10.00	12.25	10.75	11.25	13.38	8.75	11.75	13.50	11.75	12.25	12.75
Qualifications of staff to be assigned to provide janitorial services to the City	5.00	4.08	-	2.90	4.08	4.13	4.33	4.08	4.08	4.08	4.08	2.68	3.08	3.45	4.25	4.00
Well defined Safety Program and Disinfecting Protocol	10.00	7.43	-	6.03	7.45	8.13	9.25	8.48	8.63	7.70	9.00	5.08	4.33	5.08	8.03	7.28
SUBTOTALS: NARRATIVE POINTS	40.00	30.40	-	26.58	24.98	30.03	33.73	31.45	31.45	32.68	30.03	23.38	26.75	25.78	33.65	30.05

* = Did not score the minimum 30 points

**=Non-responsive

SHEET 2

City of Morgan Hill Janitorial Services RFP:
BID PRICING AMOUNTS

	BID PRICING															
Item	Price from Lowest Bidder	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Base Bid: Janitorial Services	747,800.00	1,184,587.80	-	-	-	1,203,105.54	759,332.00	1,361,338.00	820,084.00	747,800.00	764,712.00	-	-	-	1,287,588.00	802,340.00
Bid Alt #1: Playhouse After Performance Cleaning	45.00	200.00	-	-	-	45.00	67.50	150.00	90.00	250.00	60.00	-	-	-	139.00	99.00
Bid Alt #2: Council Chamber Sunday Only Service	235.00	5,805.00	-	-	-	235.00	419.25	825.00	390.00	480.00	480.00	-	-	-	760.00	910.00
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	27.00	50.00	-	-	-	27.50	32.50	57.00	30.00	28.00	29.95	-	-	-	27.00	35.95
Bid Alt #5: Magical Bridge Playground Restrooms	400.00	6,000.00	-	-	-	1,050.00	1,467.50	2,259.00	400.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00
Bid Alt #6: Magical Bridge Playground and Parking Lot	800.00	6,500.00	-	-	-	1,350.00	1,505.00	4,800.00	800.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00
Bid Alt #7: All Facilities- Additional Carpet Cleaning	32.00	50.00	-	-	-	55.00	47.50	57.00	35.00	32.00	35.00	-	-	-	43.00	45.00
Bid Alt #8: All Facilities-On-Call Janitorial Services	27.00	50.00	-	-	-	45.00	47.50	57.00	30.00	40.00	29.95	-	-	-	27.00	37.95

Attachment: Janitorial RFP Scoring Summary_102720 (2857 : Janitorial Services Agreement)

SHEET 3

City of Morgan Hill Janitorial Services RFP:
BID PRICING POINTS and GRAND TOTAL PROPOSAL POINTS

	BID PRICING SCORING (60 points)															
Item	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Base Bid: Janitorial Services	50.00	31.56	-	-	-	31.08	49.24	27.47	45.59	50.00	48.89	-	-	-	29.04	46.60
Bid Alt #1: Playhouse After Performance Cleaning	1.00	0.23	-	-	-	1.00	0.67	0.30	0.50	0.18	0.75	-	-	-	0.32	0.45
Bid Alt #2: Council Chamber Sunday Only Service	1.00	0.04	-	-	-	1.00	0.56	0.28	0.60	0.49	0.49	-	-	-	0.31	0.26
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	1.00	0.54	-	-	-	0.98	0.83	0.47	0.90	0.96	0.90	-	-	-	1.00	0.75
Bid Alt #5: Magical Bridge Playground Restrooms	1.00	0.07	-	-	-	0.38	0.27	0.18	1.00	0.27	0.40	-	-	-	0.30	0.20
Bid Alt #6: Magical Bridge Playground and Parking Lot	1.00	0.12	-	-	-	0.59	0.53	0.17	1.00	0.53	0.81	-	-	-	0.60	0.40
Bid Alt #7: All Facilities- Additional Carpet Cleaning	1.00	0.64	-	-	-	0.58	0.67	0.56	0.91	1.00	0.91	-	-	-	0.74	0.71
Bid Alt #8: All Facilities-On-Call Janitorial Services	3.00	0.64	-	-	-	0.71	0.67	0.56	1.07	0.80	1.07	-	-	-	1.19	0.84
SUBTOTALS: BID PRICING POINTS	59.00	33.84	-	-	-	36.33	53.45	29.99	51.58	54.23	54.23	-	-	-	33.51	50.22
GRAND TOTAL: NARRATIVE AND PRICING POINTS	99.00	64.24	-			66.35	87.18	61.44	83.03	86.91	84.25				67.16	80.27
		8				7	1	9	4	2	3				6	5

Point Score Calculation is Lowest bidder's price (on Sheet 2) divided by each Contractor's price (on Sheet 2) times the number of points available for the item.
For example, Firato Services's Base Bid Points are calculated: 747,800/759,332 X 50 points = 49.24 points

Attachment: Janitorial RFP Scoring Summary_distributed_102720 (2857 : Janitorial Services Agreement)



48834 Kato Road suite 109A Fremont, CA 94538
 ☎ Phone : (800) 388-8883 Fax: (510) 656-8301

October 29, 2020

City of Morgan Hill
 RFP for Annual Janitorial Services
 Bid #: CSD2021-006

To Whom It May Concern:

JLP Building Maintenance, LLC. regretfully and respectfully submits this bid protest to the RFP identified above. The purpose of this letter is to receive clarification from the deciding members as to how the tabulation for narrative was reached. As well as request a reconsideration based on the following:

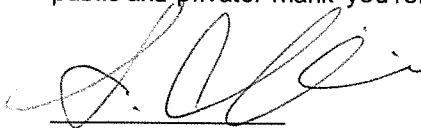
1. The total point difference between Firato Service Co. and JLP Building Maintenance, LLC is .27 points. As seen in sheet 3 on notice of intent to award tabulation attachment. We would like to request as mentioned above clarification on point based system in the narrative and dispute scoring.
2. Firato Service Co. as mentioned in Addendum #3, has a history incurring service penalties during their contract period. Per City response to question 5 pertaining to the above "the current contractor has had penalties deducted therefore not receiving 100% of payment. There have been approximately five (5) warnings, three (3) level 2 deductions, and nine (9) level 3 deductions." Based on this in the narrative score, Firato Service Co. score would have been impacted more in item "previous experience providing superior level of janitorial service at like-sized public and/or private facilities" and "assessments of work quality, performance, and working relationships by current and recent clients." Allowing JLP Building Maintenance, LLC to surpass the .27 point difference previously mentioned. In addition, as stated in RFP page 16, Section 1-8 Outcome-based contract and inspection problem resolution process "The Contractor will be paid for work rated as "meets standards". Contractor will not be paid for work rated as "below standard" until conditions improve and rate as "meet standards" if the below standard work is attributed to neglect on the part of the Contractor. If an area does not meet City standards, it will be considered "below standard". Contractor will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the Contractor. City staff will work closely with Contractor's representatives to achieve the results described in the standards and inspection criteria. However, responsibility for meeting standards rests with the Contractor." Based on addendum response Firato Service Co. has reached many times what the city considers "below standard."
3. JLP also requests clarification as to whether or not being a local, headquartered in the City of Morgan Hill became a factor. Firato Service Co. is based/located in Morgan Hill. RFP does not state any SBA preference, Local. Etc.



48834 Kato Road suite 109A Fremont, CA 94538
 ☎ Phone : (800) 388-8883 Fax: (510) 656-8301

4. JLP received a phone call from the City on 10/27//2020 to inform and confirm receipt of notice of intent of award. They stated it came down to a \$10.00 difference for the swim meets which was for bid alternate #3. Email (intent of award) stated, "Responses were evaluated according to the criteria stated in the solicitation. Please note Bid Alternate #3 was not scored due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet cost. The total possible points awarded was 99 points instead of 100 points. Please see attached Scoring Summary." JLP did outperform Firato Service Co. per scoring summary for Bid Alternate #4 (Aquatics center swim meet dayporter services) which was considered with an hourly rate. JLP Building Maintenance, LLC scored 0.96 and Firato Service Co. a 0.83. Bid Alternate #3 should not have been considered the deciding factor between both contractors.

JLP Building Maintenance, LLC. firmly believes it is a more qualified candidate to service the City of Morgan Hill. Currently contracted to perform very similar duties for other clients of similar size, both public and private. Thank you for your time and consideration.

 10/29/2020
 Stephanie Clivio, COO

48834 Kato Rd. Suite 109A
 Fremont, CA 94538

(510) 656-8300 ext. 106

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

WWW.MORGANHILL.CA.GOV

ADDENDUM NO. 3

DATE: September 14, 2020

TO: ALL RESPONDING PARTIES TO THE RFP FOR
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. The following language is added to the Request for Proposals (RFP):

In submitting a bid, Contractor understands and agrees that the services shall be provided in accordance with all applicable laws, including but not limited to the Displaced Janitor Opportunity Act (California Labor Code §§ 1060 et seq.) and the California Property Service Workers Protection Act (California Labor Code §§ 1420 et seq.). A successor contractor or successor subcontractor shall retain, for a 60-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding four months or longer at the site or sites covered by the successor service contract unless the successor contractor or successor subcontractor has reasonable and substantiated cause not to hire a particular employee based on that employee's performance or conduct while working under the terminated contract.

2. Is the lights change included in the contract, is the day porter for Community & Cultural Center from 2 pm to 4pm Wednesday only ?

The actual light bulbs will be provided by the City, but it is the contractors responsibility to check and replace the lights on a daily basis.

CCC day porter requests can vary depending on events and usage in the facility. When large group gatherings are permitted to happen again the CCC will likely resume day porter services on Wednesdays starting at 2pm and ending at 4pm. The City would work with the contractor on adding this service if/when it resumes

3. Can you provide current janitorial staffing numbers for each location from current contractor and if you feel this is sufficient?

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

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Based on City staff observations, each site typically has two (2) staff that provide service. It is up to the contractor as to how they choose to staff each site based on the scope of work. It is less about the number of staff and more about the quality of work performed on a nightly basis, and completing work in the time allocated (or before facility opens back to the public).

4. Has the city had to hire an outside service provider to correct work of the incumbent causing a deduction of the monthly contract price? (Section 1-5: Corrective Work)

No, the City has not had to hire an outside contractor to correct any work.

5. Has the current incumbent incurred any service penalties during the contract period? If so, how many and what level 1,2, or 3? Was the incumbent ever not paid 100% of the monthly contract price? (Section 1-8: Outcome-based Contract and Inspection Problem Resolution Process)

Yes, the current contractor has had penalties deducted therefore not receiving 100% of payment. There have been approximately five (5) warnings, three (3) level 2 deductions, and nine (9) level 3 deductions.

6. Has the incumbent ever been back charged for nonperformance? (Section 1-9: Services Not Performed)

No, the current contractor has not been back charged for nonperformance.

7. How many staff are currently employed for the janitorial crew? Is this number of staff sufficient for completing the work? How many full-time and part-time employees are there?

Per City staff observations, per site there are typically two (2) janitorial staff that come in each night. The City does not dictate the amount of staff, but focuses on the quality of work based on the scope of work for each facility and whether it is completed in the window of time allowed. The Centennial Recreation Center has the shortest window because it closes at 10 p.m. and opens again at 4:30 a.m. It is up to the awarded contractor as to how they want to staff a facility to successfully perform the scope on a nightly basis. In the current contract some janitorial crews work at multiple sites.

The City of Morgan Hill does not have access to the information regarding the number of full-time and part-time employees. The current service provider provides staffing sufficient to complete the work, and is compensated on a monthly basis for services performed as described in the schedule previously provided in Addendum #2.



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8. What is the total yearly cost for the current contract?

The total yearly cost for the current contract is a not to exceed amount of \$440,429.50. This consists of the janitorial base bid services of \$376,687.00 and a total allowance of \$63,742.50 for the following as-needed services:

Council Chamber Sunday Only Cleanings	\$ 5,805.00
Playhouse After Performance Cleanings	\$ 8,437.50
Police Dept. On-Call Services	\$ 4,500.00
Downtown Parking Garage Extra Cleanings	\$12,500.00
Aquatics Center Additional Swim Meets	\$12,500.00
City Facilities – Additional Carpet Cleaning	\$10,000.00
City Facilities – Misc. Facility Extras	\$10,000.00
TOTAL FOR AS-NEEDED SERVICES	\$63,742.50

9. Do all the janitors need to be background checked?

Yes, all the janitors need to complete background checks.

10. For the background check, it states that the background check may be performed at the Police Department site. This brings the question; can the background check be performed where we chose? If I'm not mistaken, currently the City pays \$35 and the contractor pays \$15. For Morgan Hill, would the contractor pay in full a total of \$83?

Yes, you can have the background check performed at locations other than the City of Morgan Hill Police Department, but the background checks must include a Department of Justice and FBI background check. The estimated cost to complete a background check at the Morgan Hill Police Department is \$69.

11. Is the Police Department the only location requiring a background check?

No, all city facilities/locations require background checks for janitorial staff.

12. If the current staff stays on will they need background checks again?

Yes, per the Morgan Hill Police Department, new background checks will be required of current staff that stays on. Background checks are not sharable, they are valid only for the company that requested them.

13. Who is the current vendor?

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



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The current vendor is Firato Service Company, Inc.

14. Will the incumbent be bidding on this RFP?

Yes, we anticipate that the incumbent will be bidding on this RFP.

15. Is the current incumbent a union or non-union provider?

The current incumbent is a non-union provider.

16. When will the new contract start?

The new contract starts on January 1, 2021.

17. Where can we find a copy of the addendums?

Addendums are posted on the City website at <https://www.morgan-hill.ca.gov/bids.aspx?bidID=351> and at www.publicpurchase.com

18. California law regarding no janitor left behind-if you switch service providers, we are required to hire the current staff. This is not union, but are you requiring living or prevailing wages? Are you able to provide wage rates and current incumbent information?

While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wage rates or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

The DIR does not provide a State prevailing wage for janitorial services, and the City of Morgan Hill does not have a living wage ordinance or policy.

The City is only able to provide the current fee schedule as previously produced in Addendum #2.

19. What is the minimum wage in Morgan Hill?

For employees and businesses in Morgan Hill there is no local ordinance for minimum wage. Minimum wage in Morgan Hill is based upon the State of California minimum wage. https://www.dir.ca.gov/dlse/faq_minimumwage.htm



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Date	Minimum Wage for Employers with 25 employees or less	Minimum Wage for Employers with 26 employees or more
January 1, 2021	\$13.00 per hour	\$14.00 per hour
January 1, 2022	\$14.00 per hour	\$15.00 per hour

20. If the wage rates could be provided that would help in being able to compare apples to apples, otherwise only the current incumbent knows the current pay wages. If a new service provider is chosen, we will have to provide those same rates to the current staff.

The City is only able to provide the fee schedule as previously produced in Addendum #2. While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wages or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

21. Does the current contractor provide health benefits?

The City does not have access to this information, and the City does not require any specific benefits be provided.

22. What is a disinfecting protocol?

This is dependent upon what product you are using for cleaning services and what the dwell time is. We regularly use "Strikebak" at our facilities, which has a dwell time of 10 minutes. We follow the label's instructions on the product and that's how City staff disinfects throughout the day and also the fitness equipment.

23. Each contractor proposes an independent disinfecting protocol?

It is up to each contractor how they want to perform their disinfecting at each facility as long as they follow the scope that we provided in the RFP.

24. On the Subcontractor List submittal are we obligated to fill in any subcontractor even if we are not going to use them?

No, if you do not have any subcontractors, please state "Not Applicable," on the Subcontractor List form.

25. Do you provide consumable products?



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Yes, the City provides all the consumable products (toilet paper, urinal cartridges, paper towels, soap, light bulbs, etc.)

26. Are the picnic tables at the Aquatics Center included in the pressure washing schedule?

Yes, under Section 5-6, "Pressure wash picnic area (tables & ground) and ground directly in front of the concessions stand and BBQ areas. During the off-season this occurs one (1) time per month and daily during summer season.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.

Contractor's Representative

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)

SHEET 1

City of Morgan Hill Janitorial Services RFP:

NARRATIVE SCORING POINTS

ITEM	NARRATIVE SCORING (40 points)																
	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impac Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group	
Previous Experience providing superior level of Janitorial service at like-sized public and/or private facilities.	10.00	7.15	-	5.15	6.95	7.78	7.90	8.15	7.50	7.53	8.20	3.88	5.85	5.50	9.13	6.03	
	15.00	11.75	-	12.50	6.50	10.00	12.25	10.75	11.25	13.38	8.75	11.75	13.50	11.75	12.75	12.75	
Assessments of work quality, performance and working relationships by current and recent clients	5.00	4.08	-	2.90	4.08	4.13	4.33	4.08	4.08	4.08	4.08	2.68	3.08	3.45	4.25	4.00	
	10.00	7.43	-	6.03	7.45	8.13	9.25	8.48	8.63	7.70	9.00	5.08	4.33	5.08	8.03	7.28	
Well defined Safety Program and Disinfecting Protocol	40.00	30.40	**	26.58	24.98	30.03	33.73	31.45	31.45	32.68	30.03	23.38	26.75	25.78	33.65	30.05	
SUBTOTALS: NARRATIVE POINTS																	

* = Did not score the minimum 30 points

**=Non-responsive

SHEET 2

City of Morgan Hill Janitorial Services RFP:
BID PRICING AMOUNTS

		BID PRICING															
Item	Price from Lowest Bidder	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group	
Base Bid: Janitorial Services	747,800.00	1,184,587.80	-	-	-	1,203,105.54	759,332.00	1,361,338.00	820,084.00	747,800.00	764,712.00	-	-	-	1,287,588.00	802,340.00	
Bid Alt #1: Playhouse After Performance Cleaning	45.00	200.00	-	-	-	45.00	67.50	150.00	90.00	250.00	60.00	-	-	-	139.00	99.00	
Bid Alt #2: Council Chamber Sunday Only Service	235.00	5,805.00	-	-	-	235.00	419.25	825.00	390.00	480.00	480.00	-	-	-	760.00	910.00	
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	27.00	50.00	-	-	-	27.50	32.50	57.00	30.00	28.00	29.95	-	-	-	27.00	35.95	
Bid Alt #5: Magical Bridge Playground Restrooms	400.00	6,000.00	-	-	-	1,050.00	1,467.50	2,259.00	400.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00	
Bid Alt #6: Magical Bridge Playground and Parking Lot	800.00	6,500.00	-	-	-	1,350.00	1,505.00	4,800.00	800.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00	
Bid Alt #7: All Facilities- Additional Carpet Cleaning	32.00	50.00	-	-	-	55.00	47.50	57.00	35.00	32.00	35.00	-	-	-	43.00	45.00	
Bid Alt #8: All Facilities-On-Call Janitorial Services	27.00	50.00	-	-	-	45.00	47.50	57.00	30.00	40.00	29.95	-	-	-	27.00	37.95	

SHEET 3

City of Morgan Hill Janitorial Services RFP:
 BID PRICING POINTS and GRAND TOTAL PROPOSAL POINTS

Item	BID PRICING SCORING (60 points)										Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
	Points Available	Alm to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial				
Base Bid: Janitorial Services	50.00	31.56	-	-	-	31.08	49.24	27.47	45.59	50.00	48.89	-	-	29.04	46.60
Bid Alt #1: Playhouse After Performance Cleaning	1.00	0.23	-	-	-	1.00	0.67	0.30	0.50	0.18	0.75	-	-	0.32	0.45
Bid Alt #2: Council Chamber Sunday Only Service	1.00	0.04	-	-	-	1.00	0.56	0.28	0.60	0.49	0.49	-	-	0.31	0.26
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	1.00	0.54	-	-	-	0.98	0.83	0.47	0.90	0.96	0.90	-	-	1.00	0.75
Bid Alt #5: Magical Bridge Playground Restrooms	1.00	0.07	-	-	-	0.38	0.27	0.18	1.00	0.27	0.40	-	-	0.30	0.20
Bid Alt #6: Magical Bridge Playground and Parking Lot	1.00	0.12	-	-	-	0.59	0.53	0.17	1.00	0.53	0.81	-	-	0.60	0.40
Bid Alt #7: All Facilities- Additional Carpet Cleaning	1.00	0.64	-	-	-	0.58	0.67	0.56	0.91	1.00	0.91	-	-	0.74	0.71
Bid Alt #8: All Facilities-On-Call Janitorial Services	3.00	0.64	-	-	-	0.71	0.67	0.56	1.07	0.80	1.07	-	-	1.19	0.84
SUBTOTALS: BID PRICING POINTS	59.00	33.84	-	-	-	36.33	53.45	29.99	51.58	54.23	54.23	-	-	33.51	50.22
GRAND TOTAL:	99.00	64.24	-	-	-	66.35	87.18	61.44	83.03	86.91	84.25	-	-	67.16	80.27
NARRATIVE AND PRICING POINTS	8	7	1	9	4	2	3	6	5						

Point Score Calculation is Lowest bidder's price (on Sheet 2) divided by each Contractor's price (on Sheet 2) times the number of points available for the item.
 For example, Firato Services's Base Bid Points are calculated: 747,800/759,332 X 50 points = 49.24 points

stated in this RFP. Contractor shall operate and maintain an e-mail address at which the City may send inspection reports largely consisting of photos taken of areas that the Service Provider maintains. The e-mail address must have sufficient capacity to accept numerous inspection reports from the City without delay or rejection.

The Contractor will be paid for work rated as "meets standards". Contractor will not be paid for work rated as "below standard" until conditions improve and rate as "meet standards" if the below standard work is attributed to neglect on the part of the Contractor. If an area does not meet City standards, it will be considered "below standard". Contractor will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the Contractor. City staff will work closely with Contractor's representatives to achieve the results described in the standards and inspection criteria. However, responsibility for meeting standards rests with the Contractor.

The Contractor shall be responsible for janitorial services as described in this document and per the maintenance standards stated in this RFP. The cost of maintaining the areas shall be included in the base bid unless otherwise called out as "extra work" in this Request for Proposals.

During the first three (3) months of the contract (unless the current Contractor is the successful Contractor), the Contractor will receive one hundred percent (100%) of the monthly contract payment. During this period, Contractor will inspect the sites at least monthly and will discuss inspections with City. This process and time frame will allow the Contractor time to become familiar with the individual locations. Following this period, the Contractor shall perform quality assurance inspections a minimum of every month, or more frequently if deemed necessary by the Contractor.

The Contractor will provide electronic versions of the monthly inspections to the City by the 10th of the following month as to each site's compliance with City standards. An action plan with deadlines must be provided to the City to indicate when corrections will be made if an area is deemed "below standard". Failure to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the Contractor if any scheduled use, (including, but not limited to, special events or recreation programs) of City facilities are impacted by neglect on the Contractor's part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the Contractor for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

The City will perform inspections and prepare reports weekly, which will be e-mailed to the Contractor. The first time a site fails to meet City Standards per the weekly inspections, the Contractor will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will be incurred. If a site is not brought back into compliance within the allotted timeframe the following penalties will occur:

1. First Penalty: Contractor to receive warning.

Morgan Hill Notice of Intent to Award to Firato Service Company

Cynthia Iwanaga <Cynthia.Iwanaga@morganhill.ca.gov>

Tue 10/27/2020 2:13 PM

To: sclivio jlpbuilding.com <sclivio@jlpbuilding.com>

📎 1 attachments (125 KB)

Janitorial RFP Scoring Summary_distributed102720.pdf;

October 27, 2020

City of Morgan Hill

NOTICE OF INTENT TO AWARD TO FIRATO SERVICE COMPANY

Request for Proposals (RFP) # and Title: **CSD2021-006 – Annual Janitorial Services**

Due Date and Time: **October 8, 2020 @ 11:00 a.m.**

A response to the solicitation was submitted by:

**Aim to Please Janitorial Services, Inc.
Allied Universal Janitorial Services
Building Maintenance Services Inc.
Central Maintenance Co.
Express Facility Management
Firato Service Company, Inc.
Imperial Maintenance Services, Inc.
Impec Group
JLP Building Maintenance, LLC
Karla's Janitorial Services and Suppliers
Starblast
Tony Fraga Building Service, Inc.
Tri County Building
Universal Building Services
US Metro Group, Inc.**

Responses were evaluated according to the criteria stated in the solicitation. Please note Bid Alternate #3 was not scored due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet cost. The total possible points awarded was 99 points instead of 100 points. Please see attached Scoring Summary.

We intend to award a contract at the November 18, 2020 City Council meeting to:

Firato Service Company, Inc.

Thank you for your time and efforts in preparing a response to this solicitation. Please e-mail me if you would like additional information or have any questions about the evaluation process.

Any protests of this decision must be submitted electronically in writing to the City Attorney's Office at cynthia.hasson@morganhill.ca.gov before 5 p.m. no later than two (2) working days after the issuance of this

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)

Notice of Intent to Award. The protest must be in writing, clearly identify the RFP number and title, and detail the nature of the protest.

The successful company is instructed not to begin work, purchase materials, or enter into subcontracts relating to the services until both the recipient and City sign the contract.

We appreciate your interest in doing business with the City of Morgan Hill.

Sincerely,

Cynthia Iwanaga
Management Analyst

E-mail: cynthia.iwanaga@morganhill.ca.gov

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



CITY ATTORNEY'S OFFICE
CITY OF MORGAN HILL
17575 PEAK AVENUE
MORGAN HILL, CA 95037
TEL: 408-779-7271
FAX: 408-779-1592
WWW.MORGANHILL.CA.GOV

November 2, 2020

Via e-mail only to Stephanie Clivio at sclivio@jlpbuilding.com

Ms. Stephanie Clivio, COO
JLP Building Maintenance, LLC
48834 Kato Road, Suite 109A
Fremont, CA 94538

Dear Ms. Clivio:

On October 29, 2020, the City Attorney's Office for the City of Morgan Hill received a bid protest from JLP Building Maintenance, LLC for the Annual Janitorial Services Request for Proposals (RFP) requesting clarification from the deciding members (review committee) as to how the tabulation for the narrative was reached, local preference and bid alternate #3. After conferring with the maintenance team of the Community Services Department, the following is the response.

Questions #1 and #2: The protest alleges that Firato Service Company's score should have been impacted in the narrative scoring of "previous experience providing superior level of janitorial service at like-sized public and/or private facilities," and "assessments of work quality, performance, and working relationships by current and recent clients," due to the response to question #5 in Addendum #3 stating the current incumbent's incurred service penalties during the current contract period.

Response: Although Firato Service Company had instances of not meeting standards, this does not mean that the City was not satisfied with their level of service. The purpose of the City's outcome-based contract and inspection problem resolution process is to notify janitorial service providers when they need to bring their work up to City standards and to give them an opportunity to bring their work up to City standards. When Firato Service Company has been notified that their work was below standard, they have always responded by bringing their work up to City standards and satisfying City requests. The City review committee has thoroughly reviewed and evaluated each proposal received, and the four reviewers rated Firato accordingly.

Question #3: JLP requested clarification as to whether or not being a local business, headquartered in the City of Morgan Hill was a factor since Firato Service Company is based/located in Morgan Hill.

Response: No, local preference was not a factor. Local preferences were not provided to Firato Service Company

Questions #4: Clarification regarding scoring of Bid Alternate #3

Response: As stated in the Notice of Intent to Award, Bid Alternate #3 was not scored due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet cost. It was not considered a deciding factor as to whether to award to JLP Maintenance or Firato Service Company. In the phone call with JLP, City staff did state that if the pricing for Bid Alternate #3 had been scored, it would not have changed the #1 and #2 rankings of Firato Service Company and JLP Maintenance as Firato Service Company had bid \$390 per swim meet and JLP Maintenance had bid \$400 per

November 2, 2020
Response to JLP Protest
Page 2

meet. Bid Alternate #3 is not included in the proposed agreement with Firato Service Company.

The Janitorial RFP provided that the "winning proposal will be selected based on the total combined points scored by those proposals receiving 30 points or more on the Qualifications, Experience, References and their corresponding points for Janitorial Service Costs." Firato Service Company had the highest combined score of those proposals receiving 30 points or more. The City staff will be recommending to the City Council denial of the protest and award of the contract to Firato Service Company.

Sincerely,

Cynthia L. Hasson

Cynthia L. Hasson
Assistant City Attorney

Attachment: Response to JLP Protest Letter (2857 : Janitorial Services Agreement)

SERVICE AGREEMENT
Firato Service Company, Inc.
Annual Janitorial Services and Extra Services

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

1. **City Authority**. This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. **Term of Agreement**. This Agreement shall cover services rendered from the Effective Date of this Agreement until December 31, 2022 at which time SERVICE PROVIDER'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum of three one-year extensions. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service**. The services to be performed by SERVICE PROVIDER shall be annual janitorial services and extra janitorial services as further described in **Exhibit A**.
4. **Compensation**. SERVICE PROVIDER shall be compensated as follows:
 - 4.1. **Amount**. \$874,332.00. Total compensation to SERVICE PROVIDER under this Agreement during its initial term set forth in Section 2 above shall not exceed Eight Hundred Seventy-Four Thousand Three Hundred Thirty-Two dollars and shall be billed based on the rate and basis set forth in **Exhibit B**. If the City Manager extends the term of this Agreement pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to SERVICE PROVIDER during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for each subsequent extended one-year term exceed 105% of the maximum compensation allowed to be paid to SERVICE PROVIDER for one year of service during the immediately preceding prior year of service.
 - 4.2. **Billing**. SERVICE PROVIDER shall provide CITY with an invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by SERVICE PROVIDER on a monthly basis unless otherwise specified in Exhibit B. All invoices shall be sent to the CITY addressed to the department head or project manager identified below in Section 14 Notices. Payment will be made to SERVICE PROVIDER within thirty (30) days of receipt of invoice by CITY. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.

Attachment: Firato_Service_Co_Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

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

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

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

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

7. **Hazardous Materials.** Without limiting any other requirement or obligation of SERVICE PROVIDER under this Agreement, if SERVICE PROVIDER needs to use any material or chemical considered to be a hazardous material under any federal, state or local law, regulation or policy, SERVICE PROVIDER agrees to fully and timely abide by and comply with all laws, regulations and policies pertaining to the use, transport, removal, handling, disposal or other activity related to any and all such materials or chemicals. Prior to

commencement of work or services under this Agreement, SERVICE PROVIDER shall provide CITY with a complete list of the hazardous materials SERVICE PROVIDER reasonably anticipates it may need to use to provide the services of SERVICE PROVIDER under this Agreement, together with the reasonably anticipated quantities thereof, if requested by CITY.

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

8.1. **Insurance Types and Amounts.**

- 8.1.1. Commercial General Liability (CGL). SERVICE PROVIDER shall maintain CGL against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater.
- 8.1.2. Automobile Liability. SERVICE PROVIDER shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if SERVICE PROVIDER does not own automobiles, then SERVICE PROVIDER shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater.
- 8.1.3. Workers’ Compensation Insurance and Employer’s Liability. SERVICE PROVIDER shall maintain Workers Compensation coverage, as required by law, in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater. If SERVICE PROVIDER is self-insured, SERVICE PROVIDER shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.
- 8.1.4. Pollution (Environmental) Liability. If the performance of SERVICE PROVIDER’s work or service under this Agreement involves hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials, SERVICE PROVIDER shall procure and maintain Pollution Liability covering the SERVICE PROVIDER’S liability for bodily injury, property damage and environmental damage resulting from pollution and related cleanup costs arising

out of the work or services to be performed under this Agreement. Coverage shall be provided for both work performed on site, as well as during the transport of hazardous materials. Such coverage shall be in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

8.1.5. Professional Liability.

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

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

8.1.6. Sexual Abuse/Molestation Liability (SML): If the performance of SERVICE PROVIDER's work or service under this Agreement involves contact with minors, SERVICE PROVIDER shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) two hundred thousand dollars (\$200,000.00) each claim, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

8.2. **Endorsements.** SERVICE PROVIDER shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

8.2.1. General Liability and pollution liability (when pollution liability applies).

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

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

8.2.1.3. insurance shall be primary non-contributing.

8.2.2. Workers Compensation.

If the performance of SERVICE PROVIDER'S work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, SERVICE PROVIDER'S presence during site visits and meetings, then insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

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

8.4. **Certificates.** SERVICE PROVIDER shall furnish CITY of Morgan Hill with copies of all certificates as outlined herein, whether new or modified, promptly upon receipt. In the event of a claim or legal action, CONSULTANT shall promptly furnish CITY of Morgan Hill with copies of all policies outlined herein. No policy subject to the SERVICE PROVIDER's agreement with the CITY shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein

Certificate Holder address:

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

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

10. **Compliance with Law.**

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

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

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

Judgments or Decisions During Term of Contract: If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that SERVICE PROVIDER or any subcontractor it employs to perform work under this Agreement has violated any applicable wage and hour law, or SERVICE PROVIDER learns of such a judgment, decision, or order that was not previously disclosed, SERVICE PROVIDER shall inform the City Attorney, no more than fifteen (15) days after the judgment, decision or order becomes final or of learning of the final judgment, decision or order. SERVICE PROVIDER and its subcontractors shall promptly satisfy and comply with any such judgment, decision, or order, and shall provide the City Attorney with documentary evidence

of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. CITY reserves the right to require SERVICE PROVIDER to enter into an agreement with CITY regarding the manner in which any such final judgment, decision, or order will be satisfied.

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

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

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

11. **Independent Contractor.** SERVICE PROVIDER is an independent contractor and not an agent or employee of CITY.
12. **Confidentiality.** All data, documents, or other information received by SERVICE PROVIDER from CITY or prepared in connection with SERVICE PROVIDER'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by SERVICE PROVIDER without prior written consent by CITY.
13. **Conflict of Interest and Reporting.** SERVICE PROVIDER shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
14. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of SERVICE PROVIDER is as follows:

Firato Service Company, Inc.
17485 Monterey Road, Suite 200
Morgan Hill, CA 95037

Address of CITY is as follows:

Public Services Director	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	City of Morgan Hill
Morgan Hill, CA 95037	17575 Peak Avenue
	Morgan Hill, CA 95037

15. **Licenses, Permits and Fees.** SERVICE PROVIDER shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.
16. **SERVICE PROVIDER'S Proposal.** If applicable, this Agreement shall include SERVICE PROVIDER'S proposal or bid which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.
17. **Maintenance of Records.**
- 17.1. **Maintenance.** SERVICE PROVIDER shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. SERVICE PROVIDER shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then SERVICE PROVIDER shall retain said records until such action is resolved.
- 17.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the SERVICE PROVIDER and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.
- 17.3. **Ownership of Work Product.** All documents or other information developed or received by SERVICE PROVIDER for work performed under this Agreement shall be the property of CITY. SERVICE PROVIDER shall provide CITY with copies of these items upon demand or upon termination of this Agreement.
18. **Familiarity with Work.** By executing this Agreement, SERVICE PROVIDER represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should SERVICE PROVIDER discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at SERVICE PROVIDER'S risk, until written instructions are received from CITY.
19. **Time of Essence.** Time is of the essence in the performance of this Agreement.
20. **No Assignment.** Neither this Agreement nor any portion shall be assigned by SERVICE PROVIDER, without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.
21. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

22. **Defense and Indemnification.**

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

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

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

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

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

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

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

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

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

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

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[Signatures on Next Page]

Attachment: Firato_Service_Co._Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

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

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

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

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

ATTEST:

CITY OF MORGAN HILL

 City Clerk/Deputy City Clerk

 City Manager

 Michelle Bigelow
 Print Name

 Christina J. Turner
 Print Name

Date: _____

Date: _____

APPROVED AS TO FORM:

FIRATO SERVICE COMPANY, INC.

 City Attorney

By: _____ President and

 Donald A. Larkin
 Print Name

Rich Firato - CEO
 Print Name and Title of Signer.

If Corporate: Chairman, President or
 Vice President

Date: _____

Date: 11/1/20

By: _____

Nick Firato - Secretary
 Print Name and Title of Signer.

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

Date: 11/1/20

Attachment: Firato Service Co. Service Agmt FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

**EXHIBIT A
SCOPE OF SERVICES**

Please see attached Scope of Services.

Attachment: Firato_Service_Co._Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

JANITORIAL - SCOPE OF SERVICES AND SPECIAL PROVISIONS

Introduction and General Information:

As of the effective Date of this Agreement, the City's janitorial service needs are limited or unnecessary as many City facilities are closed due to the COVID-19 pandemic. The City shall provide at least five (5) days' notice to Service Provider via a side letter as to which facilities and services described below are suspended or reinstated pursuant to section 5.2 of the Agreement.

1-1 SCOPE OF SERVICE The Contractor shall furnish all labor, equipment, cleaning solutions, and other services required to satisfactorily perform the janitorial services required to the Facilities as outlined in this document.

Contractor understands and agrees that the services shall be provided in accordance with all applicable laws, including but not limited to the Displaced Janitor Opportunity Act (California Labor Code §§ 1060 et seq.) and the California Property Service Workers Protection Act (California Labor Code §§ 1420 et seq.)

The Contractor shall furnish the City within fifteen (15) days after approval of the contract, a work schedule showing the proposed dates and time of work for the locations shown on the proposal.

Janitorial Specifications are described in Sections 2 through 7.

1-2 Term is stated in Service Agreement

1-3 WORK HOURS The starting time for any, and all janitorial services, except for day porter services, shall be no earlier than the closing time for the facility and shall be completed prior to the opening of time for the next day unless otherwise noted.

- **Community and Cultural Center** Cleaning Hours must start at 10 p.m. Monday through Thursday and be completed by 6:00 a.m. Friday, Saturday and Sunday cleaning hours must start at midnight and be completed by 6:00 a.m.
- **Council Chamber Building** – Cleaning hours on Sundays, the building will close by 8:00 p.m. on Sunday and reopen Monday at 7:00 a.m.
- **Centennial Recreation Center** is an active facility on weekdays from 4:30 a.m. to 10:00 p.m., Saturday-Sunday from 6:30 a.m. to 8:00 p.m.
- **Dennis Kennedy Aquatics Center** is open weekdays from 5:00 a.m. to 8:00 p.m. (9:00 p.m. June through October), Saturdays from 7:00 a.m. to 12:00 p.m. (summer season to 6:30 p.m.), and Sundays 11:30 a.m. to 6:30 p.m. (summer season only). "Summer season" is the Wednesday prior to Memorial Day through the third weekend in August." See Section 5-19: Aquatics Center Summer Season Schedule on page 35. Cleaning hours need to take place when the facility is not open.
- **Corporation Yard** – Quarterly, Triannual and Semi-Annual Only. Work must be done between 5:00 p.m. and 5:00 a.m. Monday through Friday or anytime on the weekends.

- **Railroad Park** – Cleaning hours are from 12:00 a.m. to 7:00 a.m.
- **Downtown Parking Garage** - Cleaning hours are from 12:00 a.m. to 7:00 a.m.
- **City Hall/DSC Building**- Annual services to be coordinated with City Maintenance Staff (typically during the last week of December)
- **Information Services Department** – Cleaning hours are from 6:00 p.m. to 5:00 a.m.
- **Magical Bridge Playground** – Cleaning hours are from 12:00 a.m. to 7:00 a.m.
- **MH Police Department**- Building is open 24/7. Janitorial services should be performed between 6:00 p.m. and 5:00 a.m. Monday, Tuesday, Wednesday, Thursday and Saturday

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

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

1-4 WORKMANSHIP AND QUALITY LEVEL All work shall be performed by staff directly employed and supervised by the Contractor. The Contractor shall provide management and technical supervision through competent supervisors as required to provide the specified janitorial services. The Contractor shall be responsible for the skills, methods and actions of all employees, subcontractors and for all work done.

The Contractor shall cooperate with the representative authorized by the City to enable them to determine the Contractor's conformity with these specifications and the adequacy of the work being performed. The Contractor shall give personal supervision to the work and will meet with the Recreation Manager or designated City representative, a minimum of twice per month, at a schedule mutually agreed upon.

1-5. CORRECTIVE WORK The Contractor shall perform the work to the satisfaction, of the Recreation Manager or designated representative. Inspections may be made by the City any time and request from the Contractor corrective work. If corrective work is required, the City will provide a written list of items, the Contractor shall correct deficiencies as directed. If deficiencies are not corrected in a timely manner, the City may perform the work using others and deduct the cost from the Contractor's payment.

1-6. LOCATIONS Diagrams of the facility are provided as part of the contract specification.

1-7. JANITORIAL STANDARDS The contractor shall furnish all labor, materials, tools, cleaning supplies, services and special skills necessary for the provision of complete high-quality janitorial services from beginning to end of the contract. The work shall include all tasks needed to maintain the facilities, their furnishings and fixtures in sanitary condition and having an overall appearance of cleanliness and neatness.

- a. **Blinds:** Blinds shall be cleaned with a vacuum cleaner using tools designed for cleaning blinds.

Standard: Blinds shall be free of dust and give an overall clean appearance.

- b. **Chrome Surfaces:** Cleaning chrome requires the removal of surface spots, fingerprints, smudges, etc., with the appropriate chrome polish.

Standard: Surfaces will present a clean uniform shining appearance free of all soil, marks, smudges, streaks.

- c. **Damp Mopping:** Damp mopping requires the use of cotton or similar yarn type string mops (24 oz.) that have been mechanically wrung/squeezed to remove excess solution for purposes of removing light soil, dirt, liquid or other foreign material from a floor that does not require the complete mopping of the area or when the area is not soiled sufficiently to require wet mopping.

Standard: A damp mopped floor shall be free of all dirt, debris soil, liquids or other foreign material. All splash marks/spots on walls and furniture/fixtures shall be removed before completion of the damp mopping task. All items moved to accomplish this task shall be returned to their original positions. Mop and mop bucket need to be rinsed after each use.

- d. **Day Porters:** Day porters assigned to specific facilities as noted in agreement.

Standard: Day porters on duty at any facility shall be available to respond within twenty minutes of any of the contract locations to cleanup reported problems such as spills or accidents.

- e. **Disinfecting:** Disinfecting is the application of a germicidal solution to surfaces to kill or neutralize 99.9% of the material containing or supporting the growth of bacterial/viral organisms. Surfaces should remain "wet" for a minimum of 10 minutes or per manufacturer's recommendation.

Standard: Surfaces shall be as free of material containing living bacteria, viruses, or other contaminations that are capable of causing infections.

- f. **Dispenser Cleaning and Service:** Dispenser cleaning/service requires damp wiping dispensers with a disinfectant, checking/refilling of all towel, toilet tissue, seat covers, soap, or any other dispensers which may be identified by the Contract Administrator.

Standard: Dispensers will be disinfected, present a clean uniform shining appearance free of all soil, marks, smudges, streaks and will have an adequate supply of the applicable dispensed products.

- g. **Dusting:** Normal or low dusting includes all levels up to ten (10) feet in height. All high dusting will be above ten (10) feet high.

Standard: Items shall be free of any laden airborne materials, streaks, smudges, and cobwebs. Laden airborne matter shall be removed by either mechanical, chemical, or manual means. Devices, which merely displace or redistribute the matter, such as feather dusters, will not be used, unless treated to attract and hold the matter. All items moved to accomplish this task shall be returned to their original position.

- h. **Entrance Glass:** Cleaning of glass is cleaning the inside and outside glass surfaces and the surrounding boundary of the applicable entrance area.

Standard: Glass shall be free of streaks, smudges, fingerprints, etc. Surfaces surrounding the entrance shall be free of dirt, dust, fingerprints, and have a clean appearance.

- i. **Entrance Mats:** Carpet mats shall be vacuumed with a commercial vacuum before spot cleaning. Entrance mats made of rubber or polyester shall be swept, shaken, vacuumed or washed. Entrance mats shall be lifted, moved to remove soil and moisture

underneath, and replaced.

Standard: There shall be no dirt left on surfaces.

- j. **Fixtures:** Cleaning of restroom & kitchen fixtures and fountains require the removal of dust, dirt, debris, spots, stains, and smears from sinks, slop sinks, toilets, urinals, and fountains with a germicidal solution.

Standard: Fixtures will be disinfected and there shall be no dust, dirt, spots or debris on the fixtures.

- k. **Furniture:** Cleaning of furniture and tables requires dusting and/or damp wiping and disinfecting.

Standard: Surfaces are to be free of dirt, dust, debris, marks, and film.

- l. **Glass/Window:** Glass and window cleaning requires the removal of dirt, soil, smudges, fingerprints, and other foreign material from glass window, doors, partitions, or any other items, which may consist in whole or part of a glass, or similar material including mirrors.

Standard: Glass surfaces shall be free of all dirt, soil, smudges, streaks, smears, film, or any other foreign substances. All excess spray/solution must be removed from any surrounding trim or surfaces and glass/window surfaces shall have a uniformly bright appearance. Any items moved to accomplish this task must be returned to their original positions.

- m. **Policing:** Policing is picking up paper, trash, empty bottles, containers, and other discarded materials; spillages, accidents, plumbing failures, and inclement weather.

Standard: Area(s) being policed shall be free of debris. Area(s) shall present an overall clean appearance.

- n. **Polishing:** Polishing requires the use of a high-speed floor machine and a clean pad designed for polishing or buffing.

Standard: The floor should have a “non-yellowed” high-gloss appearance.

- o. **Receptacles and Cleaning:** Cleaning and disinfecting receptacles is defined as wiping or washing containers with a germicidal solution and replacing plastic liners.

Standard: Receptacles shall be considered properly cleaned when both the inside and outside are clean, free of stains, dried refuse and odors, and a plastic liner replaced, if necessary.

- p. **Refrigerators:** Requires cleaning outside surfaces, especially the handles with a germicidal detergent solution.

Standard: Outside surfaces shall present an overall clean appearance.

- q. **Restrooms:** Cleaning of restrooms requires the removal of trash, cleaning of floors, fixtures, urinals, toilets, receptacles, faucets, handles, dispensers, walls, partition stalls, and doors with a germicidal solution. All glass, chrome, and stainless-steel surfaces shall be cleaned and buffed to a shine.

Standard: Restrooms shall be considered properly cleaned when floors are mopped and fixtures, urinals, toilets, waste receptacles, wash basins, faucets, handles, dispensers, partition stalls, and doors are cleaned with a germicidal solution. All glass, chrome, and stainless-steel surfaces shall be cleaned and buffed to a shine, waste receptacles emptied, and dispensers refilled. Urinal cartridges changed as needed when not draining properly.

- r. **Safety Data Sheets:** Safety Data Sheets (SDS) must be provided for all chemicals used at each facility. SDS sheets must be updated on an annual basis.

Standard: Each facility will have designated location for SDS and will be maintained by the contractor.

- s. **Scrubbing:** Machine scrubbing requires the use of mechanized scrubbing/vacuum machines to be more aggressive than wet mopping; this may include large areas such as halls, lobbies, garages, ramps, or similar large areas which would otherwise require extensive labor to complete in a reasonable time period.

Standard: Machine scrubbing shall be held to the same quality standard as wet mopping and shall remove all scuff marks. Floor scrubbing shall not remove floor finish.

- t. **Shower Curtains:** Cleaning of curtains requires washing curtains with an approved cleaner that will eliminate fungus and green mold.

Standard: Washed with a germicidal solution with no mold and/or odor remaining.

- u. **Shower Stalls:** Cleaning of shower stalls is defined as the removal of soap scum, mold, stains, and odors from surfaces (including grout) and cleaning the entire enclosure with a germicidal solution or steam cleaning.

Standard: Walls, ceiling, enclosures, grout, and fixtures are cleaned with a germicidal solution and chrome is buffed to shine. There shall be no mold and/or odor remaining.

- v. **Shower Safety Mats:** Cleaning of mats requires washing mats with an approved cleaner that will eliminate fungus and mold.

Standard: Shower safety mats shall be considered properly cleaned when they are washed with a germicidal solution.

- w. **Spot Cleaning:** Spot cleaning requires the removal of dirt, soil, debris, liquids, stains, or other foreign materials from carpeted areas which can be accomplished by cleaning only the immediately affected area where cleaning the whole area would not be necessary. Spot cleaning may be accomplished by any of the methods contained herein and as dictated by the circumstances of the soiling. Carpet spots shall be removed immediately with an approved carpet cleaning solution in such a manner, which will not leave rings or discoloration.

Standard: Spot cleaning shall remove completely any evidence of the soiling which necessitated the cleaning and return the finish of the area affected to its pre-soiled condition without evidence of occurrence or cleaning.

- x. **Sweeping or Dust Mopping:** Sweeping/dust mopping requires the removal of loose dirt, dust, debris, and other foreign material through either manual or mechanized methods, as appropriate for the location and situation.

Standard: A swept area shall be free of all loose dirt, grit, lint, dust, debris, or other foreign material with no build up in corners, crevices, under or around furniture parts. All items moved to remove dirt shall be returned to their original location.

- y. **Trash/Waste Removal:** Trash/waste removal requires the collection of all materials, which have been placed into appropriate containers, and taken to a specified site for disposal.

Standard: All trash/waste and soiled liners shall be removed from all trash/waste containers, and a new trash/waste liner shall be fitted into all such containers.

- z. **Vacuuming:** Vacuuming requires the mechanical removal of loose dust, dirt, soil, debris, and other foreign material from carpeted floors and other items (e.g. couches, chairs, walls, curtains/drapes), which require this method of cleaning.

Standard: There shall be no evidence of any dust or dirt or any other loose foreign material. Materials shall be left in a lint free state. All items moved during this process shall be returned to their original positions.

- aa. **Wet Mopping:** Wet mopping requires the removal of built up dirt, soil, liquids, or other foreign materials from a floor using clean cotton or similar yarn type string mops (24 oz.) and mechanically wrung out so as to have sufficient neutral detergent and water solution or disinfecting detergent and water solution. This shall include rinsing if required or as recommended by the detergent manufacturer.

Standard: A wet mopped floor shall be free of all dirt, debris, soil, liquids, or other foreign material. It will present a uniform appearance free of streaks, smudges, heel marks, or any other marks, which can be reasonably removed through this cleaning method. All splash marks/spots on walls and furniture/fixtures shall be removed before completion of the wet mopping task. All items moved to accomplish this task shall be returned to their original positions.

1-8 OUTCOME-BASED CONTRACT AND INSPECTION PROBLEM RESOLUTION PROCESS

City will regularly inspect the Contractor's work and rate it according to the maintenance standards stated in this RFP. Contractor shall operate and maintain an e-mail address at which the City may send inspection reports largely consisting of photos taken of areas that the Service Provider maintains. The e-mail address must have sufficient capacity to accept numerous inspection reports from the City without delay or rejection.

The Contractor will be paid for work rated as "meets standards". Contractor will not be paid for work rated as "below standard" until conditions improve and rate as "meet standards" if the below standard work is attributed to neglect on the part of the Contractor. If an area does not meet City standards, it will be considered "below standard". Contractor will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the Contractor. City staff will work closely with Contractor's representatives to achieve the results described in the standards and inspection criteria. However, responsibility for meeting standards rests with the Contractor.

The Contractor shall be responsible for janitorial services as described in this document and per the maintenance standards stated in this RFP. The cost of maintaining the areas shall be included in the base bid unless otherwise called out as "extra work" in this Request for Proposals.

During the first three (3) months of the contract (unless the current Contractor is the successful

Contractor), the Contractor will receive one hundred percent (100%) of the monthly contract payment. During this period, Contractor will inspect the sites at least monthly and will discuss inspections with City. This process and time frame will allow the Contractor time to become familiar with the individual locations. Following this period, the Contractor shall perform quality assurance inspections a minimum of every month, or more frequently if deemed necessary by the Contractor.

The Contractor will provide electronic versions of the monthly inspections to the City by the 10th of the following month as to each site's compliance with City standards. An action plan with deadlines must be provided to the City to indicate when corrections will be made if an area is deemed "below standard". Failure to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the Contractor if any scheduled use, (including, but not limited to, special events or recreation programs) of City facilities are impacted by neglect on the Contractor's part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the Contractor for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

The City will perform inspections and prepare reports weekly, which will be e-mailed to the Contractor. The first time a site fails to meet City Standards per the weekly inspections, the Contractor will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will be incurred. If a site is not brought back into compliance within the allotted timeframe the following penalties will occur:

1. First Penalty: Contractor to receive warning.
2. Second Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the Contractor will be assessed a \$25 monthly deduction per deficiency.
3. Third Penalty: At the same site within (12) months of the First Penalty Assessment, the Contractor will be assessed a \$75 monthly deduction per deficiency.

The parties will observe the following progressive problem resolution process:

1. Written notice of the problem.
2. Field conference with City inspector and Contractor's field representative to identify problem and agree on solution as presented by Contractor.
3. Conference between City's representative and Contractor's principal.
4. Imposition of penalties and/or correcting defect at Contractor's cost.
5. Termination of Contract.

1-9. SERVICES NOT PERFORMED The City reserves the right to back charge the contractor for services not performed. If services are not performed as per the contract or schedule submitted, after 5-day notice to contractor of failure to perform, the City may then contract out the service and back charge the contractor cost plus 15%.

1-10. MATERIALS AND EQUIPMENT The Contractor shall, at all times, furnish and maintain equipment necessary to perform work under this contract. If equipment breaks down, the Contractor is responsible to complete the work within 24 hours. If the Contractor is unable to complete the work within that time period, the City may deduct the applicable portions, pro rata, from the payment to the Contractor.

The City will provide all light bulbs, toilet tissue, hand towels, paper seat covers, liquid soap for dispensers, and plastic trash can liners. Supplies will be inventoried and provided on a weekly basis to assigned custodial storage area.

The custodial contractor is to supply all cleansers, disinfectants, solvents, waxes, cleaning tools, equipment and any additional supplies that may be necessary for contractor to perform to contract specifications. In some cases, the City may require specific products to be used. The Recreation Manager or designee shall approve all cleaning products and solutions in advance of their use.

1-11. SAFETY & SECURITY The Contractor and staff shall follow all established safety procedures and shall take special care not to endanger the public in any way. All floors should be completely dry by the opening of facilities each day. The Contractor is responsible for the security of all doors at the conclusion of work in each room. All exterior doors should remain locked at all times. Interior doors that are found open or unlocked shall be left in the same position/condition in which they were found.

1-12. FINGERPRINTING AND BACKGROUND CHECKS All Contractor staff who will be working on City facilities during business hours or at the Police Station must pass a background check a State of California Department of Justice Criminal Records Check. The Record Check may be performed at the Morgan Hill Police Department located at: 16200 Vineyard Boulevard, Morgan Hill, CA 95037.

The Contractor is responsible for maintaining and updating background check information for their employees. The Contractor will be charged approximately \$83 per each employees' background check.

1-13. EMERGENCY SITUATIONS For medical or public safety emergencies occurring at the Facilities call 9-1-1. For all building maintenance emergencies (water leaks, etc.) contact the Maintenance Coordinator or designated staff to report the issue immediately (24-hours/day).

Facility #1: COMMUNITY & CULTURAL CENTER AND PLAYHOUSE
17000 Monterey Road

All work necessary for complete janitorial service including but not limited to the following:

2-1. MAIN RESTROOMS & CHILDREN'S PAVILION RESTROOMS

Main Building: (7 days/week)

Children's Pavilion: Sunday – Friday (no Saturday service)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean and disinfect all counters, fixtures and dispensers.
- h. Clean and disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

Restroom Information

Restrooms	Basins	Toilet Bowls	Urinals
Main Building Men's	4	4	3
Main Building Women's	4	8	0
CP Children's	1	1	0
CP Adult	1	1	0
Totals	10	14	3

800 square feet of restroom area (Tile and vinyl)

2-2. MEETING ROOMS, DANCE ROOM & HALLWAYS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Dust mop hardwood floors with fiber mop or approved treatment method.
- e. Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- f. Spot clean all carpets/floors, as necessary.
- g. Clean all entry/exit door windows inside and out.
- h. Clean and disinfect door handles with approved cleaner.
- i. Spot clean walls, mirrors and windows with approved cleaner.
- j. Dust wipe down, disinfect cabinets and countertops.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Clean all white boards.
- m. Spot clean, vacuum, and/or wipe down and disinfect tables, chairs, and lobby

- furniture in use.
- n. Dust all baseboards and sills.

2-3. HIRAM MORGAN HILL BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all trash from floors, including stage, and tables.
- d. Wipe down and disinfect all tables and chairs in the room.
- e. Sweep and then damp mop all non-carpeted areas with approved cleaner (including stage).
- f. Spot clean any stains/spills on all carpets/floors, as necessary.
- g. Disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods
- j. Dust all baseboards and sills.

2-4. EL TORO BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Disinfect door handles with approved cleaner.
- e. Spot clean walls and windows with approved cleaner.
- f. Spot clean and remove any gum, residue or stains from all areas with approved methods
- g. Wipe down/disinfect all tables and chairs in the room.
- h. Dust all baseboards and sills.

2-5. CHILDREN'S PAVILION – 6 days/week service (Sun – Fri)

- a. Clean restrooms per 2-1
- b. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- c. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- d. Sweep and then damp mop floors with approved cleaner.
- e. Spot clean floors, as necessary.
- f. Disinfect door handles and light switches with approved cleaner.
- g. Spot clean walls, mirrors and windows with approved cleaner.
- h. Dust, wipe down/disinfect cabinets and countertops.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods
- j. Wipe down/disinfect all tables and chairs.
- k. Dust all baseboards and sills.

2-6. KITCHEN – 5 days/week service (Tuesday, Wednesday, Friday, Saturday and Sunday)

- a. Empty wastebaskets and trash containers; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Clean and wipe down/disinfect cabinets and countertops.
- e. Wash out and disinfect basins and faucet handles with approved cleanser, rinse and dry; damp dry basin traps.
- f. Disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner.
- h. Disinfect door handles and light switches with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

2-7. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets, as necessary.
- f. Disinfect door handles and light switches with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust wipe down or vacuum all furniture, cabinets, and countertops.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods

2-8. PLAYHOUSE RESTROOM CLEANING – 2 days/week service (Wed & Sun)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all trash from floors, including stage, sound booth and theater seats.
- d. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- e. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- f. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- g. Urinal cartridges need to be changed as needed when not draining properly.
- h. Disinfect all counters, fixtures and dispensers.
- i. Disinfect door handles with approved cleaner.
- j. Replenish all paper supplies and soap dispensers.
- k. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- l. Hose/mop floors with disinfectant.
- m. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- n. Dust all sills and light fixtures.

2-9 MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days/week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. All doors and windows are to be checked, closed and locked securely.
- c. Report graffiti to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- d. Clean drinking fountains.
- e. Collect cardboard, flatten and place in recycle bins.
- f. Report location of all burnt out light bulbs to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- g. Spray buff floors in all restrooms
- h. Clean all ground level windows in hallway inside and out.
- i. Dust and/or wash interior walls (floor to ceiling) removing dust and debris.
- j. Dust and remove spider webs from the ceilings, windowsills, blinds, light fixtures, cabinets, crevices, counters, desks and open spaces.
- k. Apply tile cleaner/approved cleaner on restroom walls and tile surfaces.
- l. Remove all entry mats and clean pat down to remove dirt.
- m. Dust exterior of ceiling level vents.
- n. Spray buff classroom, dance room and El Toro room floors.
- o. Remove, clean and replace all light fixtures lower than 10 feet in height.
- p. Wipe down all door hinges.
- q. All compost material should be collected throughout the facility and placed in the green compost bins

2-10. BIMONTHLY SERVICES (Every other month)

- a. Shampoo, with truck mounted cleaning unit, carpeted areas in the Hiram Morgan Hill Room as well as the main hallway to the end of the restrooms bimonthly as scheduled with City Staff.

2-11. QUARTERLY SERVICES

- a. Shampoo, with truck mounted cleaning unit, all carpeted areas four times annually as scheduled with the City staff (Madrone, Machado, Staff Offices, and Hallway from the Restrooms to the end of the West Hallway.

2-12. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all vinyl floors per approved methods (CCC and Playhouse).
- b. Scrub and disinfect all tile and grout restroom floors (CCC and Playhouse)
- c. Remove all restroom floor drains, scrub clean and replace.
- d. Clean all windows inside and out for the entire facility. (Does not include high windows, in the El Toro Room, Hiram Morgan Hill Room and Playhouse.)

2-13. ANNUAL SERVICES

- a. Deep clean of the kitchen (Typically performed the last week of December)
 - i. Clean and degrease all stainless steel (except hood vents), all walls, doors/door frames, all ceiling tiles, tbar grids, light covers and fixtures, air vents, floor drains.
 - ii. Sweep and mop all floors
 - iii. Clean inside ovens
 - iv. Clean Stove tops

2-14. SPECIAL CLEANING SERVICES AT PLAYHOUSE FACILITY (AFTER PERFORMANCE CLEANING)
(Bid Alternate #1)

It is estimated that the playhouse will be scheduled 125 nights per year which will require cleaning services to be provided on an as needed basis. The use schedule of the facility will be provided by the 15th of the prior month. Late schedule additions may occur, with a minimum of 48 hours provided. Areas of cleaning include the lobby, seating area, entry, hallways, and restrooms.

- a. Clean restrooms per Section 2-8 (Playhouse Restroom Cleaning)
- b. Clean all litter/waste from seating area.
- c. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- d. Vacuum all carpeted areas.
- e. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- f. Spot clean all carpets/floors/theater seats, as necessary.
- g. Disinfect door handles with approved cleaner.
- h. Spot clean walls, mirrors and windows with approved cleaner.
- i. Dust, wipe down or vacuum all theatre seats, cabinets, and countertops.
- j. Wipe down banisters.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Wipe down all tables.
- m. Dust all baseboards and sills.
- n. Clean all entry/exit windows inside and out

2-15. COMMUNITY CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Vinyl	Hardwood	Tile	Laminate
<u>Main Building:</u>						
Hiram Morgan Hill Room	4594	3196				1398
Hallway btwn Hiram & Kitchen	360		360			
Main Hallways	3870	3870				
Kitchen	600					
Poppy Jasper Room	625		625			
Diana Murphy Room	625		625			
Miramonte Dance Room	780			780		
Office Areas	750	600	150			
Madrone Room	650	650				

Machado Room	400	400				
El Toro Room	1770			1770		
Restrooms	740				740	
Children's Pavilion	800		800			
Playhouse:						
Seating Area	1566	1566				
Entry	100				100	
Lobby	612	612				
Walkways	640		640			
Restrooms	400				400	
Dressing Rooms	120		120			
Dressing Rm Bathrooms	90				90	
Total for Rooms Needing Service	20,092	10,894	3,185	2,550	840	1,398
Restrooms	Basins	Toilet Bowls	Urinals			
Main Building Men's	4	4	3			
Main Building Women's	4	8	0			
Children's Pavilion (child)	1	1	0			
Children's Pavilion (adult)	1	1	0			
Playhouse Men's	2	2	2			
Playhouse Women's	2	5	0			
Playhouse Dress 1	1	1	0			
Playhouse Dress 2	1	1	0			
Totals	10	14	3			

2019 Facility Rental Information

	Days with Banquets	Days with Meetings
Hiram MH Room	172	205
El Toro Room	61	185

Facility #2: COUNCIL CHAMBERS 17555 Peak Avenue

All work necessary for complete janitorial service including but not limited to the following:

3-1. RESTROOMS AND MAIN BUILDING – Sunday Only **(Bid Alternate #2)**

- a. Empty wastebaskets and replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all

- stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Disinfect all counters, fixtures and dispensers.
- h. Disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Hose/mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

3-2. COUNCIL CHAMBERS, MEETING ROOMS, OFFICES AND HALLWAYS – Sundays Only
(Bid Alternate #2)

- a. Empty wastebaskets and recycle containers as needed; replaced liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Mop floors with disinfectant.
- e. Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- f. Spot clean/mop all carpets/floors, as necessary.
- g. Clean all entry/exit door windows inside and out.
- h. Disinfect door handles with approved cleaner.
- i. Spot clean walls, mirrors and windows with approved cleaner.
- j. Dust, wipe down or vacuum all furniture, cabinets and countertops.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Clean all white boards.
- m. Wipe down/disinfect all tables.
- n. Dust all baseboards and sills.

3-3. KITCHEN/BREAK ROOM – Sundays Only
(Bid Alternate #2)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Disinfect and wipe down cabinets, and countertops.
- e. Wash out basins with approved cleanser, rinse and dry, damp dry basin tramps.
- f. Disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner. Clean door handles with approved cleaner.
- h. Spot clean and remove any gum, residue or stains from all areas with approved methods.

3-4. SEMI-ANNUAL SERVICES (PERFORMED TWICE A YEAR)

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards
- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #3: CENTENNIAL RECREATION CENTER (CRC)
171 W. Edmundson Avenue

All work necessary for complete janitorial service including but not limited to the following:

4-1. ALL RESTROOMS & LOCKER ROOMS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out sinks with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Replace air fresheners in the West Wing and Senior Center restrooms monthly.

4-2. MAIN LOBBY/ADJACENT ROOMS & MAIN HALLWAYS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.

- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Clean and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-3. MULTI-PURPOSE ROOM & KITCHEN – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean/disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down and disinfect all tables and chairs in the room.

4-4. SENIOR CENTER AREAS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean/disinfect door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down/disinfect or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-5. TEEN CENTER ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor

- free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Dust, wipe down/disinfect or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls and windows with approved cleaner.
- g. Clean/disinfect door handles with approved cleaner.
- h. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-6. KIDS CLUB ROOM – service required 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Vacuum carpeted area of floor.
- e. Dust, wipe down/disinfect or vacuum all furniture including tables and chairs, cabinets, and countertops.
- f. Clean all entry/exit door windows inside and out.
- g. Wash out sink and drinking fountain with approved cleanser, rinse and dry.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-7. FITNESS ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors including under equipment and then damp mop floor with approved cleaner.
- d. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls, windows and mirrors with approved cleaner.
- g. Clean/disinfect door handles with approved cleaner.
- h. Clean and wipe down all drinking fountains
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-8. GYMNASIUM AND BOTH AEROBICS ROOMS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor

- free.
- c. Dust mop floor using a fiber mop or approved treatment.
- d. Clean bleachers and under bleachers.
- e. Scrubber should be used to clean the floors 3 times a week (Monday, Wednesday and Friday) and the other 4 should be wet mop using approved cleaner.
- f. Clean all entry/exit door windows inside and out.
- g. Spot clean walls, ground level windows and mirrors with approved cleaner.
- h. Clean/disinfect door handles with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-9. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

4-10 LIFEGUARD ROOM (Once a week)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- d. Clean all entry/exit door windows inside and out.
- e. Clean/disinfect door handles with approved cleaner.
- f. Spot clean walls and windows with approved cleaner.
- g. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- h. Replace burnt out light bulbs, as necessary.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods

4-11. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers located in enclosed patios and

inside the pool area are to be emptied as needed; replace plastic liners. Clean receptacles.

- c. All doors and windows are to be checked, closed and locked securely.
- d. Report graffiti to Centennial Recreation Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- e. Clean all drinking fountains.
- f. Collect cardboard, flatten and place in recycle bins.
- g. Scrub all tile floor areas using approved methods.
- h. Damp mop stained concrete floors with approved cleaner.
- i. Clean all ground level windows in Main Lobby inside and out.
- j. Dust and remove spider webs from the ceilings, windowsills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- k. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- l. Vacuum and spot clean all entry mats and clean floor below mats
- m. Vacuum all ground level vents and dust exterior of ceiling level vents.
- n. Wipe down all door hinges.
- o. Clean all ground level interior windowsills.
- p. Remove, clean and replace all light fixtures lower than 10 feet in height.
- q. Dust TV's and fans in Fitness, east hallway and Aerobics Rooms.
- r. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris.
- s. Wipe down/disinfect all tables and chairs in the room.
- t. All compost material should be collected throughout the facility and placed in the green compost bins

4-12. MONTHLY SERVICES

- a. Scrub, recoat and buff floors in the Multi-Purpose Room, Kitchen, Teen Center, and Kids Club Room
- b. Scrub, re-coat/wax and buff stained concrete floors using approved methods and material.

4-13. TRIENNIAL (Three times a year) SERVICES

- a. Clean all windows inside and out for the entire facility once each during the Summer, Fall and Spring seasons. (Includes high windows, in the Natatorium, Gym and other areas). Use approved cleaner to remove hard water spots.

4-14. QUARTERLY SERVICES

- a. Shampoo carpeted areas four times annually as scheduled with the City staff.
- b. Pressure wash all pavement at facility front entrance. Schedule with City staff.

4-15. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all linoleum floors per approved methods.
- b. Strip, wax, and buff all tile floors per approved methods in west wing restrooms, locker rooms, family changing rooms, hallway and senior center restrooms.
- c. Remove all floor drains, scrub clean and replace.

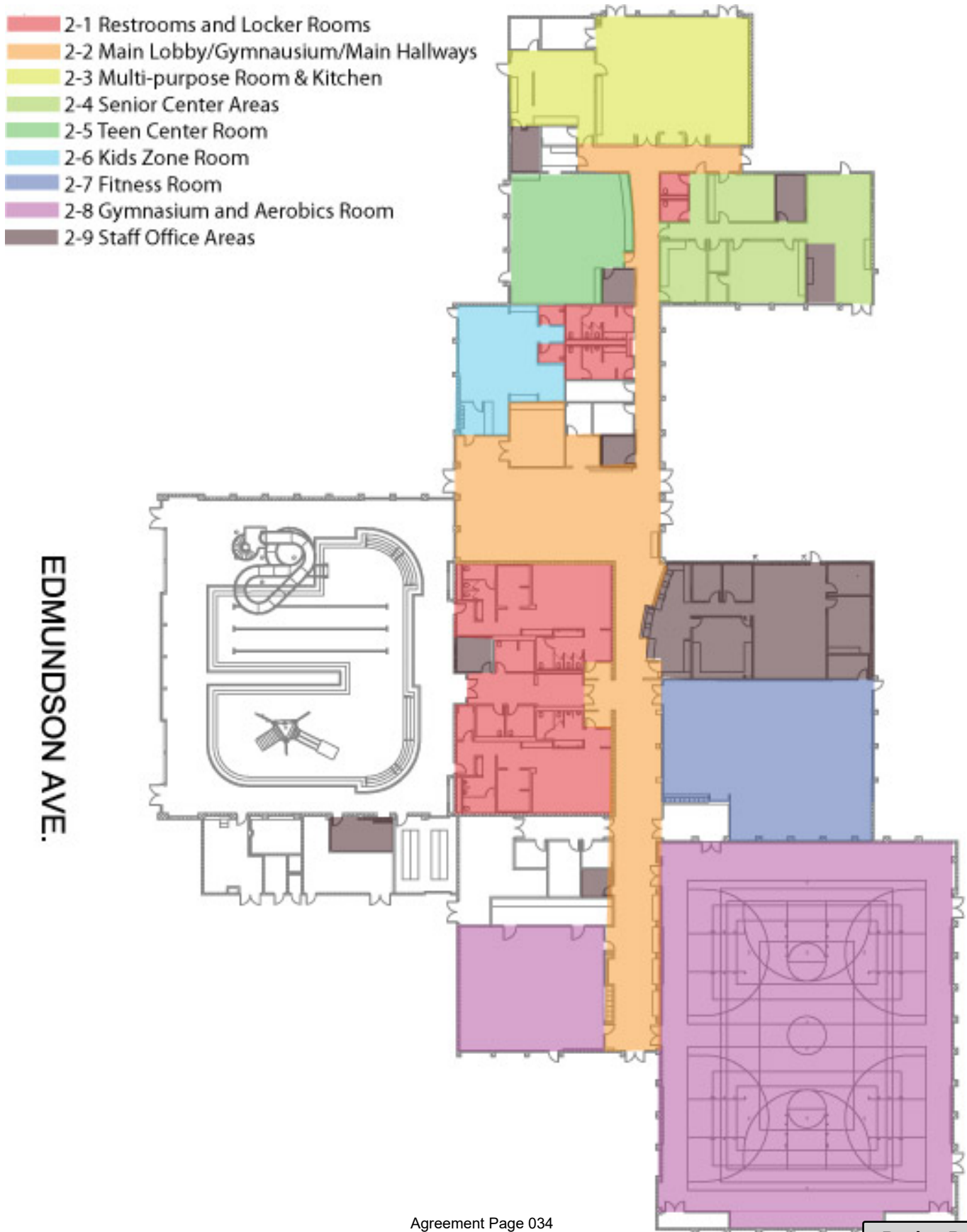
- d. Remove, dust, wash and replace all light fixtures.
- e. Dust and remove spider webs from walls, ceilings, windowsills, skylights, crevices, railings, etc. over 10 feet in height.

4-16 ANNUAL SERVICES

- a. Concrete floors to be striped and waxed annually using approved materials and methods.
- b. Strip, wax and clean the bottom row of baseboard tiles in the locker rooms and family changing rooms.

4-17. DAY PORTER SERVICES

- a. Day Porter Services to be provided by one male and one female custodian, Monday – Friday 11:00 a.m. – 1:00 p.m. and from 5:00 p.m. – 7:00 p.m. ; Saturday and Sunday 12:00 p.m. – 2:00 p.m. (These are starting and ending hours).
- b. Work to include: Clean and disinfect restrooms, restock dispensers, empty trash containers.
- c. Clean locker rooms
- d. Disinfect drinking fountains as needed
- e. Damp mop floors as needed
- f. Walk building for litter & debris, outside entrances and parking lot
- g. Clean entrance doorways and glass as needed.
- h. Spot clean walls and doors throughout facility.
- i. Day Porters must sign in and out each day at the front desk.

4-18. CRC SITE INFORMATION AND FACILITY DIAGRAM

Centennial Recreation Center Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Hardwood	Tile	Epoxy	Rub
Sr. Ctr. Lobby/Reception/Hallways	1127	1127						
Sr. Coord. Office	132	132						
Activity Room 1	464	464						
Activity Room 2	308	308						
Computer Room	277	277						
Sr. Ctr. Restrooms	112					112		
West Wing Hallways	1280		1280					
West Wing Restrooms	500					500		
Multi-Purpose Room	1796			1796				
Kitchen	623						623	
Nutrition Office	124			124				
Teen Juice Bar Area	88			88				
Teen Center	1401			1401				
Teen Coord. Office	109	109						
Main Lobby	2100	518	1582					
Membership Office	102	102						
Vending Alcove	103		103					
Party Room	331		331					
Kid Zone Room	970			970				
Kid Zone Restrooms	96					96		
East Wing Hallway	2020		2020					
Main Reception/Hallway	456	456						
Assoc. Exec. Office	104	104						
MSA Office	106	106						
Staff Work Room	359			359				
Staff Cubicles	812	812						
Facility Manager's Office	131	131						
Staff Break Room	241			241				
Locker Room Hall	310					310		
Men's Locker Room/Restrooms	1173					1173		
Women's Locker Room/Restrooms	1211					1211		
Family Changing Room 1	132					132		
Family Changing Room 2	94					94		
Family Changing Room 3	94					94		
Aquatics Office	122					122		
Lifeguard Break Room	204						204	
Fitness Room	3001							3001
Health & Fitness Dir. Office	91	91						
Gymnasium	10684				10684			
Aerobics Room	1753				1753			
New Aerobics Room	2610				2610			
Total for Rooms Needing Service		4737	5316	4979	15047	3844	827	3001
Restrooms	Basins	Toilets	Urinals	Showers				
Sr. Center – Men's	1	1						
Sr. Center - Women's	1	1						
West Wing – Men's	2	1	2					
West Wing - Women's	2	3						
Kid Zone - Boys		1						
Kid Zone - Girls		1						

Attachment: Firato_Service_Co_Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

Locker Room – Men's	4	3	4	7
Locker Room - Women's	4	7		7
Locker Room - Families	3	3		3
Basins in other Rooms	6			
Totals	23	21	6	17

Facility #4: DENNIS KENNEDY AQUATICS CENTER
16200 Condit Road

Complete janitorial services to be provided every day facility is open, including but not limited to the locations listed below. Note that the Aquatics Center operates year- round but has a very high use during the summer swim season when a significantly higher frequency of service will be required. Alternately, during the off season, some rooms, such as the party room, are rarely used.

5-1. STAFF OFFICE AREAS/STAFF RESTROOMS - 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets, as necessary.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Dust window blinds.
- m. Vacuum and spot clean all entry mats including floors underneath mats.
- n. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-2. RETAIL AREA – Off Season: 3 days/week service (Sun, Tues & Thurs) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- d. Clean all entry/exit door windows inside and out.
- e. Clean/disinfect door handles with approved cleaner.
- f. Spot clean walls and windows with approved cleaner.
- g. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.

- h. Spot clean and remove any gum, residue or stains from all areas with approved methods
- i. Clean cobwebs with extension pole
- j. Clean the glass of the display case inside and out.
- k. Ensure all compost bins are emptied and placed in the green compost bins for pick up in
- l. in the garbage enclosure
- l. Vacuum and spot clean all entry mats including flooring underneath mats.

5-3. SMALL (TEAM) LOCKER ROOMS & FAMILY CHANGING ROOMS – 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Clean all showers, restroom walls and tile surfaces with approved cleaner.
- s. Pressure wash all epoxy floors.
- t. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-4. LARGE LOCKER ROOMS - 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all

- stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Pressure wash rubber mat in women's team locker room.
- s. Clean all showers, restroom walls and tile surfaces with approved cleaner.
- t. Pressure wash all epoxy floors.
- u. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-5. EVENT ROOM – 1x per month / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpets
- d. Sweep and then mop floors.
- e. Clean/disinfect all counters, fixtures and sinks.
- f. Clean/disinfect door handles with approved cleaner.
- g. Wipe clean all tables and chairs
- h. Replenish all paper supplies and soap dispensers.
- i. Spot clean walls.
- j. Spot clean windows
- k. Replace burnt out light bulbs, as necessary.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.
- n. Vacuum and spot clean all entry mats including floors underneath mats.

5-6. ENCLOSED OUTDOOR AREAS – Off Season: 1x per month; Summer Season Daily

- a. Empty exterior trash cans and recycle receptacles as needed, replace liners
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Pressure wash picnic area (tables & ground) and ground directly in front of the

- concessions stand and BBQ areas.
- d. Wipe clean exterior showers, lockers and fountains.
- e. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-7. QUARTERLY SERVICES

- a. Clean event room mosquito screens
- b. Clean ventilation covers in team locker rooms, family changing rooms and locker rooms
- c. Scrub and degrease large locker room and family changing floors

5-8. SEMI-ANNUAL SERVICES

- a. Shampoo office carpets.
- b. Strip and wax floors in event room.
- c. Scrub and degrease Small Locker Room.
- d. Scrub and degrease Retail Area floors.
- e. Remove, dust, wash and replace all light fixtures.
- f. Clean all windows inside and out for the entire facility. (Includes high windows in the Retail Area, Coordinator's office, Ticket window).
- g. Dust/wipe all light fixtures throughout the facility

5-9. AQUATICS CENTER SUMMER SEASON SCHEDULE

The Aquatics Center operates year-round, and has very high use during the Summer Swim Season. The Summer Season starts Memorial Day weekend through the third weekend of August - 7 days per week.

- a. Day Porter Service-Two (2) day porters, one male and one female will be needed daily (7 days a week) for four (4) hours from late May through mid August.

5-10. SWIM MEET PRE AND POST CLEANING
(Bid Alternate #3) (one time cost per swim meet)

Swim meets will be scheduled well in advance with the Service Provider. Swim meets occur throughout the entire year and can start as early as Friday afternoon. All swim meets ends by Sunday afternoon. Additional pre and post cleanings will be needed prior to each swim meet as listed below.

Pre Swim Meet Cleaning (must be completed by the Wednesday prior to the swim meet)

- a. Cleaning of the Event Room (See Section 5-5)
- b. Emptying of all outside trash cans throughout the facility.

End of Swim Meet Cleaning (must be completed by the Sunday night at the end of the swim meet)

- a. Cleaning of the Event Room (See Section 5-5)
- b. Emptying of all outside trash cans throughout the facility.

5-11. SWIM MEET DAY PORTER SERVICES
(Bid Alternate #4) (hourly rate)

During the swim meets Day Porter services will be required. Days and times will be coordinated well in advance of the swim meet occurring. Throughout the swim meet, the Day Porters will restock and clean locker rooms/restrooms, empty trash throughout the facility and pick up litter throughout the facility.

- a. Day Porter Service – Two (2) day porters, one male and one female will be needed during the specified times.
- b. Work to include: Clean and disinfect restrooms, restock dispensers, empty trash containers.
- c. Clean locker rooms
- d. Disinfect drinking fountains as needed
- e. Damp mop floors as needed
- f. Walk building for litter & debris, outside entrances and parking lot
- g. Clean entrance doorways and glass as needed.
- h. Spot clean walls and doors throughout facility.
- i. Day Porters must sign in and out each day at the front desk.

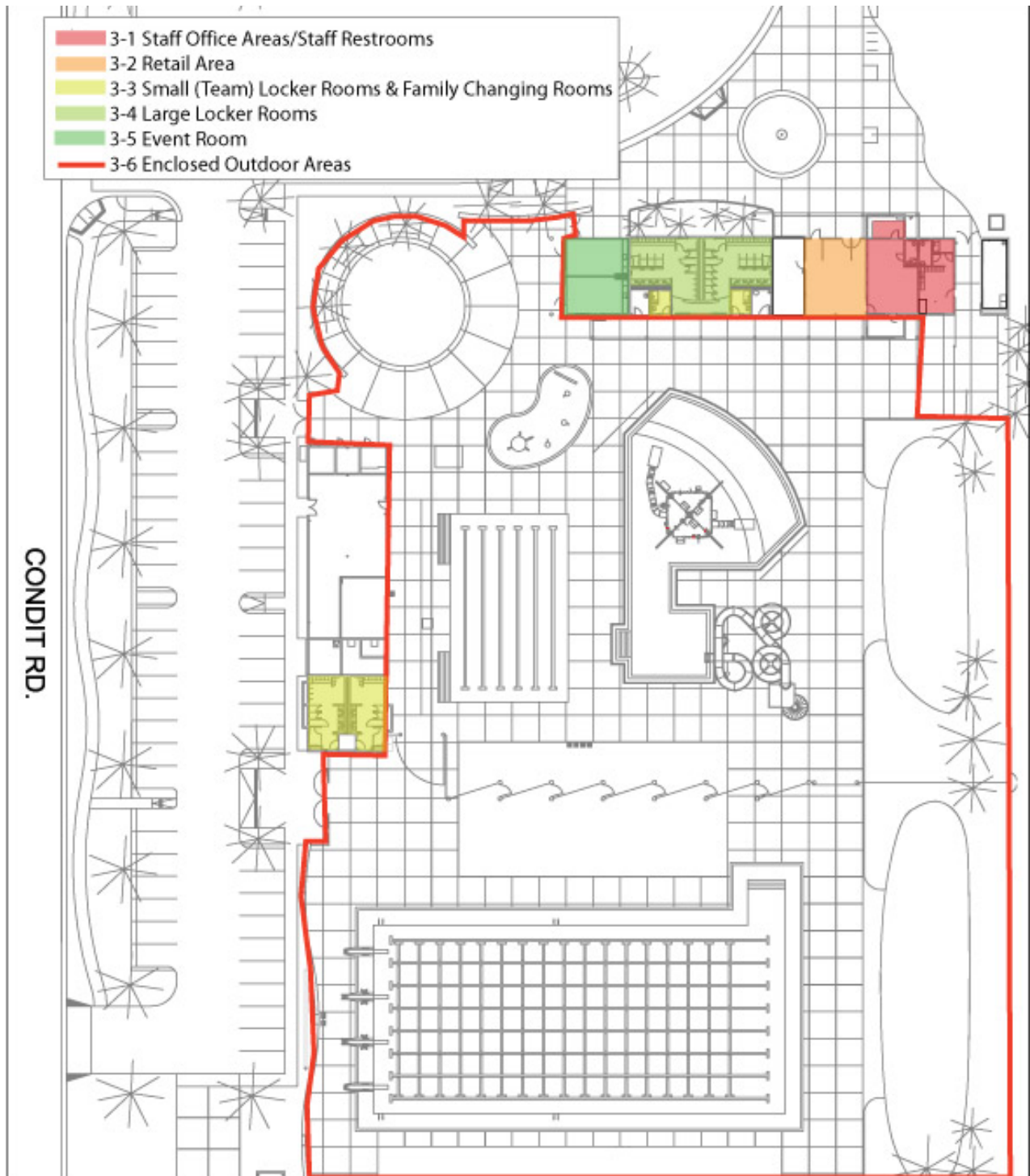
5-12. AQUATICS CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Epoxy Resin
Event Room	550			550	
Retail Area	500		500		
Staff Area/Restrooms	694	400		294	
Family Changing Rooms	100				100
Small (Team) Locker Rooms/Restrooms	600				600
Large Locker Rooms/Restrooms	800				800
Total Rooms Needing Service	3244	400	500	844	1500

Restrooms	Basins	Toilet Bowls	Urinals	Showers
Staff Area/Staff Restrooms	3	2	0	1
Family Changing Rooms	2	2		2

Small (Team) Locker Rooms/Restrooms	8	8	4	2
Large Locker Rooms/Restrooms	10	12	5	8
Event Room	2	0	0	0
Totals	25	24	9	13



Facility #5: CORPORATION YARD
100 Edes Court

All work will be scheduled in advance with City Staff:

6-1 QUARTERLY SERVICES

- a. Shampoo, with truck mounted cleaning unit, carpeted areas four times annually as scheduled with City staff.

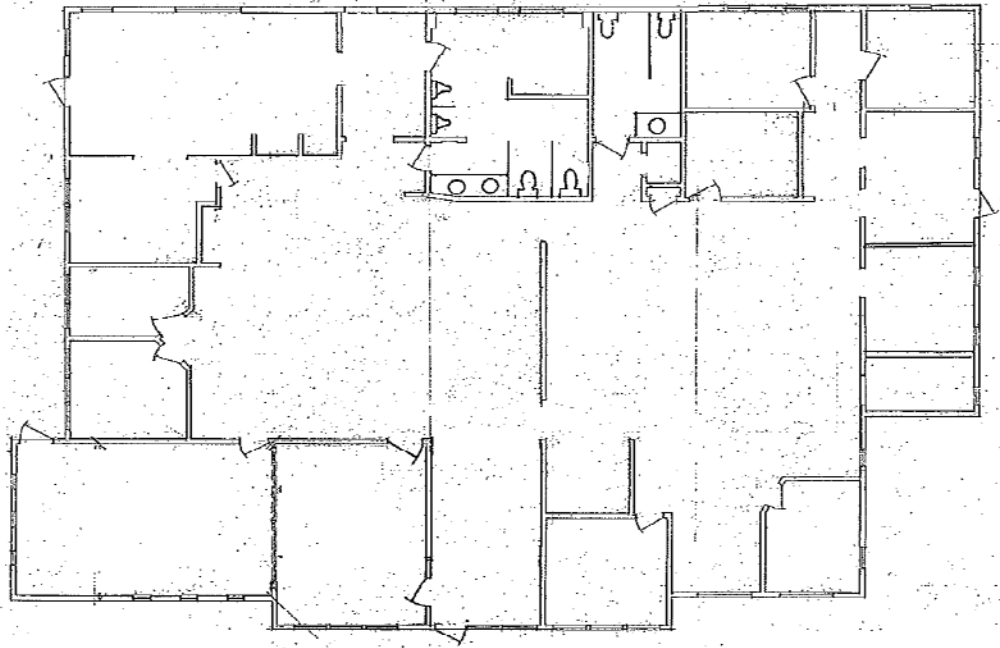
6-2 TRIANNUAL SERVICES

- a. Strip, wax and buff all vinyl floors per approved methods
- b. Clean all windows inside and out for the entire facility

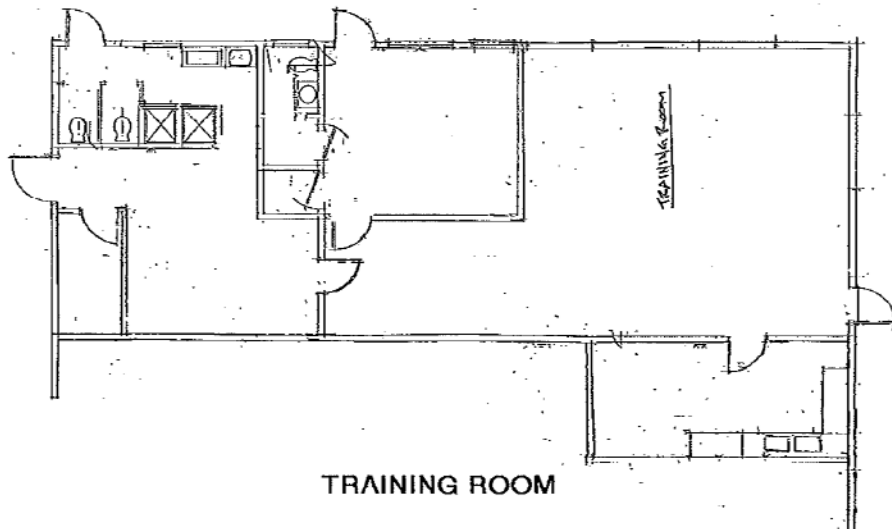
6-3 SEMI-ANNUAL SERVICES

- a. Remove all restroom floor drains, scrub clean and replace.

6-4 CORPORATION YARD – SITE INFORMATION AND FACILITY DIAGRAM



OFFICES



TRAINING ROOM

PUBLIC WORKS CORPORATION YARD

Facility #6: RAILROAD PARK**Depot Street between Third and Fourth Streets****7-1 RESTROOMS – Service 7 days/week**

- a. Empty trash cans and replace plastic liners as needed. Take trash to the parking structure dumpster.
- b. Clean all mirrors and surrounding stainless steel/chrome with disinfectant
- c. Wash out basin with approved cleanser, rinse and dry; damp dry basin traps
- d. Clean/disinfect all toilets, damp dry all external surfaces; clean all stainless steel/chrome
- e. Clean all counters, fixtures, and dispensers
- f. Clean door handles
- g. Replenish all paper supplies and soap dispensers
- h. Damp wipe doors, walls
- i. Hose/mop floors with disinfectant
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods
- k. Check lights and report outages to the Maintenance Coordinator or designated representative same day
- l. Dust ceiling, fixtures and walls as needed
- m. Report all graffiti to Maintenance Coordinator or designated representative same day

7-2 RAILROAD PARK/PARKING LOT – Service 7 days/week

- a. Litter pick up throughout entire park and parking lot
- b. Empty trash/recycling if ½ full or more and take trash to the parking structure dumpster.
- c. Clean and wipe down all drinking fountains
- d. Clean all body fluids and spills anywhere in the park/parking lot
- e. Report all graffiti to Maintenance Coordinator or designated representative same day

Facility #7: DOWNTOWN PARKING GARAGE**50 East Third Street****8-1 DAILY SERVICES**

- a. Litter pick up throughout the garage (including stairwells and underneath)
- b. Empty trash/recycling if ½ full or more and put in the parking structure dumpster.
- c. Inspect elevator function and report any problems same day
- d. Inspect elevator for damage or graffiti and report any problems same day
- e. Clean all body fluids and spills anywhere in the garage and elevator
- f. Clean elevator floors
- g. Wipe down the entire inside of the elevator
- h. Remove any postings, tape, string, etc.
- i. Check lights and report outages to the Maintenance Coordinator or designated representative same day

8-2 WEEKLY SERVICES

- a. Clean elevator doors (inside and out) with stainless steel cleaner
- b. Dust and clean the handrails, maps, EV chargers, phones, trash/recycle receptacles

8-3 EXTRA GARAGE CLEANING-Annual Service

- a. Pressure washing of stairwells and cleaning ceiling beams that collect dirt and dust.

Facility #8: CITY HALL/DEVELOPMENT SERVICES CENTER (DSC) BUILDING
17575 Peak Avenue

9-1 ANNUAL SERVICES

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards
- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #9: POLICE DEPARTMENT
16200 Vineyard Drive

10.1 ALL RESTROOMS & LOCKER ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers and benches (front, top, and outside) with a damp cloth and disinfectant.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Vacuum all carpeted areas.

10-2. MAIN ENTRANCE/LOBBY AREA/ AND HALLWAYS (INCLUDING BACK HALLWAY BY LOCKER ROOMS/GYM) – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.
- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Clean/disinfect and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

10-3. LUNCH/BREAK ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash, recycle and compost receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean/disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down all tables and chairs in the room.

10-4. CONFERENCE ROOMS/INTERVIEW ROOMS/BRIEFING ROOM/REPORT WRITING ROOM (OPEN OFFICE ON MAP)/EOC/RECORDS/SPECIAL OPS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean/disinfect door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.

- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- k. Any papers left on tables will be left as found.

10-5. EVIDENCE PROCESSING/JAIL/BOOKING AND PROCESSING/LOUNGE/DISPATCH/COPY ROOM – 3 days/week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean/disinfect door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- K. Any papers left on tables will be left as found.

10-6. STAFF OFFICE AREAS – Trash 5 days a week and rest of service 3 days/week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas including under the desk.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

10-7. OUTSIDE TRASH AREA

- a. Brown recycling containers need to be put outside of the gate for Recology to pick up on Tuesday evening and brought back in Wednesday
- b. Green compost containers need to be put outside of the gate for Recology to pick up on Saturday evening and brought back in Monday

10-8. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 5 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers emptied as needed; replace plastic liners. Clean receptacles.
- c. Collect cardboard, flatten and place in recycle bins.
- d. Scrub all tile floor areas using approved methods.
- e. Clean all ground level windows in Main Lobby inside and out.
- f. Dust and remove spider webs from the ceilings, windowsills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- g. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- h. Vacuum and spot clean all entry mats and clean floor below mats
- i. Vacuum all ground level vents and dust exterior of ceiling level vents.
- j. Wipe down all door hinges.
- k. Clean all ground level interior windowsills.
- l. Remove, clean and replace all light fixtures lower than 10 feet in height.
- m. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris.
- n. Wipe down all tables and chairs in the room.
- o. No persons shall be admitted into the building by the janitors.
- p. All doors and main access points shall be locked during and after each service.
- q. Follow all MHPD security measures and protocols as directed.

10-9. ANNUAL SERVICES

- b. Truck mounted steam extraction of all carpeted areas.

**Facility #10: INFORMATION SERVICES (IS) DEPARTMENT
16200 Vineyard Drive #100**

11-1 STAFF OFFICE AREA/HALLWAY/TRAINING ROOM– 2 days a week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.

- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

Facility #11: MAGICAL BRIDGE PLAYGROUND, RESTROOMS AND PARKING LOT
Located in Community Park (171 W Edmundson)

12-1 MAGICAL BRIDGE PLAYGROUND RESTROOMS – Service 7 days/week
(Bid Alternate #5)

There will be two (2) different sets of restrooms that need to be cleaned. The new restroom at the Magical Bridge Playground will be an Execloo, similar to the restroom at Railroad Park. There is a second restroom facility between the Tennis Courts and Ball Fields that will also need to be cleaned.

- a. Empty trash cans and replace plastic liners as needed. Take trash to the parking structure dumpster.
- b. Clean all mirrors and surrounding stainless steel/chrome with disinfectant
- c. Wash out basin with approved cleanser, rinse and dry; damp dry basin traps
- d. Clean/disinfect all toilets, damp dry all external surfaces; clean all stainless steel/chrome
- e. Clean all counters, fixtures, and dispensers
- f. Clean door handles
- g. Replenish all paper supplies and soap dispensers
- h. Damp wipe doors, walls
- i. Hose/mop floors with disinfectant
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods
- k. Check lights and report outages to the Maintenance Coordinator or designated representative same day
- l. Dust ceiling, fixtures and walls as needed
- m. Report all graffiti to Maintenance Coordinator or designated representative same day

12-2 MAGICAL BRIDGE PLAYGROUND/PARKING LOT – Service 7 days/week
(Bid Alternate #6)

- a. Litter pick up throughout entire park and parking lot
- b. Empty trash/recycling if ½ full or more and take trash to the parking structure dumpster.
- c. Clean and wipe down all drinking fountains

- d. Clean all body fluids and spills anywhere in the park/parking lot
- e. Report all graffiti to Maintenance Coordinator or designated representative same day

Please note: Magical Bridge Playground is currently under construction with an anticipated opening day of May 2021. Cleaning start date will be determined as construction is closer to completion.

#12: ADDITIONAL SERVICES FOR ALL CITY FACILITIES

13-1 HOURLY ON-CALL CARPET CLEANING (Bid Alternate #7)

- a. Carpet cleaning

13-2 HOURLY ON-CALL JANITORIAL SERVICES (Bid Alternate #8)

- a. On-Call Janitorial Services to include, but not be limited to cleaning City facilities outside of prescheduled dates and times. Specific gender personnel might also be required to clean restrooms during operational hours.

EXHIBIT B SCHEDULE OF COMPENSATION RATES

Please see attached Schedule of Compensation Rates.

The rate schedule is composed of two parts: a base bid for regular services, and bid alternates for services that will be performed only when requested and approved by CITY. CITY reserves the right to reduce or add services upon thirty (30) days' notice to SERVICE PROVIDER.

PAYMENT PROVISIONS

As described in the Scope of Work, this Agreement is outcome-based, with an inspection and rating process. Both SERVICE PROVIDER and CITY shall perform inspections as described in the Scope of Work. SERVICE PROVIDER will be paid only for work rated as "meets standards." SERVICE PROVIDER will not be paid for work rated as "below standard," until conditions improve and rate as "meets standards," if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER. If an area does not meet CITY standards, it will be considered "below standard." SERVICE PROVIDER will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER.

CITY will perform inspections and prepare reports weekly, which will be e-mailed to the SERVICE PROVIDER. The first time a site fails to meet CITY standards per the weekly inspections, the SERVICE PROVIDER will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will occur:

1. First Penalty: SERVICE PROVIDER to receive warning
2. Second Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$25 monthly deduction per deficiency.
3. Third Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$75 monthly deduction per deficiency.

The parties will observe the following progressive problem resolution process:

1. Written notice of problem.
2. Field conference with CITY inspector and SERVICE PROVIDER'S field representative to identify problem and agree on solution as presented by SERVICE PROVIDER.
3. Conference between CITY's representative and SERVICE PROVIDER'S principal.
4. Imposition of penalties and/or correcting defects at SERVICE PROVIDER'S cost.
5. Termination of Contract

No payment will be made for services not performed. CITY reserves the right to back charge the SERVICE PROVIDER for services not performed as per the contract or schedule submitted, after 5-days' notice to SERVICE PROVIDER of failure to perform, CITY may then contract out the service and back charge the SERVICE PROVIDER cost plus 15%.

If deficiencies are not corrected in a timely manner, CITY may perform the work using others and deduct the cost from SERVICE PROVIDER's payment as described in the Payment Provisions.

Attachment: Firato_Service_Co_Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

If SERVICE PROVIDER is unable to complete the work within the specified time period, CITY may deduct the applicable portions, pro rata, from the payment to SERVICE PROVIDER.

Failure by SERVICE PROVIDER to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the SERVICE PROVIDER if any scheduled use (including, but not limited to, special events or recreation programs) of CITY facilities are impacted by neglect on the SERVICE PROVIDER'S part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the SERVICE PROVIDER for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

EXHIBIT B- SCHEDULE OF COMPENSATION

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Base Bid

Janitorial Services at City of Morgan Hill Facilities

BASE BID		Column A	Column B
Base Bid Item	Item	Annual Amount	Bid Total: Two-Year Amount
1.	Community and Cultural Center: Section 2-1 thru Section 2-13, and Section 2-15	\$82,893.00	\$165,786.00
2.	Council Chamber Building: Section 3-4. Semi-Annual Cleaning Only (2 times per year)	\$3,600.00	\$7,200.00
3.	Centennial Recreation Center: Section 4-1 thru Section 4-18	\$130,415.00	\$260,830.00
4.	Dennis Kennedy Aquatics Center: Section 5-1 thru Section 5-8, and Section 5-12	\$32,076.00	\$64,152.00
5.	Dennis Kennedy Aquatics Center: Section 5-9 and Section 5-12	\$32,600.00	\$65,240.00
6.	City Corporation Yard: Section 6-1 thru Section 6-4	\$3,600.00	\$7,200.00
7.	Railroad Park: Section 7-1 thru Section 7-2	\$12,468.00	\$24,936.00
8.	Downtown Parking Garage: Section 8-1 thru Section 8-3	\$21,252.00	\$42,504.00
9.	City Hall/Development Services Center (DSC) Building: Section 9-1	\$3,640.00	\$7,280.00
10.	Police Department Sections 10-1 thru Section 10-9	\$53,742.00	\$107,484.00
11.	Information Services Department Section 11-1	\$3,360.00	\$6,720.00

Base Bid Total (Column B)

\$759,332.00

Attachment: Firato Service Co. Service Agmt FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 1-3
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 1: Playhouse After Performance Cleaning

Bid Alternate Item	Item	Cost per Cleaning
1.	Community and Cultural Center Playhouse: Special Cleaning Services at Playhouse Facility (After Performance Cleaning) (Section 2-14)	\$ 67.50

Bid Alternate -1	
Cost per cleaning	\$67.50

BID ALTERNATE 2: Council Chamber Sunday Only Service

Bid Alternate Item	Item	Monthly Rate
2.	Council Chamber Building: Sunday Only Service (Sections 3-1 to 3-3)	\$ 419.25

Bid Alternate -2	
Monthly Rate	\$419.25

BID ALTERNATE 3: NOT INCLUDED IN CONTRACT

		\$

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THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 4-6
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 4: Aquatics Center Swim Meet Day Porter Services

Bid Alternate Item	Item	Hourly Rate for Porter Services
4.	Dennis Kennedy Aquatics Center: Swim Meet Day Porter Services (Section 5-11)	\$ 32.50

Bid Alternate -4	
Hourly Rate	\$32.50

BID ALTERNATE 5: Magical Bridge Playground Restrooms

Bid Alternate Item	Item	Monthly Rate
5.	Magical Bridge Playground Restrooms: Cleaning of two (2) restroom facilities (Section 12-1)	\$ 1,467.37

Bid Alternate -5	
Monthly Rate	\$1,467.37

BID ALTERNATE 6: Magical Bridge Playground & Parking Lot

Bid Alternate Item	Item	Monthly Rate
6.	Magical Bridge Playground & Parking Lot: Cleaning of Playground and Parking Lot (Section 12-2)	\$ 1,505.00

Bid Alternate -6	
Monthly Rate	\$1,505.00

Attachment: Firato Service Co. Service Agmt FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 7-8
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 7: All City Facilities – Additional Carpet Cleaning

Bid Alternate Item	Item	Hourly Rate
7.	All Facilities: Additional Carpet Cleaning (Section 13-1)	\$ 47.50

Bid Alternate -7	
Hourly Rate	\$47.50

BID ALTERNATE 8: All City Facilities – On-Call Janitorial Services

Bid Alternate Item	Item	Hourly Rate
8.	All City Facilities: On-Call Janitorial Services including, but not limited to cleaning City facilities outside of preschedule dates and times. (Section 13-2)	\$ 47.50

Bid Alternate -8	
Hourly Rate	\$47.50

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

Work shall be performed by **SERVICE PROVIDER** at the frequency and at the times specified in the Scope of Work for each facility. All work designated as on-call, annual, semi-annual and quarterly shall be scheduled and performed as directed by City staff.

Attachment: Firato_Service_Co._Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

ORIGINAL

**CITY OF MORGAN HILL
COMMUNITY SERVICES DEPARTMENT
CITY HALL
17575 PEAK AVE,
MORGAN HILL, CA 95037**

**Response to RFP for City
Janitorial Services**

Submitted By:

**Firato Service Company, Inc.
17485 Monterey Road, Suite 200
Morgan Hill, CA 95037**

Contact: Tony Benyamin
Phone: (408) 779-4101
Cell: (408) 832-0808
Email: tony@firato.com

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Submitted by Firato Service Company, Inc. an S-Corporation

FIRATO SERVICE Co., INC.

October 9th 2020

Cynthia Iwanaga
Management Analyst- City of Morgan Hill
17575 Peak Ave,
Morgan Hill, CA 95037
Email: Cynthia.iwanaga@morganhill.ca.gov

To: Cynthia,

Thank you for giving Firato Service Co., Inc. the opportunity to provide a comprehensive proposal for janitorial services for the City of Morgan Hill. Our janitorial firm has been providing janitorial services to the entire Bay Area, Salinas, and Monterey for over 36 years. We take pride in our ability to provide the communication, consistency, and commitment that it takes to properly service our client's facilities. We look forward to the opportunity to continue to provide our proven core principles to the City of Morgan Hill and your hard working staff moving forward.

Firato Service Co., Inc. is the answer to an increasing demand in Building Maintenance from Property Managers, Owners, Government agencies wants: (1) Clean, reliable and courteous services in a productive and clean environment (2) direct and quick access/ response for emergency maintenance services (3) direct communication with line supervisors, operations and account managers, followed up with written reports on building inspections, and (4) access at a cost they can afford. Firato's mission is to make your facilities trouble free, clean, and ready for business.

Firato Service Co., Inc. personnel will manage the activities, under the terms and conditions listed in in your Request for Proposals for Janitorial Services and the Janitorial Services Scope of Work and Special Provisions.

We thank you for the opportunity to provide you with a comprehensive proposal for janitorial services for your City facilities. We strongly believe that the services we provide will continue to benefit the City of Morgan Hill through our everyday reliable services. Our goal is to instill confidence in you, thus making it possible for you to spend your valuable time with your clients and staff in a productive and clean environment.

Sincerely,



Tony Benjamin
Regional Sales Manager
Firato Service Co., Inc.

17485 Monterey Road, Suite 200 • Morgan Hill, CA 95037
(408) 779-4101 www.firato.com

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)

Proposal to Provide Janitorial Services At City of Morgan Hill Facilities

Firato Service Company, Inc. ("Bidder") hereby submits this Bid Proposal to the City of Morgan Hill ("The City") for the above-referenced project ("Project") in response to the Notice Inviting Bids and in accordance with the Contract Documents referenced therein.

1. **Base Bid.** Bidder proposes to perform and fully provide Janitorial Services as specified in the Contract Documents, for the two-year (2-year) time period from January 1, 2021 to December 31, 2022, for the following price ("Base Bid"):

Seven hundred fifty nine thousand three Dollars (\$ 759,332.00).
hundred thirty two dollars

1b. **Bid Alternates.** Bidder submits the following prices for the specified bid alternates:

Alternate #1: Playhouse Facility – After Performance Cleaning (Section 2-14)

Add: \$ 67.50 Per Performance Cleaning Cost

Alternate #2: Council Chamber Sunday Only Services (Sections 3-1 thru 3-3)

Add: \$ 419.25 Monthly Rate

Alternate #3: Dennis Kennedy Aquatics Center Special Cleaning and Day Porter Services (Section 5-10)

Add: \$ 39.00 Hourly Rate

Alternate #4: Dennis Kennedy Aquatics Center Additional Day Porter (Section 5-12)

Add: \$ 32.50 Hourly Rate

Alternate #5: Magical Bridge Playground Restrooms (Section 12-1)

Add: \$ 1,467.50 Monthly Rate

Alternate #6: Magical Bridge Playground and Parking Lot (Section 12-2)

Add: \$ 1,505.00 Monthly Rate

Alternate #7: All Facilities Additional Carpet Cleaning (Section 13-1)

Add: \$ 47.50 Hourly Rate

Alternate #8: All Facilities On-Call Janitorial Services (Sections 13-2)

Add: \$ 47.50 Hourly Rate

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

2. **Addenda.** Bidder acknowledges receipt of the following addenda:

Addendum:	Date Received:	Addendum:	Date Received:
#01	<u>8/26/2020</u>	#05	<u> </u>
#02	<u>9/3/2020</u>	#06	<u> </u>
#03	<u>9/14/2020</u>	#07	<u> </u>
#04	<u>9/28/2020</u>	#08	<u> </u>

3. **Bidder's Warranties.** By signing and submitting this Bid Proposal, Bidder warrants the following:

3.1 Bidder has thoroughly examined the Contract Documents, and represents that, to the best of Bidder's knowledge there are no errors, omissions, or discrepancies in the Contract Documents.

3.2 Bidder has had the opportunity to examine the Worksite and local conditions at the Project location.

3.3 Bidder is fully qualified to perform the Work.

3.4 Bid has carefully reviewed this Bid Proposal and is solely responsible for any errors or omissions contained in its completed Bid.

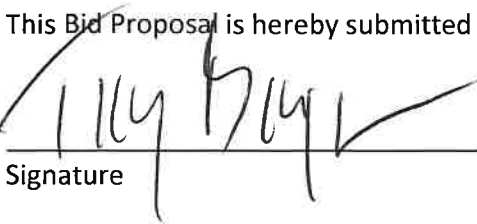
4. **Award of Contract.** By signing and submitting this Bid Proposal, Bidder agrees that if Bidder is awarded the Contract for the Project, that within ten (10) days following issuance of the notice of award to Bidder, Bidder shall:

4.1 Enter into a Contract with The City in accordance with the terms of this Bid Proposal, by signing and submitting to The City the Contract form included with the Contract Documents; and

4.2 Submit to The City the insurance certificate(s) and endorsement(s) as required by the Contract Documents.

This Bid Proposal is hereby submitted on October 8th,, 2020:

Signature



Tony Benjamin- Regional Sales Manager
Name and Title [print]

Firato Service Company, Inc.

Company Name

JS-LR-000019682

Dept. of Industrial Relations (DIR) #

17485 Monterey St, Suite 200, 408-779-4101

Address

Phone

Morgan Hill, CA 95037

tony@firato.com

City, State, Zip

E-Mail Address

Attachments:

- Attachment A: Bid Schedule
- Attachment B: Response to Narrative Questions
- Attachment C: Wage Theft Prevention Bid Certification
- Attachment D: Acceptance of Terms of Agreement
- Attachment E: Non-Collusion Affidavit
- Attachment F: Subcontractors List (if applicable)
Addenda (if applicable)

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Base Bid

Janitorial Services at City of Morgan Hill Facilities

BASE BID		Column A	Column B
Base Bid Item	Item	Annual Amount	Bid Total: Two-Year Amount
1.	Community and Cultural Center: Section 2-1 thru Section 2-13, and Section 2-15	\$82,893.00	\$165,786.00
2.	Council Chamber Building: Section 3-4. Semi-Annual Cleaning Only (2 times per year)	\$3,600.00	\$7,200.00
3.	Centennial Recreation Center: Section 4-1 thru Section 4-18	\$130,415.00	\$260,830.00
4.	Dennis Kennedy Aquatics Center: Section 5-1 thru Section 5-8, and Section 5-12	\$32,076.00	\$64,152.00
5.	Dennis Kennedy Aquatics Center: Section 5-9 and Section 5-12	\$32,600.00	\$65,240.00
6.	City Corporation Yard: Section 6-1 thru Section 6-4	\$3,600.00	\$7,200.00
7.	Railroad Park: Section 7-1 thru Section 7-2	\$12,468.00	\$24,936.00
8.	Downtown Parking Garage: Section 8-1 thru Section 8-3	\$21,252.00	\$42,504.00
9.	City Hall/Development Services Center (DSC) Building: Section 9-1	\$3,640.00	\$7,280.00
10.	Police Department Sections 10-1 thru Section 10-9	\$53,742.00	\$107,484.00
11.	Information Services Department Section 11-1	\$3,360.00	\$6,720.00

Base Bid Total (Column B)

\$759,332.00

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment: Firato Service Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 1-3
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 1: Playhouse After Performance Cleaning

Bid Alternate Item	Item	Cost per Cleaning
1.	Community and Cultural Center Playhouse: Special Cleaning Services at Playhouse Facility (After Performance Cleaning) (Section 2-14)	\$ 67.50

Bid Alternate -1	
Cost per cleaning	\$67.50

BID ALTERNATE 2: Council Chamber Sunday Only Service

Bid Alternate Item	Item	Monthly Rate
2.	Council Chamber Building: Sunday Only Service (Sections 3-1 to 3-3)	\$ 419.25

Bid Alternate -2	
Monthly Rate	\$419.25

BID ALTERNATE 3: Aquatics Center Swim Meet Pre and Post Cleaning

Bid Alternate Item	Item	Cost per swim meet
3.	Dennis Kennedy Aquatics Center: Swim Meet Pre and Post Cleanings (Section 5-10)	\$ 390.00

Bid Alternate -3	
Cost per swim meet	\$390.00

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 4-6
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 4: Aquatics Center Swim Meet Day Porter Services

Bid Alternate Item	Item	Hourly Rate for Porter Services
4.	Dennis Kennedy Aquatics Center: Swim Meet Day Porter Services (Section 5-11)	\$ 32.50

Bid Alternate -4	
Hourly Rate	\$32.50

BID ALTERNATE 5: Magical Bridge Playground Restrooms

Bid Alternate Item	Item	Monthly Rate
5.	Magical Bridge Playground Restrooms: Cleaning of two (2) restroom facilities (Section 12-1)	\$ 1,467.37

Bid Alternate -5	
Monthly Rate	\$1,467.37

BID ALTERNATE 6: Magical Bridge Playground & Parking Lot

Bid Alternate Item	Item	Monthly Rate
6.	Magical Bridge Playground & Parking Lot: Cleaning of Playground and Parking Lot (Section 12-2)	\$ 1,505.00

Bid Alternate -6	
Monthly Rate	\$1,505.00

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 7-8
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 7: All City Facilities – Additional Carpet Cleaning

Bid Alternate Item	Item	Hourly Rate
7.	All Facilities: Additional Carpet Cleaning (Section 13-1)	\$ 47.50

Bid Alternate -7	
Hourly Rate	\$47.50

BID ALTERNATE 8: All City Facilities – On-Call Janitorial Services

Bid Alternate Item	Item	Hourly Rate
8.	All City Facilities: On-Call Janitorial Services including, but not limited to cleaning City facilities outside of preschedule dates and times. (Section 13-2)	\$ 47.50

Bid Alternate -8	
Hourly Rate	\$47.50

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment: Firato Service Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Attachment B
Response to Technical Questions from
Janitorial Services RFP

Section 1: Previous Experience in providing a superior level of service on like-sized public and/or private projects: (Up to 10 points)

Please answer the following:

1. How many years has your company been in business under its present business name?

- A. Firato Service Company, Inc. was established in 1984 and has been in business under the same business name for over 36 years.

2. Describe your previous experience providing janitorial like-sized public agencies and/or private companies.

- A. Firato Service Company, Inc. has been providing janitorial services to like sized public agencies and private companies of all shapes and sizes all over the Bay Area, Salinas, and Monterey since 1984. We currently service the County of Monterey and their numerous locations totaling over 900,000 square feet of cleanable office space for the past 12 years. Our firm has been servicing the City of Morgan Hill's facilities from 2014-present. We take great pride in the services we provide and look forward continuing to provide the City of Morgan Hill with the communication, consistency, and commitment that it takes to properly service your facilities moving forward.

3. Describe management personnel's experience with accounts of similar size and scope, company structure, and staff assigned to the resulting agreement.

- A. Our management personnel's experience with accounts of similar size and scope, company structure, and staff as the City of Morgan Hill ranges from 36 years to no less than 10 years of experience. Our CEO Rich Firato has been in the janitorial industry for over 36 years. Our Sales Manager Tony Benyamin has been in the industry for over 18 years and our Lead Supervisor Eduardo Arias has been in the industry over 22 years. All of our management personnel here at Firato Service Company, Inc. have extensive experience in providing our customers with the communication, consistency, and commitment that our customers have come to expect with our services. Our management personnel will remain in place if Firato Service Company, Inc. is selected to continue as the City of Morgan Hill's janitorial service provider.

4. What is your approach to inspection, quality control and customer satisfaction?

A. Firato Service Company, Inc's approach to inspection, quality control, and customer satisfaction starts with our proprietary management system that we use to communicate between our supervisors, office staff, and janitorial team members. This management system allows us to effectively communicate, track, and evaluate all work performed by our janitorial teams in a timely manner by logging and streamlining any and all complaints, work orders, and service requests that arise on any given day into our online system. This system is on all of our team's smart phones and in our office computers and allows for timely communication and resolution of any janitorial concerns between our account managers, supervisors, and janitorial team members thus allowing quicker response times and ensuring that all facilities are clean and ready for business each and every working day.

Firato Service Company, Inc. believes in Communication, Consistency and Commitment. This philosophy has been the driving force behind our customer service and quality control program over the past 36 years. Our customer service program all starts with our personnel. We look for the following characteristics in our teams: good character, good references, good common sense, stability, demonstrated good work ethic, the physical ability to do the work, and a desire and reason to do this kind of work. Experience is a prerequisite, additional training is provided in our methods and to our standard. New teams are supervised nightly for as long as it takes to ensure that they can adhere to the standard to which they were trained. After this period, team members are further motivated to do good work through quality work incentives based on inspections. We always treat our hard working team members with the respect and courtesy they deserve. Our low turnover and long term relationships are the strongest indication that we have an excellent personnel and quality control program. Trust and respect between management and team members is essential toward meeting our goal of operating a quality business with integrity and delivering the highest levels of satisfaction to our clients. By giving quality people the tools they need to succeed we can ensure that our clients are satisfied with the services we provide each and every working day. If any problems or concerns arise, our account managers and supervisors are on call 24/7 to ensure that any of our clients' needs are taken care of promptly.

5. Describe a situation in which your company had to use an innovative or creative approach to solve a challenging janitorial issue.

- A. The Morgan Hill Unified School District contacted us in early March to ask us how we can help them clean and disinfect all their school facilities due to the constantly evolving situation that is Covid-19. In response to this challenging situation, Firato outlined a specific plan to address their direct needs. We quickly identified proper EPA Certified Disinfecting and Sanitizing solutions, proper application methods, dwell times, and processes that were used to thoroughly clean and disinfect all areas throughout all of their facilities. We have adapted our services to Help Stop the Spread with Preventative Maintenance for our clients. As the Covid-19 situation continues to evolve we have identified new and even more effective ways of cleaning and protecting our client's facilities using the newest forms of molecular technology that protects surfaces against microscopic organisms. These innovative approaches to cleaning and protecting commonly touched surfaces are available

to you as an added service that go hand in hand with nightly disinfecting. Please contact us if you would like more information on this new approach to protecting your facilities.

6. State any and all instances of being disqualified, removed, or otherwise prevented from completing the terms of any previous contracts over the past five (5) years. Give names, street addresses, and phone numbers and explain the circumstances.

- A. Firato Service Company, Inc. has not been disqualified, removed, or prevented from completing the terms of any previous contracts over the past 5 years.

Section 2: Assessment of Work Quality, Performance and Working Relationships with Current and Recent Clients: (Up to 15 points)

1. List three (3) like-sized customers that you have provided ongoing janitorial services to within the last three (3) years. Provide the following information for each contact:

- a. Customer Name
- b. Customer Contact Name
- c. Phone Number
- d. E-Mail Address
- e. Number of years your firm has provided janitorial services to Customer.
- f. Names of facilities/locations where services have been provided.

County of Monterey

Mario Salazar
(831) 755-4800

Customer since 2008- 12 years

Janitorial Services provided in the following facilities totaling roughly 900,000 square feet:

- Administration building
- Public Safety Building
- 911/OES Building
- Admin/Library Building
- Health Building
- Probation Building
- Youth Center
- Government Center
- Contracts and Purchasing Building

Tanimura & Antle

Jeff Taylor
(831) 594-3423

Customer since 2012- 8 years

Janitorial Services provided in the following locations:

- Main Building
- Gym
- Cooler Building
- Café

- Building 4
- Shop Building
- Work Trailers

Silver Creek Sportsplex and ClubSport

Jeff Brongiel

(408) 828-9861

Customer Since 2009- 11 years

Janitorial Services provided in the following areas:

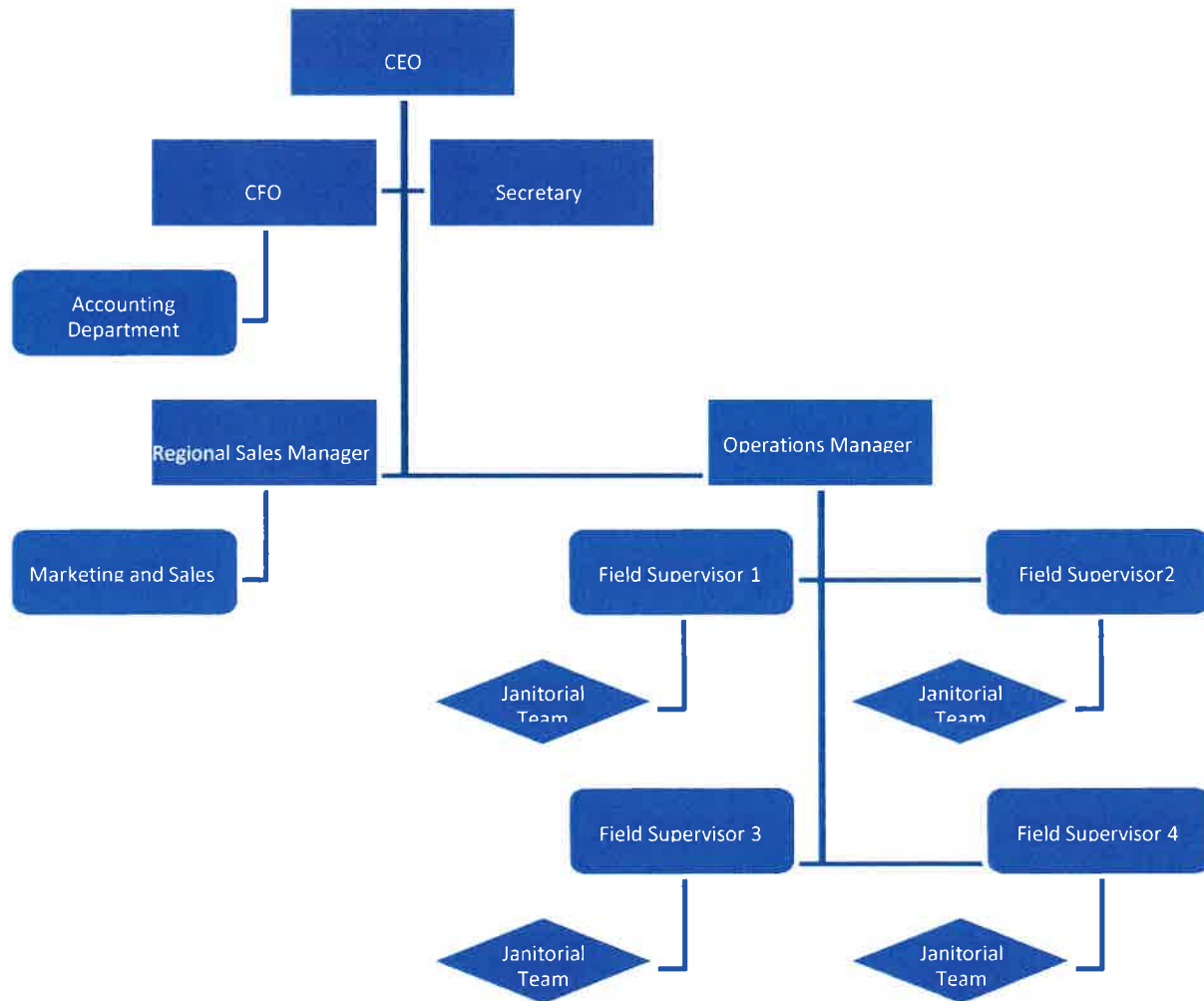
- ClubSport entire gym facility- 80,000 square feet.
- Sportsplex entire facility- 250,000 square feet

Section 3: Qualifications of Staff to be assigned to provide janitorial services at City Facilities. (Up to 5 points)

1. Attach an organizational chart for your company, or the local office that would service this contract

A. Please see our organizational chart below. Our main office is located at 17485 Monterey Road, Suite 200, Morgan Hill, CA 95037 in Downtown Morgan Hill. This office will be responsible for continuing to service the City of Morgan Hill's contract for Janitorial Services.

2. For the local office to serve this contract, list the following:



A. Total number of staff assigned to City of Morgan Hill

A. Including the Account Manager, Supervisor and Seasonal Staff, there will be 16 janitorial team members assigned to the City of Morgan Hill's facilities on a nightly basis to provide janitorial services. There will be 4 janitorial team members assigned to the City of Morgan Hill's facilities to provide the periodical work.

B. Names and qualifications of key staff including years in the industry and with your firm.

A. Key Staff and their Qualifications:

Rich Firato- CEO-Firato Janitorial

36 years of experience in providing the communication, consistency, and commitment that is needed to accommodate our diverse client base and their diverse needs. Firato is distinguished in the industry as a leader and innovator. He founded his janitorial firm based around the client and each and every one of their individual needs. Firato is determined to continue to provide the highest level of quality service for years to come.

Tony Benyamin- Regional Sales Manager- Firato Janitorial

18 years of experience in sales and account management for Firato Janitorial. Productivity and account management have led to high levels of customer satisfaction throughout the last 16 years here at Firato Janitorial.

Nick Firato: Marketing and Sales- Firato Janitorial

10 years of experience in marketing, sales, and account management for Firato Janitorial. Bachelor's degree in Management Accounting with strict focus on meeting and exceeding customers' needs and requests.

Eduardo Arias: Operations Manager

22 years of experience in the janitorial and building maintenance industry. Responsibilities include but are not limited to the following; Train new personnel. Prepare work order schedules, address service corrections, inventory and order supplies. Whenever necessary, may also assist workers to ensure that all tasks are completed in a timely manner. Is in direct communication with Account Manager on a daily basis

C. Number of new hires in the last six months.

A. There has been 1 new team member brought on in the last 6 months.

3. Briefly describe your employee training program and requirements.

A. Training Program and Requirements: Firato Service Company, Inc.

All workers, including managers and supervisors, shall have training and instruction on general and job- specific safety and health practices. Training and instruction is provided as follows:

- “Train the Trainer” Program: all supervisors are trained and certified as safety trainers. The OSHA training guideline model is used in the development of our instructional program. This model allows managers and safety trainers, to determine the content and format of training. These are the basic steps:
 - Determine if Training is Needed
 - Identify Training Needs
 - Identify goals and Objectives
 - Develop Learning Activities
 - Conduct the Training
 - Evaluate Program Effectiveness
 - Improve the Program

Employee and Contractor Training Program – Training and instruction is provided as follows:

- When the Prevention Program is established in a new account, and or reviewed;
- To all new workers;
- To all workers given new job assignments for which training has not been previously provided;
- Whenever new substances processes, procedures or equipment are introduced to the workplace and represent a new hazard;
- Whenever the employer is made aware of a new or previously unrecognized hazard;
- To supervisors to familiarize them with the safety and health hazards to which workers under their immediate direction and control may be exposed; and
- To all workers with respect to hazards specific to each contractor’s job assignment.
- Summary of the standard and this written program
- Chemical and physical properties of hazardous materials (e.g., flash point, reactivity) and methods that can be used to detect the presence or release of chemicals.
- Physical hazards of chemicals (e.g., potential for fire, explosion, etc.).
- Health hazards, including signs and symptoms of exposure, associated with exposure to chemicals and any medical condition known to be aggravated by exposure to the chemical.
- Procedures to protect against hazards (e.g., personal protective equipment required, proper use, and maintenance; work practices or methods to assure proper use and handling of chemicals; and procedures for emergency response).
- Work procedures to follow to assure protection when cleaning hazardous chemical spills and leaks.
- Where MSDS’s are located, how to read and interpret the information on both labels and MSDS’s, and how contractor may obtain additional hazard information.

Training Topics

Some of these topics are also used for our Training Program for New-Hire and/or promoted Supervisor.

The Following programs may not be applicable to all work areas:

- Accident Investigation – Supervisors
- Accident Prevention – Supervisors
- Back Safety
- Blood borne Pathogens
- Blood borne Pathogens Emergency Response Team
- Clean room and Lab Safety
- Company Safety Policy Company Safety, Policy, Rules, Customers
- Confined Space
- Confined Entry Procedures
- Employee/Contractor Safety Responsibility
- Ergonomics
- First Aid Training
- Fire Safety
- Hazard analysis, Job – Supervisors, Foremen
- Hazard Communication – MSDS
- Hazardous Materials Handling
- Housekeeping Safety
- Ladder Safety
- Lock-out/Tag-out
- New Employee/Contractor Orientation
- Personal Protective Equipment
- Safety Meeting Attendance
- Slips, Trips and Falls
- Substance Abuse Policy
- Train The Trainer – Supervisors, Foremen
- Toxic and Hazardous Substances
- Work Hazard

Section 4: Safety Program and Disinfecting Protocols. (Up to 10 points)

1. Describe in detail your Safety Program, including what safety precautions you use for your staff?

A. Please see below for Firato Service Company, Inc.'s detailed Safety Program:

- I. New Contractor Safety Orientation
- II. General Safety Rule
- III. Hazard Assessment
- IV. Wet Floor Sign Rules

New Contractor Safety Orientation

ORIENTATION OBJECTIVES: To start new contractors with an awareness, of the importance of safety and their responsibilities for maintaining a safe and healthy work environment, and to give an overview of workplace safety basics. The result should be more safety-conscious new employees who are receptive to learning and practicing the specifics of a safe, healthy workplace. The HR Department is in charge of maintaining the new hire orientation records.

The New Contractor Orientation is conducted in two parts:

The first orientation is a general new employee orientation that emphasizes safety awareness rather than specific hazards and procedures. The second orientation takes place at the job site, with emphasis on the customer's emergency procedures and the customer safety code of practices, as well as on the job training.

Part I. – The Safety Department, in coordination with the Human Resources Department conducts this part of the orientation at the headquarters office, as follows:

- 1. Injury and Illness Prevention Program: Policy, Employee Responsibility, Communication,
- 2. Inspections, Investigation, Disciplinary Action, and Incentive Program.
- 3. Hazard Communication Program: The Right To Know Law, Material Safety Data Sheets,
- 4. Product Labels, Use of Personal Protective Equipment
- 5. Blood borne Pathogens: Hepatitis B Vaccine
- 6. Back Safety
- 7. Slip Trips and Falls

Specialized Training if required includes:

- 1. Clean room Training
- 2. GMP Training
- 3. Confined Spaces
- 4. Respiratory Protection
- 5. Asbestos Training
- 6. Lifting In Construction

7. Back Care in Construction Clean-up

Part II. – The second part of the orientation is conducted at the job site. The trainer/supervisor in charge of the new employee must receive the employee along with New Hire Documentation Form, and complete the training is job specific, in compliance with the customer's expectations. The new employee must then be trained in the following topics:

1. Emergency Exits
2. Lock/out Tag/out if applicable
3. Fire extinguisher: customers expectations
4. Customers Safety Rules
5. Eye wash areas
6. Location of MSDS (sheets) and explanation of chemicals/cleaner the employee will be using.
7. Clean room Job Specific Training
8. Confined Spaces if required
9. Office Cleaning Training
10. Any other specific training in accordance to the nature of the job.

"To our new contractor." (For Instructor's use before orientation begins):

"As new employees, you are learning a lot of different things about what we do and how we work. Today we're going to talk about one of the most important parts of your job because it has to be part of every single thing you do. That is safety".

We want you to have the understanding and knowledge you need to prevent accidents, As you learn each part of your job, you'll learn about any potential hazards or risks. And you'll learn how to work safely. But safety is more than specific procedures; it's really a way of life. We put a lot of effort into safety for a number of reasons:

- *Safety is the law. Almost every piece of equipment or substance we use or operation we perform is the subject of some government safety regulation.*
- *Safety protects you from injuries or from illness resulting from exposure to hazardous substances. Safety protects the community we live in. When we prevent fires, explosion, spills, and other emergencies – or respond to them quickly and properly – we help to ensure the safety of people in the area and the quality of the air we breathe and water we drink.*

"You will find that making safety a part of the job will soon become second nature. A little initial effort to develop a safety mind-set will pay off over and over again. The safety we're talking about is, after all yours"

NEW CONTRACTOR ORIENTATION Safety and Human Resources
TRAINING DOCUMENTATION for Janitorial

cc: employee personnel file, OSHA FILE, job site file.

PART I.

THIS MEETING WAS CONDUCTED AT THE COMPANY'S MAIN OFFICE.

- ☐ REVIEW OF ALL APPLICATION FORMS, RULES and REGULATIONS, SEXUAL HARRASMENT.
- ☐ INJURY AND ILLNESS PREVENTION PROGRAM. SAFETY POLICY, EMPLOYEE RESPONSIBILITIES IN SAFETY, COMMUNICATION, INSPECTIONS, INVESTIGATIONS, and DISCIPLINARY ACTION
- ☐ HAZARD COMMUNICATION/RIGHT – TO – KNOW: MSDS, PRODUCT LABELS
- ☐ USE OF PERSONAL PROTECTIVE EQUIPMENT
- ☐ BLOODBORNE PATHOGENS FOR LABORATORIES AND RESTROOM CLEANERS
- ☐ HEPATITIES B VACCINATIN DECLINATION FORM. OFFER VACCINE TO EMPLOYEEES EXPOSED TO BBP HAZARDS
- ☐ BLOODBORNE PATHOGENES PERSONAL PROTECTIVE EQUIPMENT
- ☐ BACK SAFETY, SLIPS TRIPS AND FALLS

PART II.

THIS PART OF THE ORIENTATION TRAINING WAS CONDUCTED AT THE JOB SITE.

- ☐ CUSTOMER'S EMERGENCY PROCEDURES, COMMUNICATION, AND EVACUATION
- ☐ GENERAL EMERGENCY PRODEDURAES,
- ☐ REPORTING OF EMERGENCIES
- ☐ GENERAL EVACUATION PROCEDURES TO INCLUDE PROCEDURES TO FOLLOW BEFORE, DURING AND AFTER AN EVACUATION

SPECIALIZED TRAINING IF APPLICABLE

ASBESTOS TRAINING

CLEANROOM CLEANING VIDEOS (3) CONFINED
SPACES

RESPIRATORY PROTECTION

LIFTING IN CONSTRUCTION BACK

CRE IN CONSTURCTION CLEAN

UP HAZMAT

I understand this training and agree to comply with the Firato Service Company code of Safety Practices as well as the specific safety rules and procedures for my work area. I further understand my right to ask questions or provide safety information to my employer either directly or anonymously without fear of reprisal.

❖ EMPLOYEE NAME:
❖ DATE:
❖ CONTRACTOR SOCIAL SECURITY NUMBER:
❖ TRAINER NAME AND SIGNATURE:

❖ JOB SITE:
❖ TYPE OF WORK:
❖ SUPERVISOR NAME AND SIGNATURE:

Responsibilities

Management

Management has the duty and responsibility to provide a safe place to work that is free of recognized hazards. It is our duty to provide the tools, training, and enforcement of established safety rules and regulations. Management shall demonstrate a positive attitude toward the achievement of strong safety program, with the objective of preventing personal injury and property damage through direct and active support.

1. Know the safety records of all Supervisors; use their knowledge of safety in evaluation for promotion.
2. Make safety a frequent topic in routine discussions with managers, supervisors, and employees.
3. Include the discussion of the safety problems at staff meetings and at other appropriate occasions.
4. Require status reports (at least monthly on safety activities and progress within the organization.
5. Require that new hired employees receive training in safe work methods.
6. Make the necessary appropriations to meet the requirements of an effective safety program.
7. Continually enforce the safety program and discharge any employee willfully disregarding this program.

SAFETY ADMINISTRATOR:

The Safety Administrator has the authority and the responsibility for implementing and maintaining this Prevention Program.

1. Insure that the safety program is managed effectively in their facility.
2. Assist with implementation and coordination of the program, as well as quarterly Management Safety Meetings.
3. On a Bi-monthly basis, perform on site safety inspections.
4. Apprise management with the results of each inspection.
5. Provide monthly safety meeting topics that relate to operations and any possible known hazards.
6. Assist management with accident investigations.
7. Issue safety warnings when such actions are needed.
8. Insure that employees and students are properly trained for their work activity.
- 9.

SUPERVISORS:

Managers and supervisors are responsible for implementing and maintaining the Prevention Program in work areas and for answering co-workers questions about the Prevention Program.

Supervisors are one of the most important keys to the success of the program. They are responsible for the establishment and ongoing success of the program. Accident prevention procedures will be included in all activities by the application of complete safety planning.

SUPERVISORS RESPONSIBILITIES:

1. Assume full responsibility for all safety activities in his area of responsibility.
2. Direct the safety program for his area of responsibility.
3. Promote full support of the safety program by advocating the program.
4. Delegate responsibilities for various safety functions and authority for department and job safety promotion.
5. Require full safety compliance by all.
6. Consistently enforce job safety rules.
7. Maintain the disciplinary actions necessary to develop a good functioning safety program.
8. Plan for prompt accident investigations and ensure that proper reports are completed and their distribution is accomplished.
9. Be directly concerned with the planning for those operations, which have a potential loss above that of normal hazards.
10. Have the contractors, tools, materials, and equipment that are needed to do the job safety on hand prior to starting of the work.
11. Be responsible for the housekeeping effort at our facility and on our client's property.
12. Review new work and new personnel for safety needs, complete familiarization with safety requirements is an integral part of total responsibility.
13. Monitor the safety attitudes of all personnel, their responsibilities toward the safety program, and their participation in the job safety effort.
14. Make there own safety inspections and corrections on daily basis.
15. Insist on compliance with all established safety regulations before and during work.
16. Conduct safety meetings and other activities to reinforce safety consciousness when need arise.
17. The proper safety training and instruction is given to employees.
18. Assist with accident investigations to ensure proper reporting and documentation and then follow accident with prompt corrections to eliminate recurrences.
19. Establish safety as an active part of all work and take required corrective action immediately within the responsibility of their position.
20. Coordinate planning and work activities with other supervisory personnel performing within or adjacent to their assigned work areas.

SUPERVISORS RESPONSIBILITIES CONT:

21. Provide continuing safety instruction while issuing daily work assignments to focus attention upon potential hazards and changes in work conditions and procedures.
22. Actively support the safety program.
23. Continuously observe and evaluate work conditions and work procedures to detect and correct unsafe conditions and practices.
24. Be receptive to, and encourage employees to report unsafe practices and conditions and to submit practical suggestions for correction.
25. Participate in training courses designed to increase safety awareness and procedures.
26. Maintain high standards in housekeeping and sanitations of the work environment.
27. Insure that personal protective equipment is provided for the job at hand and utilized by the contractor.

CONTRACTOR:

Each contractor has the duty and responsibility to follow established safety rules and regulations. Contractors should perform their task in a safe and proper manner, immediately report all unsafe conditions to their supervisor, use required personal protective equipment, and seek guidance when in questioned. If injured o the job, the employee should inform his/her supervisor.

All contractors are required, as a condition of being a contractor to develop safe work habits and to contribute in every manner possible to the safety of themselves, their co-workers, and the general public.

1. Promptly report all accidents and injuries, which will occur in the course of their employment to their immediate supervisor.
2. Promptly report to your immediate supervisor all unsafe practices or conditions you observe.
3. Cooperate with and assist in the investigation of accidents to identify their causes In order to prevent their reoccurrence.
4. Actively support and participate in safety promotion and educational measures utilized in your work are activities.
5. Be familiar with observe all approved safety procedures for your work.

Training and Instruction

All contractors, including managers and supervisors, shall have training and instruction on general and job-specific safety and health practices. Training and instruction is provided as follows:

- “Train the Trainer” Program: all supervisors are trained and certified as safety trainers.

The OSHA training guideline model is used in the development of our instructional program. This model allows managers and safety trainers, to determine the content and format of training. These are the basic steps:

- Determine if Training is Needed
- Identify Training Needs
- Identify goals and Objectives
- Develop Learning Activities
- Conduct the Training
- Evaluate Program Effectiveness
- Improve the Program

Contractor Training Program – Training and instruction is provided as follows:

- When the Prevention Program is established in a new account, and or reviewed;
- To all new workers;
- To all workers given new job assignments for which training has not been previously provided;
- Whenever new substances processes, procedures or equipment are introduced to the workplace and represent a new hazard;
- Whenever the employer is made aware of a new or previously unrecognized hazard;
- To supervisors to familiarize them with the safety and health hazards to which workers under their immediate direction and control may e exposed; and
- To all workers with respect to hazards specific to each employee’s job assignment.
- Summary of the standard and this written program
- Chemical and physical properties of hazardous materials (e.g., flash point, reactivity) and methods that can be used to detect the presence or release of chemicals.
- Physical hazards of chemicals (e.g., potential for fire, explosion, etc.).
- Health hazards, including signs and symptoms of exposure, associated with exposure to chemicals and any medical condition known to be aggravated by exposure to the chemical.
- Procedures to protect against hazards (e.g., personal protective equipment required, proper use, and maintenance; work practices or methods to assure proper use and handling of chemicals; and procedures for emergency response).
- Work procedures to follow to assure protection when cleaning hazardous chemical spills and leaks.

- Where MSDS's are located, how to read and interpret the information on both labels and MSDS's, and how employee may obtain additional hazard information.

Training Topics

Some of these topics are also used for our Training Program for New Contractor. The Following programs may not be applicable to all work areas:

- Accident investigation – Supervisors
- Accident Prevention – Supervisors
- Back Safety
- Blood borne Pathogens
- Blood borne Pathogens Emergency Response Team
- Clean room and Lab Safety
- Company Safety Policy Company Safety, Policy, Rules, Customers
- Confined Space
- Confined Entry Procedures
- Contractor Safety Responsibility
- Ergonomic
- First Aid Training
- Fire Safety
- Hazard analysis, Job – Supervisors, Foremen
- Hazard Communication – MSDS
- Hazardous Materials Handling
- Housekeeping Safety
- Ladder Safety
- Lock-out/Tag-out
- New Employee Orientation
- Personal Protective Equipment
- Safety Meeting Attendance
- Slips, Trips and Falls
- Substance Abuse Policy
- Train The Trainer – Supervisors, Foremen
- Toxic and Hazardous Substances
- Work Hazards

General Safety Rules

The following are some of the safety rules and policies that you, as contractor, should make every effort to serve and follow in order to insure safe working environment for yourself and others. These are not all of the safety rules that you will be required to comply with, but are some of the ones that should be brought to your attention immediately.

1. *Safety is the first priority for Firato Service Company.*
2. *Safe scheduling habits: Plan your job ahead of time. Acquire all of the correct equipment and plan your steps. Always wear the proper protected equipment required for the job.*
3. *Work at a steady pace to prevent any danger. Walk in hallways or in stair or in buildings with caution.*
4. *Equipment and devices are required for the work that you are beginning to do. Firato Service Company will provide protective equipment to employees while on duty.*
5. *FSC employee is required to submit a report of any unsafe conditions or defective equipment including vehicles to your supervisor and main office.*

6. FSC employee will submit a report of any injuries or accidents to your supervisor and main office immediately. FSC has a 24 Hours hotline at 408-779-4101 to be used regardless of severity.
7. If in doubt regarding safety procedures, consult your supervisor before acting. Understand your assignment and safety precautions need before you start working.
8. For your own safety and of others avoid using any equipment or tools that you have not been authorized and properly trained to operate.
9. FSC is a Drug and Alcohol free company. The use/or possession of illegal drugs or alcohol for the abuse of prescription drugs that would affect working ability or company property on the job-site is expressly prohibited and the employee will be subject to disciplinary action up to and including termination.
10. Good housekeeping is a part of everyone's job. Keep your work area clean and orderly. Pick up after each job and secure your tools, each department area must be clean before quitting time.
11. Be aware of work going on around you, what machines are operating and watch for slippery areas. EXTRA CARE IS NEEDED TO AVOID INJURY FROM A SLIP AND FALL.
12. Keep stair free of loose objects. Never store anything in a stairwell.
13. FSC does not allow childish behavior that will result to thoughtless unsympathetic pranks. CHILDISH ACTS ARE NOT ALLOWED IN ANY FORM OR FASHION.
14. DO NOT PILE OR STORE MATERIAL IN AISLES, WALKWAY, OR IN SUCH A WAY AS TO BLOCK FIRE OR SAFETY EQUIPMENT, EYEWASHES, ELECTRICAL CIRCUITS AND EXITS.
15. USE ONLY LADDERS, WHICH ARE IN GOOD CONDITION. ALL PORTABLE LADDERS, EXCEPT STEPLADDERS, SHOULD BE EQUIPPED WITH SAFETY SHOES. BE SURE TO TIE OFF THE LADDER. When placing ladders, place the ladder with the base about one-fourth of the ladder length from the wall or object against which they lean. Use both hands and face the ladder when going up and down. Use a hand-line to raise and lower material you need.
16. NEVER REMOVE materials, which is being used for accident prevention/safety barrier, such as machine guards, lockout or tag-out labels.
17. All FSC contractors are required to read and become familiar with the company's safety program before being sent to job site.
18. Keep all tools, and materials out of aisles and walking areas.
19. Do not touch or talk to an employee operating a machine or power tool.
20. All non-office personnel must wear a full shoe. Rubber soles, preferably with a nonskid grooved heel and sole, are required, leather tops are recommended. Always select shoes with low heels to give more surfaces on which to support the weight of the body evenly.
21. No employee is allowed to tamper with electrical wiring. They must unplug the machine or tool before performing maintenance (by authorized personnel only), report needed repairs to your Supervisor or assigned Manager. Any defective tool or machine should be clearly tagged "out of service" with an itemized list of defects attached.
22. FSC contractors are required to familiarize themselves with the purpose, operation, and location of the fire extinguishers and all emergency exits.
23. Smoking is not permitted at any FSC accounts, except in designated areas.
24. Each contractor is directly responsible for proper care of company property. All property shall be used in a safe and proper manner.

Hazard Assessment

Periodic inspections to identify and evaluate workplace hazards are performed by competent observers: experienced operational supervisors/managers that belong to the safety committee. These inspections take place in all of our job sites.

Periodic inspections are performed according to the following schedule:

- *When we initially established our Prevention Program;*

- When new substances, processes, procedures or equipment which present potential new hazards are introduced into the workplace;
- When new, previously unidentified hazards are recognized;
- When occupational injuries and illnesses occur; and whenever workplace conditions warrant an inspection

PROGRAM ANALYSIS

The purpose of the Program Analysis section is to insure that all operational hazards are identified and those abatement measures are initiated and monitored. This involves maintaining an operational hazards identification list, abatement and corrective action response, and review of inspections, accidents, injuries and other information that can indicate on the small scope trend analysis and on the large scope overall safety program effectiveness.

- Hazard abatement policy for specific operational hazards requires written procedures to abate operational hazards, which cannot be eliminated, and documented corrective action for hazards that can be corrected. Safety Inspection Reports and Hazard Surveys will be reviewed and a statistical report indicating the number and type of deficiency will be made on a periodic basis. Statistical reports on accidents, injuries, and near misses will be made by the Safety Trainer.
- On a periodic and annual basis statistical information will be evaluated to determine the effectiveness of abatement and corrective action measures. Reviews of accidents, incidents, and injuries as well as inspection reports will identify any trends and additional required corrective actions.

Accident Exposure Investigations:

Procedures for investigating workplace accidents and hazardous substance exposures include:

- Interviewing injured workers and witnesses;
- Examining the workplace for factors associated with the accident/exposure;
- Determining the cause of the accident/exposure;
- Taking corrective action to prevent the accident/exposure from reoccurring;
- Recording the findings and actions taken.

Accident Exposure Investigations Cont.

Upon occurrence of an accident or incident on the job the following personnel will be notified immediately:

- The contractor's immediate supervisor.

Formal investigations will be conducted on serious accidents and injuries, or incidents where litigation may result. Supervisors will insure investigations are conducted on minor accidents and injuries.

The investigation must be fact-finding, not fault finding. The purpose is to learn the true cause so that similar accidents/incidents can be prevented, and to determine facts bearing on legal liability.

ACCIDENT REPORT

From the investigation, a written report must be completed for an accident/incident; the report should be completed by the contractor's supervisor and must be completed as soon as possible after the investigation is complete. The report shall contain the following:

1. Detailed description of the accident including answers to the following:
 - a) What Happened?
 - b) Who was involved?
 - c) When did it happen?

d) What injuries/property damage resulted?

2. List of whom was notified – owner, insurance company, OSHA, etc., and when they were notified.
3. List of who investigated the accident.
4. Photographs taken.
5. Diagrams made.
6. Witness statements.
7. Police report.
8. Contract documents involved, rental agreements, and hold harmless clauses.
9. Conclusions should be developed regarding the physical cause of the accident, but should be given to anyone other than an officer of the company, who will make distribution.

Hazard Correction:

Unsafe or unhealthy work conditions; practices or procedures shall be corrected in a timely manner based on the severity of the hazards shall be corrected according to the following procedures:

- When observed or discovered; and
- When an imminent hazard exist which cannot e immediately abated without endangering employee(s) and/or property, we will follow our customers emergency evacuation plan, and we will remove all exposed workers from the area except those necessary to correct the exiting condition. Workers who are required to correct the hazards shall be provided with the necessary protection.

HAZARDOUS COMMUNICATION COMPANY POLICY

To our Employees for Instructor's Use):

"As you participate in our safety training programs, you'll learn how to identify hazards on the job. It's up to us to make sure you have the training and knowledge to identify hazards. It's up to you to pay attention to training programs, to ask questions, and to take advantage of the procedures and protective equipment that are available to keep you safe on the job".

"You attitude toward safety is essential to our workplace safety. You have to take safety seriously and be safety conscious in everything you do. You always have to look for the worst that could happen so you can take action to keep it from happening. As you participate in training programs and safety meetings, pay close attention to what to look for and what to do in emergencies so that you develop the knowledge and confidence you need to prevent accidents on the job".

"There are a number of basics in our safety program that will help you become an informed, safety conscious employee"

- *"Each hazardous substance container has a label that shows hazard information and safety instructions. Each substance also has a detailed material safety data sheet (MSDS). The MSDS's are kept mainly in the janitor's closets, or in a centralized location. Your Site Supervisor will instruct you when you get to your job site. You'll find that MSDS'S contain many useful details both on the circumstances that can make the substance particularly hazardous and on what to do to prevent accidents. You will be attending Monthly Safety Meetings where MSDS's are constantly studied. The cleaning products you will be using are usually not corrosive or poisoning, but you should treat all chemicals as hazardous"*
- *"Make sure that every spray bottle you use has a label indicating the product name and risks the may be exposed to, NEVER USE A SPRAY BOTTLE WITHOUT A LABEL, AND NEVER SMELL THE CONTENTS OF ANY SPRAY BOTTLE, LABELED OR UNLABELED.*

HAZARDOUS COMMUNICATION COMPANY POLICY CONT.

- *"If you spot a spill, fire, or other emergency, it's usually best to leave the response to trained people. To report an emergency, call the people whose numbers are listed at your job site, know where the alarms and fire extinguishers are. If you hear an alarm that sounds like this (demonstrate), that means there's a possible dangerous emergency, You should then evacuate by a routine that will be demonstrated to you in your New Hire Orientation Part II. At the customers site"*

HAZARDOUS COMMUNICATION: THE WRITTEN PROGRAM

Firato Service Company is complying with the OSHA Hazard Communication Standard, Title 29 Code of federal Regulations 1901.1200, by compiling a hazardous chemicals list, by using MSDSs, by ensuring that containers are labeled, and by providing our employees with training.

This program applies to all work operations in our company where employees may be exposed to hazardous substances under normal working conditions or during an emergency situation. The "chemical/cleaner" mentioned in this program applies to the products our employees use to clean and disinfect, and in any other processes and procedures of their maintenance duties.

Under this program, employees will be informed of the contents of the Hazard Communication Standard, the hazardous properties of chemicals with which employees work, safe handling procedures, and measures to take to protect themselves from these chemicals/cleaners. Employees will also be informed of the hazards associated with non-routine tasks.

List of Hazardous Chemicals

Firato Service Company Posted a list of all chemicals/cleaners, including those not classified as hazardous, used in his account, and will update the list as necessary. If necessary, a separate list is available for each chemical/cleaner. A master list of these chemicals/cleaners will be maintained by, and is available from the site manager in each job site or account.

Material Safety Data Sheets (MSDSs)

MSDSs provide you with specific information of the chemicals your use. The safety and health administrator will maintain a binder in the main office at Firato Service Company with an MSDS on every product/cleaner on the list of hazardous chemicals. The MSDS will be a fully completed OSHA form 174 or equivalent. The site manager will ensure that each work site maintains as MSDS for hazardous materials in the area. MSDSs will be made readily available to all employees at their work area during their shifts.

Material Safety Data Sheets (MSDS) Cont.

The Account Manager is responsible for acquiring and updating MSDSs. He will contact the chemical manufacturer or vendor if additional research is necessary or if an MSDS has not been supplied with an initial shipment. FSC company's master list of MSDSs is available from the main office.

Non – Routine Tasks

When a contractor is required to perform hazardous non-routine tasks (e.g., cleaning tasks, entering confined spaces, etc.), a special training session will be conducted to inform contractors regarding the hazardous chemicals to which they might be exposed and the proper precautions to take to reduce or avoid exposure.

Labels and Other Forms of Warning

The safety and health administrator will ensure that all hazardous chemicals in the account are properly labeled and updated, as necessary. Labels should list at least the chemical identity, appropriate hazard warnings, and the name and address of the manufacturer, importer or other responsible party. The site manager will refer to the corresponding MSDS to assist the employees in verifying label information. The supervisor is to make sure all containers are properly labeled

If there are a number of stationary containers within a work area that have similar contents and hazards, signs will be posted on them to convey the hazard information. On our stationary process equipment, regular process sheets, batch tickets, blend tickets, and similar written materials will be substituted for container labels when they contain the same information as labels. These written materials will be made readily available to every employee during their work shift.

If chemicals are transferred from a labeled container to a portable container that is intended only for immediate use, no labels are required on the portable container. But they should be marked with the chemical/cleaner name by using a black permanent marker.

Training

Firato Service Company will receive initial training on the Hazard Communication Standard and the safe use of those hazardous chemicals by the safety and health administrator. A program that uses both audiovisual materials and classroom type training has been prepared for this purpose. Regular safety meetings will also be used to review the information presented in the initial training. Foremen and other supervisors will be extensively trained regarding hazards and appropriated protective measures so they will be available to answer questions from employees and provide daily monitoring of safe work practices. The safety and health administrator or designee will review or employee-training program and advice the site manager on training or retraining needs. Retraining is required when the hazard changes or when a new hazard is introduced into the workplace, but it will be company policy to provide training regularly in safety meetings to ensure the effectiveness of the program. As part of the assessment of the training program, the safety and health administrator will obtain input from employees regarding the training they have received, and their suggestions for improving it

Communicating with our customers.

Customer must advise the site manager of any chemical hazards that may be encountered in the normal course of work on the premises, the labeling system in use by their employees, the protective measures to be taken, and the safe handling procedures to be used. In addition the site manager must be notified of the location of the MSDSs use by the customer's employees

USING CHEMICAL CLEANERS IN THE WORKPLACE RULES

1. All cleaner spray bottles must be labeled at all times
2. Read all labels on bottles
3. Use all products with precaution
4. If pouring a product from a large container into a spray bottle: RELABEL THE BOTTLE; use black markers if necessary
5. Never sniff unknown liquids from bottles
6. Never taste unknown liquids from bottles
7. Know where all MSDS are kept in your job site
8. Wear the correct protective equipment; check your gloves for tears.

VIOLATIONS TO THESE RULES WILL RESULT IN DISCIPLINARY ACTION

Date: _____

Contractor Signature: _____

Supervisor/Site Manager in Charge: _____

RIGHT TO KNOW – HAZARDOUS COMMUNICATIONS STANDARD CHECKLIST FOR SITE MANAGERS,
SUPERVISORS

OSHA Regulation (29 CFR 1910-1200) is a very detailed regulation, which sets out specific Requirements for chemical manufactures, companies that use chemicals, and employees who use chemicals or could be exposed to them in the course of their job. It is required that the company instructs employees in the following.

1. SHOW CONTRACTORS WHERE THE MSDS ARE LOCATED AND WHAT THEY ARE USED FOR PURPOSE
2. KNOW CHEMICAL LABELS RULES
3. ALWAYS READ LABELS – ALL CONTAINERS MUST BE LABELED
4. FOLLOW COMPANY PROCEDURES ON ALL JOBS
5. KEEP CHEMICAL CONTAINERS CLOSED WHEN NOT IN USE
6. KEEP CHEMICALS AWAY FROM FIRE
7. USE ALWAYS PROTECTIVE EQUIPMENT IN RELATION WITH CHEMICALS
8. BE AWARE OF POSSIBLE EMERGENCIES THAT COULD ARISE WITH THE CHEMICAL AND BE PREPARED TO HANDLE THEM
9. HAND AND ARMS TO BE WASH BEFORE EATING, DRINKING, AND SMOKING IF YOU'VE BEEN WORKING WITH A HAZARDOUS CHEMICAL
10. KNOW WHERE FIRST AID CONTAINERS ARE PLACED
11. ASK ABOUT ANY HAZARDS, PROCEDURES, EQUIPMENT RECOMMENDATIONS, OR EMERGENCY RESPONSE MEASURES YOU ARE NOT SURE YOU UNDERSTAND.
12. RETURN ALL UNUSED MSDS TO MAIN OFFICE FOR STORAGE
13. INFORM SAFETY ADMINISTRATOR OF ALL NEW PRODUCTS
14. TRAIN YOUR EMPLOYEES ON THE HAZARDS ON NEW PRODUCTS

DATE: _____

RECEIVED BY: _____

PERSONAL PROTECTIVE EQUIPMENT POLICY

- ❖ Clothing and equipment has been selected to protect you against the specific hazards you may encounter. By selecting, using, and maintaining this equipment according to instructions, you stay healthy on the job.
- ❖ According to your job assignment, you will be trained in the following protection equipment:
 - HAND PROTECTION
 - FOOT PROTECTION
 - EYE PROTECTION
 - EAR PROTECTION
 - ELECTRICAL SAFETY LOCK/OUT TAG/OUT
 - RESPIRATORY PROTECTION

- ❖ You are responsible for maintaining, returning or discarding if necessary, all used Personal Protective Equipment
- ❖ All Personal Protective Equipment must be kept in the premises, unless otherwise required and authorized by immediate supervisor.

VIOLATIONS TO THESE RULES WILL RESULT IN DISCIPLINARY ACTION

Date: _____

Contractor Name & Signature: _____

Supervisor/Site Manager in charge: _____

✓ FSC required completed before being assigned to job site.

WET FLOOR SIGNS SAFETY RULES

1. ALWAYS USE WET FLOOR SIGNS WHEN MOPPING
2. MUST ALWAYS USE AT LEAST TWO ON EACH SIDE
3. DO NOT REMOVE UNTIL FLOOR IS COMPLETELY DRY
4. KEEP TRAFFIC AWAY FROM MOPPING AREA
5. RETURN WET FLOOR SIGNS TO ASSIGNED CLOSET OR AREA
6. DO NOT HIDE SIGN FOR YOUR OWN USE
7. REPORT TO SUPERVISOR IMMEDIATELY IF CUSTOMER'S EMPLOYEES ARE NOT RESPECTING THE WET FLOOR SIGNS BY PUSHING THEM AWAY, ETC.

VIOLATIONS TO THESE RULES WILL RESULT IN DISCIPLINARY ACTION

Date: _____

Contractor Name and Signature: _____

Supervisor/Site Manager in charge: _____

2. Please describe your cleaning/disinfecting process. What disinfectant methods do you employ?

- a. Firato Service Co., Inc. follows all CDC recommended cleaning/disinfecting processes to ensure proper protocols are followed. Please see below:

Clean

- Wear disposable gloves to clean and disinfect.
- Clean surfaces using soap and water, then use disinfectant.

Submitted by Firato Service Company, Inc. an S-Corporation

- Cleaning with soap and water reduces number of germs, dirt and impurities on the surface. Disinfecting kills germs on surfaces.
- Practice routine cleaning of frequently touched surfaces.
 - More frequent cleaning and disinfection may be required based on level of use.
 - Surfaces and objects in public places, such as shopping carts and point of sale keypads should be cleaned and disinfected before each use.
- High touch surfaces include: Tables, doorknobs, light switches, countertops, handles, desks, phones, keyboards, toilets, faucets, sinks, etc.

Disinfect

- Disinfect with a household disinfectant on List N: Disinfectants for use against SARs-CoV-2 , the virus that causes COVID 19.
- Follow the instructions on the label to ensure safe and effective use of the product. Many products recommend:
 - Keeping surface wet for a period of time (see product label).
 - Precautions such as wearing gloves and making sure you have good ventilation during use of the product.

Always read and follow the directions on the label to ensure safe and effective use.

- Wear skin protection and consider eye protection for potential splash hazards
- Ensure adequate ventilation
- Use no more than the amount recommended on the label
- Use water at room temperature for dilution (unless stated otherwise on the label)
- Avoid mixing chemical products
- Label diluted cleaning solutions
- Store and use chemicals out of the reach of children and pets
- If products on List N are not available, diluted household bleach solutions can be used if appropriate for the surface. Unexpired household bleach will be effective against coronaviruses when properly diluted.
 - Use bleach containing 5.25%–8.25% sodium hypochlorite. Do not use a bleach product if the percentage is not in this range or is not specified.
 - Follow the manufacturer's application instructions for the surface, ensuring a contact time of at least 1 minute.
 - Ensure proper ventilation during and after application.
 - Check to ensure the product is not past its expiration date.
 - Never mix household bleach with ammonia or any other cleanser. This can cause fumes that may be very dangerous to breathe in.
- Prepare a bleach solution by mixing:
 - 5 tablespoons (1/3rd cup) of 5.25%–8.25% bleach per gallon of room temperature water OR
 - 4 teaspoons of 5.25%–8.25% bleach per quart of room temperature water Bleach solutions will be effective for disinfection up to 24 hours.
- Alcohol solutions with at least 70% alcohol may also be used.

Electronics

For electronics, such as tablets, touch screens, keyboards, remote controls, and ATM machines

- Consider putting a wipeable cover on electronics.
- Follow manufacturer's instruction for cleaning and disinfecting.
 - If no guidance, use alcohol-based wipes or sprays containing at least 70% alcohol. Dry surface thoroughly.

Cleaning and disinfecting your building or facility if someone is sick

- Close off areas used by the person who is sick.
 - Companies do not necessarily need to close operations if they can close off affected areas.
- Open outside doors and windows to increase air circulation in the area.
- Wait 24 hours before you clean or disinfect. If 24 hours is not feasible, wait as long as possible.
- Clean and disinfect all areas used by the person who is sick, such as offices, bathrooms, common areas, shared electronic equipment like tablets, touch screens, keyboards, remote controls, and ATM machines.
- Vacuum the space if needed. Use a vacuum equipped with high-efficiency particulate air (HEPA) filter, if available.
 - Do not vacuum a room or space that has people in it. Wait until the room or space is empty to vacuum, such as at night, for common spaces, or during the day for private rooms.
 - Wear disposable gloves to clean and disinfect. For soft (porous) surfaces such as carpeted floors or rugs, clean the surface with detergents or cleaners appropriate for use on these surfaces, according to the textile's label. After cleaning, disinfect with an appropriate EPA-registered disinfectant on List N: Disinfectants for use against SARS-CoV-2. Soft and porous materials, like carpet, are generally not as easy to disinfect as hard and non-porous surfaces. EPA has listed a limited number of products approved for disinfection for use on soft and porous materials on List N. Follow the disinfectant manufacturer's safety instructions (such as wearing gloves and ensuring adequate ventilation), concentration level, application method and contact time. Allow sufficient drying time if vacuum is not intended for wet surfaces.
 - Temporarily turn off in-room, window-mounted, or on-wall recirculation HVAC to avoid contamination of the HVAC units.
 - Do NOT deactivate central HVAC systems. These systems tend to provide better filtration capabilities and introduce outdoor air into the areas that they serve.
 - Consider temporarily turning off room fans and the central HVAC system that services the room or space, so that particles that escape from vacuuming will not circulate throughout the facility.
- Once area has been appropriately disinfected, it can be opened for use.
 - Workers without close contact with the person who is sick can return to work immediately after disinfection.
- If more than 7 days since the person who is sick visited or used the facility, additional cleaning and disinfection is not necessary.
 - Continue routine cleaning and disinfection. This includes everyday practices that businesses and communities normally use to maintain a healthy environment.

Cleaning and disinfecting outdoor areas

- Outdoor areas, like playgrounds in schools and parks generally require normal routine cleaning, but do not require disinfection.
 - Do not spray disinfectant on outdoor playgrounds- it is not an efficient use of supplies and is not proven to reduce risk of COVID-19 to the public.
 - High touch surfaces made of plastic or metal, such as grab bars and railings should be cleaned routinely.
 - Cleaning and disinfection of wooden surfaces (play structures, benches, tables) or groundcovers (mulch, sand) is not recommended.
- Sidewalks and roads should not be disinfected.
 - Spread of COVID-19 from these surfaces is very low and disinfection is not effective.

When cleaning

- Regular cleaning staff can clean and disinfect community spaces.
 - Ensure they are trained on appropriate use of cleaning and disinfection chemicals.
- Wear disposable gloves and gowns for all tasks in the cleaning process, including handling trash.
 - Additional personal protective equipment (PPE) might be required based on the cleaning/disinfectant products being used and whether there is a risk of splash.
 - Gloves and gowns should be removed carefully to avoid contamination of the wearer and the surrounding area.
- Wash your hands often with soap and water for 20 seconds.
 - Always wash immediately after removing gloves and after contact with a person who is sick.
 - Hand sanitizer: If soap and water are not available and hands are not visibly dirty, an alcohol-based hand sanitizer that contains at least 60% alcohol may be used. However, if hands are visibly dirty, always wash hands with soap and water

Always read and follow the directions on the label to ensure safe and effective use.

- Keep hand sanitizers away from fire or flame
- For children under six years of age, hand sanitizer should be used with adult supervision
- Always store hand sanitizer out of reach of children and pets

Additional key times to wash hands include:

- After blowing one's nose, coughing, or sneezing.
- After using the restroom.
- Before eating or preparing food.
- After contact with animals or pets.
- Before and after providing routine care for another person who needs assistance (e.g., a child).

Attachment C

Wage Theft Prevention Bid Certification

(To be executed by bidder and submitted with bid)

All Bidders are expected to have read and understand the "Wage Theft Prevention Policy" adopted on July 26, 2017, which can be found at <http://www.morgan-hill.ca.gov/1061/Council-Policy-by-Number>

The undersigned Bidder hereby certifies that Bidder and its principals have , have not ✓ been found by a final court judgement or final administrative action of an investigatory agency to have violated federal, state or local wage and hour laws within the past five years from the date of the submitted bid or proposal. For each disclosed violation, the Bidder shall provide a copy of (i) the court order and judgment and/or final administrative decision; and (ii) documents demonstrating either that the order/judgment has been satisfied, or if the order/judgment has not been fully satisfied, a written and signed description of Bidder's efforts to date to satisfy the order/judgment. The completed Certification shall be submitted by the Bidder to the City as a part of its bid or proposal. The City, at its sole discretion, may disqualify a bidder based on one or more disclosed judgments consistent with the criteria set forth in the Policy.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this certification is executed on

October 9th, 2020 [date], at Morgan Hill [city],
CA [state].

Signature

Tony Benjamin- Regional Sales Manager, Firato Service Company, Inc.

Print Name and Title

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment: Firato Service Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Attachment D

Certification of Acceptance of Terms of Agreement

(To be executed by bidder and submitted with bid)

All Bidders are expected to have read and understand the attached Maintenance Service Agreement with the City of Morgan Hill. The Bidder/Contractor selected through the Request for Proposals (RFP) process will be expected to execute a formal Agreement with the City of Morgan Hill for the provision of the requested service as set forth in the sample agreement attached to this RFP. Submission of a signed proposal will be interpreted to mean Contractor has agreed to all the terms and conditions set forth in the pages of this RFP and the standard provisions included in the attached Agreement. Contractor must submit any and all exceptions to this RFP with its proposal, clearly identifying the exception, including the page number and section number, as appropriate. Contractor should note that the submittal of an exception does not obligate the City to revise the terms of this RFP or any resulting agreement. The City will not consider any exceptions that are not identified in the proposal.

I certify that I am a person authorized to enter into contracts and agreements for the bidding entity.

I certify that I have read the form of Agreement provided with the RFP solicitation and our company is prepared to enter into an Agreement with the City of Morgan Hill within 10 days of receiving the Notice of Award.

This completed Certification shall be submitted by the Bidder to the City as a part of its bid or proposal.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this certification is executed on

October 8th, 2020 [date], at Morgan Hill [city],
CA [state].



Signature

Nick Firato, Secretary, Firato Service Company, Inc.

Print Name and Title

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment E

Non-Collusion Declaration

(To be executed by bidder and submitted with bid)

State of California	)	
	)	
County of <u>Santa Clara</u>	)	ss.

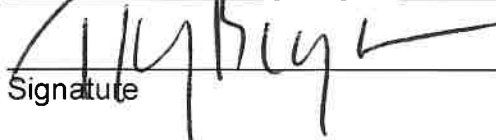
The undersigned declares:

I am the Regional Sales Manager [title] of
Firato Service Company, Inc. [business name], the party making
the foregoing bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid. The bidder has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or to refrain from bidding. The bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has no paid and will not pay, any person or entity for such purpose.

This declaration is intended to comply with California Public Contract Code Section 7106 and Title 23 U.S.C Section 112.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on
October 8th, 2020 [date], at Morgan Hill [city], CA [state].



 Signature

Tony Benjamin- Regional Sales Manager, Firato Service Company, Inc.
 Print Name and Title

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment F

Subcontractors List

For each Subcontractor who will perform a portion of the Work in an amount in excess of one-half of 1% of the Bidder's total Contract Price,¹ the bidder must list a description of the work, the name of the Subcontractor, the location of its place of business and DIR Janitorial Services registration number. **Bidders: Please print legibly. Illegible forms may be rejected.**

DESCRIPTION OF WORK	SUBCONTRACTOR NAME	CALIFORNIA CONTRACTOR LICENSE NUMBER	DIR REG. NO.	LOCATION OF BUSINESS	LOCAL VENDOR ² YES/NO
Janitorial Services	Medina Janitor	10578	In Progress	Gilroy	No
Janitorial Services	SVM Facility Services	3722092210	In Progress	San Jose	No
Janitorial Services	Arias Janitorial, LLC	20520	In Progress	Gilroy	No
Utility Cleaning Services	Zarate Janitorial Services	5707971210	JS-LR-1000618588	San Jose	No
Janitorial Services	Stars Janitorial Services, LLC	1071942	JS-LR-1000530505	San Francisco	No

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

¹) A Subcontractor is considered local if its principle place of business is within the city limits of Morgan Hill.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

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ADDENDUM NO. 1

DATE: August 26, 2020

TO: ALL RESPONDING PARTIES TO THE RRP FOR THE
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. What are the cleanable square feet per facility?

The estimated cleanable square footage for each facility is below:

Facility	Estimated Cleanable Square Feet
Community and Cultural Center	20,092
Community and Cultural Center Playhouse	5,000
Council Chamber Building	12,104
Centennial Recreation Center	37,751
Dennis Kennedy Aquatics Center	3,244
City Corporation Yard	4,583
Railroad Park, Restroom and Parking Lot	19,160 (Park & Restroom) 18,300 (Parking Lot)
Downtown Parking Garage	97,000
City Hall/DSC	13,900
Police Department	43,286
Information Services Department	1,600
Magical Bridge Playground, Restroom and Parking Lot	52,070 (Playground & Restroom) 55,600 (Parking Lot)



COMMUNITY SERVICES DEPARTMENT

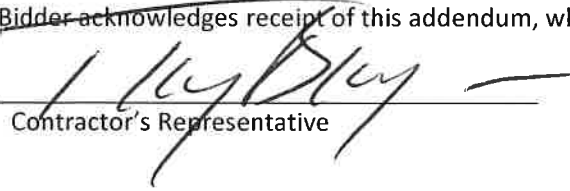
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2. The due date and time for this RFP remain the same, Thursday, October 8th at 11:00 a.m.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

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ADDENDUM NO. 2

DATE: September 3, 2020

TO: ALL RESPONDING PARTIES TO THE RRP FOR THE
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. Interviews with up to three top candidates will be scheduled on Wednesday, October 21st between 9:00 a.m. and 12 noon.
2. Please provide the scope of work and schedule of compensation for the previously awarded contract.

Attached please find the scope of work and schedule of compensation for the previously awarded contract. Please note that the scope of work in this current RFP has changed from last contract's scope as the Information Services Office and Magical Bridges Playground have been added to the contract. Reviewing the past scope of work for guidance will not provide identical "apples to apples" comparisons to the current RFP.

3. When scoring the 60-point allocation for Janitorial Service Costs, the points will be scored to the nearest one-hundredth of a point or ".00" based on weighted averages.

POINTS	Item
50.00 points	Base Bid: Janitorial Services
1.00 points	Bid Alt #1: Playhouse After Performance Cleaning (<i>Section 2-14</i>)
1.00 points	Bid Alt #2: Council Chamber Sunday Only Service (<i>Sections 3-1 to 3-3</i>)
1.00 points	Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning (<i>Section 5-10</i>)
1.00 points	Bid Alt #4: Aquatics Center Swim Meet Day Porter Services (<i>Section 5-11</i>)
1.00 points	Bid Alt #5: Magical Bridge Playground Restrooms (<i>Section 12-1</i>)
1.00 points	Bid Alt #6: Magical Bridge Playground and Parking Lot (<i>Section 12-2</i>)
1.00 points	Bid Alt #7: All Facilities -Additional Carpet Cleaning (<i>Section 13-1</i>)
3.00 points	Bid Alt #8: All Facilities – On-Call Janitorial Services (<i>Section 13-2</i>)
60.00 points	Total

4. There are specialized floor cleaning requirements. Do you have location flooring square footages, e.g., carpet, VCT, concrete, other types?



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The specialized floor cleaning requirements for three facilities: Community and Cultural Center (CCC), Centennial Recreation Center (CRC) and the Dennis Kennedy Aquatics Center are provided in the RFP's scope of work sections listed in the table below. The location flooring square footages for the Community and Cultural Center Playhouse, Council Chamber Building, City Corporation Yard, City Hall/DSC, Police Department, and Information Services Department are included in the tables below.

Facility	
Community and Cultural Center (CCC)	RFP Section 2.15
Community and Cultural Center Playhouse	Approximately 4,500 sq ft carpet, 250 sq ft linoleum tiles and 250 sq ft ceramic tiles
Council Chamber Building	Approximately 11,500 sq ft carpet and 605 sq ft linoleum
Centennial Recreation Center (CRC)	RFP Section 4.18
Dennis Kennedy Aquatics Center	RFP Section 5.2
City Corporation Yard	Approximately 3,100 sq ft carpet and 1,483 sq ft linoleum
Railroad Park, Restroom and Parking Lot	n/a
Downtown Parking Garage	n/a
City Hall/DSC	Approximately 12,510 sq ft carpet and 1,390 ceramic tile/linoleum
Police Department	See below
Information Services Department	1,600 sq ft carpet
Magical Bridge Playground, Restroom and Parking Lot	n/a

Police Department

Room Name	Size	Carpet	Vinyl	Travertine	Ceramic Tile	Foam Tiles
Administrative Offices	1234	1234				
Lobby	507	26		470		
Lobby Restroom	49				49	
Lobby Interview Room	127	127				
Conference Room	317	317				
Admin Hallway	540	540		27		
Admin Break Room	274		274			
EOC / Training Room & 2 Offices	1099	1099				
EOC Hallways	635	635				



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Communications, Office, & Storage	1081	1081				
Dispatch Restrooms	268				268	
Dispatch Kitchen	227		227			
Special Operations, 2 Offices, & 2 Interview Rooms	1203	1203				
Spec Ops Hallway	199	199				
Admin Copy Room	197	197				
Patrol Supply Room	283		283			
Briefing Room	738	738				
Report Writing	857	857				
Traffic Office	185	185				
Watch Commander Office	178	178				
Holding Facility/ per blueprints	2262		2262			
Records Hallway	372	334		38		
Records Restroom & Alcove	76			28	48	
Records & Office	1997	1997				
Records Storage Room	240	240				
Evidence Processing	361		361			
Women's Locker Room	610	321	45		244	
Men's Locker Room	1122	613	77		432	
Gym	1382					1382
Gym / Locker Hallway	441		441			
Lounge	107	107				
Total for Rooms Needing Service	19,168	12,228	3970	563	1041	1382

Restrooms	Basins	Toilet Bowls	Urinals	Showers
Dispatch Hallway Women's	1	2		
Dispatch Hallway Men's	1	1	1	
Locker Room Women's	2	3		3
Locker Room Men's	2	2	1	4
Lobby	1	1		
Records	1	1		
Holding Facility	8	8		1
Patrol Supply Room has a sink	1			
Totals	17	18	2	8



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5. What gymnasium and aerobic flooring types get the scrubbing requirement?

The gymnasium and aerobic room floors are hardwood floors.

6. There is fitness equipment and clean/disinfect specification. How many fixtures are there, do you want them hand cleaned plus disinfect, or maybe you have disinfectant preference?

The fitness equipment is cleaned and maintained internally by City staff. The RFP just requires cleaning be done on the floors all around and under the equipment and clear of dust.

7. Do you have special pandemic specifications, particularly for the swim meet and pool areas, and connected areas—especially interior specifications-e.g., lockers and associated areas?

We are currently following all County of Santa Clara guidelines and mandates for all facilities, including aquatic facilities.

8. Since we went on the last bid walk (in March 2018) has anything changed drastically since that time?

No major changes have occurred, and the bid walk will be very similar. We have added the Information Service Office and the Magical Bridge Playground which is still to be constructed. Should you wish to be included on the Optional Facilities tour to be held on Thursday, September 10th in the morning, please e-mail Jennie Tucker, Recreation Manager, to reserve a space at jennie.tucker@morganhill.ca.gov no later than September 9th at noon. Due to COVID, each company is allowed only one space.

9. Are there roof anchors on the buildings/areas needing the high window cleaning?

No, we do not have roof anchors on our buildings.

10. Do you have staff counts and visitor counts for the locations?

Facility	Staff	Visitors
Community and Cultural Center (CCC)	2 Full Time, 10 Part-Time	Attendance averages roughly 10,000- 15,000 a month
Community and Cultural Center Playhouse	No staff onsite	Attendance can range from 10-200 per week
Council Chamber Building	15 staff	No visitors except for meetings in the Council Chambers. Attendance can range from 5-150 per week
Centennial Recreation Center (CRC)	10 Full Time, 20 Part-Time	Attendance ranges from 15,000-20,000 per month
Dennis Kennedy Aquatics Center	2 Full Time, 5-20 Part-Time	Daily attendance in the summer averages close to 600 visitors; off season closer to 100 per day



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City Corporation Yard	30 staff	No visitors
Railroad Park, Restroom and Parking Lot	No staff onsite	Attendance is not tracked
Downtown Parking Garage	No staff onsite	Attendance is not tracked
City Hall/DSC	30-40 staff	No visitors except in lobby area and they are not tracked
Police Department	30-40 staff	No visitors
Information Services Department	3-4 Full Time	No visitors
Magical Bridge Playground, Restroom and Parking Lot	No staff onsite	Attendance is not tracked

11. Is the present contractor union? Is the City requiring union contractors?

The present contractor is not union. The City is not requiring union contractors.

12. What are the differences in scope between the last RFP and how have your needs changed?

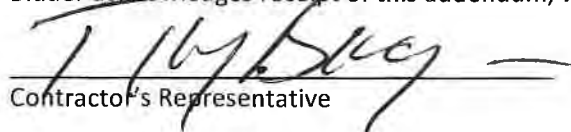
As noted above, the Information Services Department Offices and the Magical Bridge Playground (which is anticipated to be completed in late Spring 2021) have been added to the scope of work. This RFP has eight (8) bid alternates while the last RFP only had two (2) bid alternates, the Playhouse After Performance Cleanings and the Council Chamber Sunday Only Service.

13. Per the RFP, please notify Cynthia Iwanaga via e-mail at cynthia.iwanaga@morganhill.ca.gov of your intent to respond to this RFP, so that you will receive updates and notifications regarding this RFP. In the e-mail subject line please note, "Name of Janitorial Service Provider-RFP for Janitorial Services." These e-mail updates and notices are a courtesy only. Proposers are solely responsible for checking the City's website for updates, notices and addendums.

14. The due date and time for this RFP remain the same, Thursday, October 8th at 11:00 a.m. via e-mail only to cynthia.iwanaga@morganhill.ca.gov

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

City of Morgan Hill 2018-2020 Janitorial Services Scope of Work and Schedule of Compensation

EXHIBIT A SCOPE OF SERVICES

SERVICE PROVIDER shall furnish all labor, equipment, cleaning solutions, and other services required to satisfactorily perform the janitorial services required for the Facilities.

1-1. WORKMANSHIP AND QUALITY LEVEL. All work shall be performed by staff directly employed and supervised by SERVICE PROVIDER. SERVICE PROVIDER shall provide management and technical supervision through competent supervisors as required to provide the specified janitorial services. SERVICE PROVIDER shall be responsible for the skills, methods and actions of all employees, subcontractors and for all work done.

SERVICE PROVIDER shall cooperate with the representative authorized by CITY to enable them to determine SERVICE PROVIDER'S conformity with these specifications and the adequacy of the work being performed. SERVICE PROVIDER shall give personal supervision to the work and will meet with the CITY Maintenance Manager or the designated CITY representative, a minimum of twice per month, at a schedule mutually agreed upon.

1-2. CORRECTIVE WORK. SERVICE PROVIDER shall perform the work to the satisfaction, of the CITY Maintenance Manager or designated representative. Inspections may be made by CITY at any time and CITY may request corrective work from SERVICE PROVIDER. If corrective work is required, CITY will provide a written list of items, and SERVICE PROVIDER shall correct deficiencies as directed. If deficiencies are not corrected in a timely manner, CITY may perform the work using others and deduct the cost from SERVICE PROVIDER'S payment as described in the Payment Provisions.

1-3. LOCATIONS. Facilities subject to this Agreement and Diagrams of each facility are attached as Exhibit A-1.

1-4. JANITORIAL STANDARDS. SERVICE PROVIDER shall furnish all labor, materials, tools, cleaning supplies, services and special skills necessary for the provision of complete top quality janitorial services from beginning to end of the contract. The work shall include all tasks needed to maintain the facilities, their furnishings and fixtures in sanitary condition and having an overall appearance of cleanliness and neatness. Further requirements for each facility are specified in Exhibit A-1.

- a. Facility surfaces and fixtures shall be free of dust, streaks, smudges and cobwebs. Tools such as feather dusters, which merely displace or redistribute dust, shall not be used unless treated to attract and hold the dust particles. All items moved to accomplish the task shall be returned to their original positions.
- b. Surfaces surrounding the entrance area shall be free of dirt, dust, fingerprints and have a clean appearance. Glass shall be free of streaks, smudges, fingerprints, etc.
- c. All walls should be spot cleaned to include removal of fingerprints and marks.
- d. Entrance mats shall be cleaned so that there is no dirt left on surfaces or on the floor underneath.
- e. Blinds shall be free of dust and give an overall clean appearance
- f. Furniture surfaces including tables and chairs shall be free of dirt, dust, debris, marks and film.
- g. Chrome and metal surfaces shall present a clean uniform shining appearance free of all soil, marks, smudges and streaks
- h. Disinfected surfaces shall be free of material containing living bacteria, viruses, or other contamination capable of causing infections.
- i. Dispensers will be disinfected, present a clean uniform shining appearance free of all soil, marks, smudges and streaks and will have an adequate supply of the applicable dispensed products.
- j. Restroom, kitchen and fountain fixtures shall be disinfected and there will be no dust, dirt, spots or debris on the fixtures.

- k. Glass surfaces shall be free of all dirt, soil, smudges, streaks, smears, film or any other foreign substances. All excess spray solution must be removed from any surrounding trim or surfaces. Glass must have a uniformly bright appearance. Any items moved to accomplish this task must be returned to their original positions.
- l. Areas shall be policed to remove paper, trash, empty bottles, containers, any other discarded materials, cleaning spills, wet/muddy footprints. Policed areas shall be free of debris and present an overall clean, neat appearance.
- m. Trash and recycle receptacles shall be considered properly clean when both the inside and outside are clean, free of stains, dried refuse and odors, and a plastic liner replaced, if necessary.
- n. Restrooms shall be considered properly cleaned when the floors are mopped and fixtures, urinals, toilets, waste receptacles, wash basins, faucets, handles, dispensers, partition stalls and doors are cleaned with an odorless germicidal solution. All glass, chrome, and stainless steel surfaces shall be cleaned and buffed to a shine, waste receptacles emptied, and dispensers refilled.
- o. Urinal cartridges need to be changed as needed when not draining properly.
- p. All trash/waste and soiled liners shall be removed from all trash/waste containers when and a new plastic liner fitted into the containers.
- q. Shower walls, ceilings, enclosures, grout and fixtures shall be cleaned with a germicidal solution and chrome/stainless steel buffed to a shine. There shall be no mold or odor remaining. Shower curtains shall be washed with a germicidal solution with no mold or odor remaining. Shower safety mats shall be considered properly cleaned when they are washed with a germicidal solution.
- r. Carpet spot cleaning shall remove completely any evidence of the soiling which necessitated the cleaning and return the finish of the area to its pre-soiled condition without leaving rings or discoloration.
- s. Sweeping or dust mopping shall remove all loose dirt, grit, lint, dust, debris, or other foreign material with no build up in corners, crevices, under or around furniture. All items moved to remove dirt shall be returned to their original locations.
- t. Damp mopped floors shall be free of all dirt, debris, soil, liquids or other foreign material. All splash marks and spots on walls/furniture/fixtures shall be removed before completion of the damp mopping task. All items moved to accomplish the task shall be returned to their original positions. Mop and mop bucket needs to be rinsed after each use.
- u. Vacuuming shall remove all dust, dirt, lint and any other loose material. All items moved during this process shall be returned to their original positions.
- v. A floor that has been wet mopped or scrubbed with a mechanical scrubber shall be free of all dirt, debris, soil, liquid, or other foreign material. It will present a uniform appearance free of streaks, smudges, heel marks, or any other marks, which can reasonably be removed using these methods. All splash marks/spots on walls and furniture/fixtures shall be removed before completion of the task. All items moved during this process shall be returned to their original positions. Floor scrubbing shall not remove floor finish.
- w. Concrete and linoleum floors shall be resealed to maintain a uniform shiny surface.
- x. Day Porters on duty at any facility shall be available to respond within twenty minutes to any of the contract locations to cleanup reported problems such as spills or accidents.
- y. Safety Data Sheets (SDS) must be provided for all chemicals used at each facility. SDS sheets must be updated on an annual basis.

1-5. OUTCOME-BASED CONTRACT AND INSPECTION PROBLEM RESOLUTION PROCESS. CITY will regularly inspect SERVICE PROVIDER'S work and rate it according to the janitorial standards described in this Agreement. If an area does not meet CITY standards, it will be considered "below standard". SERVICE PROVIDER shall operate and maintain an e-mail address at which CITY may send inspection reports largely consisting of photos taken of areas that SERVICE PROVIDER maintains. The e-mail address must have sufficient capacity to accept numerous inspection reports from CITY without delay or rejection. SERVICE PROVIDER shall perform quality assurance inspections a minimum of every month, or more frequently if deemed necessary by the SERVICE PROVIDER.

SERVICE PROVIDER will provide electronic versions of the monthly inspections to the CITY by the 10th of the following month as to each site's compliance with CITY standards. An action plan with deadlines must be provided to the CITY to indicate when corrections will be made if an area is deemed "below standard". City staff will work closely with Contractor's representatives to achieve the results described in the standards and

inspection criteria. However, responsibility for meeting standards rests with the Contractor.

1-6. WORK HOURS. The starting time for any and all janitorial services, except for day porter services, shall be no earlier than the closing time for the facility and shall be completed prior to the opening of time for the next day unless otherwise noted. Specific Facility hours and cleaning times are specified for each facility below in Exhibit A-1. Deviation from the above will not be permitted except by written permission of CITY Maintenance Coordinator or designated representative from the facility. From time to time, CITY may take on improvement projects or other construction. SERVICE PROVIDER shall cooperate with CITY or its agents while said work is underway.

1-7. MATERIALS AND EQUIPMENT. SERVICE PROVIDER shall, at all times, furnish and maintain equipment necessary to perform work under this contract. If equipment breaks down, SERVICE PROVIDER is responsible to complete the work within 24 hours.

CITY will provide all light bulbs, toilet tissue, hand towels, paper seat covers, liquid soap for dispensers, and plastic trash can liners. Supplies will be inventoried and provided on a weekly basis to assigned custodial storage area.

SERVICE PROVIDER is to supply all cleansers, disinfectants, solvents, waxes, cleaning tools, equipment and any additional supplies that may be necessary for SERVICE PROVIDER to perform to contract specifications. In some cases, CITY may require specific products to be used. The Maintenance Coordinator or designee shall approve all cleaning products and solutions in advance of their use.

1-8. SAFETY & SECURITY. SERVICE PROVIDER and staff shall follow all established safety procedures and shall take special care not to endanger the public or City employees in any way. All floors should be completely dry by the opening of facilities each day. SERVICE PROVIDER is responsible for the security of all doors at the conclusion of work in each room. All exterior doors should remain locked at all times. Interior doors that are found open or unlocked shall be left in the same position/condition in which they were found.

1-9. FINGERPRINTING AND BACKGROUND CHECKS. All SERVICE PROVIDER staff who will be working on CITY facilities during business hours must pass a background check a State of California Department of Justice Criminal Records Check at SERVICE PROVIDER's expense. The Record Check may be performed at the Morgan Hill Police Department located at: 16200 Vineyard Boulevard, Morgan Hill, CA 95037. SERVICE PROVIDER is responsible for maintaining and updating background check information for their employees.

1-10. EMERGENCY SITUATIONS For medical or public safety emergencies occurring at the Facilities call 9-1-1. For all building maintenance emergencies (water leaks, etc.) contact the Maintenance Coordinator or designated staff to report the issue immediately (24-hours/day).

1-11. REQUEST FOR PROPOSAL. SERVICE PROVIDER submitted a responsive and responsible proposal to perform services as requested by CITY in response to Request for Proposals Number CSD2018-023. Request for Proposal Number CSD2018-023 and the response submitted by SERVICE PROVIDER are incorporated herein by this reference. Any conflict between the RFP, proposal and this Agreement, this Agreement shall control.

Exhibit A-1**FACILITIES****Facility #1: COMMUNITY & CULTURAL CENTER AND PLAYHOUSE
17000 Monterey Road**

- **Work Hours:** The Community and Cultural Center is open Monday-Thursday 8:00 a.m. – 10:00 p.m., Friday-Saturday 6:00 a.m. – 1:00 a.m. and Sunday 8:00 a.m. - 1:00 a.m.

All work necessary for complete janitorial service including but not limited to the following

2-1. MAIN RESTROOMS & CHILDREN'S PAVILION RESTROOMS

Main Building: (7 days/week)

Children's Pavilion: Sunday – Friday (no Saturday service)

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- Urinal cartridges need to be changed as needed when not draining properly.
- Clean all counters, fixtures and dispensers.
- Clean door handles with approved cleaner.
- Replenish all paper supplies and soap dispensers.
- Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- Mop floors with disinfectant.
- Spot clean and remove any gum, residue or stains from all areas with approved methods.
- Dust all sills and light fixtures.

Restroom Information

Restrooms	Basins	Toilet Bowls	Urinals
Main Building Men's	4	4	3
Main Building Women's	4	8	0
CP Children's	1	1	0
CP Adult	1	1	0
Totals	10	14	3

800 square feet of restroom area (Tile and vinyl)

2-2. MEETING ROOMS, CLASSROOM, CERAMICS ROOM, DANCE ROOM & HALLWAYS – 7 days/week service

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Vacuum all carpeted areas.
- Dust mop hardwood floors with fiber mop or approved treatment method.
- Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- Spot clean/mop all carpets/floors as necessary.
- Clean all entry/exit door windows inside and out.
- Clean door handles with approved cleaner.
- Spot clean walls, mirrors and windows with approved cleaner.
- Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.

- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Clean all white boards.
- m. Wipe down all tables.
- n. Dust all baseboards and sills.

2-3. HIRAM MORGAN HILL BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all trash from floors, including stage, and tables.
- d. Wipe down all tables and chairs in the room.
- e. Sweep and then damp mop all non-carpeted with approved cleaner (including stage).
- f. Spot clean all carpets/floors as necessary.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods
- j. Dust all baseboards and sills.

2-4. EL TORO BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Clean door handles with approved cleaner.
- e. Spot clean walls and windows with approved cleaner.
- f. Spot clean and remove any gum, residue or stains from all areas with approved methods
- g. Wipe down all tables and chairs in the room.
- h. Dust all baseboards and sills.

2-5. CHILDREN'S PAVILION – 6 days/week service (Sun – Fri)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaner.
- d. Spot clean floors as necessary.
- e. Clean door handles with approved cleaner.
- f. Spot clean walls, mirrors and windows with approved cleaner.
- g. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- h. Spot clean and remove any gum, residue or stains from all areas with approved methods
- i. Wipe down all tables.
- j. Dust all baseboards and sills.

2-6. KITCHEN – 5 days/week service (Tuesday, Wednesday, Friday, Saturday and Sunday)

- a. Empty wastebaskets and trash containers; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Clean and wipe down cabinets, and countertops.
- e. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- f. Clean all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner.
- h. Clean door handles with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

2-7. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets as necessary.

- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods

2-8. PLAYHOUSE RESTROOM CLEANING – 2 days/week service (Wed & Sun)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Hose/mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

2-9 MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days/week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. All doors and windows are to be checked, closed and locked securely.
- c. Report graffiti to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- d. Clean drinking fountains.
- e. Collect cardboard, flatten and place in recycle bins.
- f. Report location of all burnt out light bulbs to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- g. Spray buff floors in all restrooms.
- h. Clean all ground level windows in hallway inside and out.
- i. Dust and/or wash interior walls (floor to ceiling) removing dust and debris.
- j. Dust and remove spider webs from the ceilings, window sills, blinds, light fixtures, cabinets, crevices, counters, desks and open spaces.
- k. Apply tile cleaner/approved cleaner on restroom walls and tile surfaces.
- l. Remove all entry mats and clean pat down to remove dirt.
- m. Dust exterior of ceiling level vents.
- n. Spray buff classroom, dance room and El Toro room floors.
- o. Remove, clean and replace all light fixtures lower than 10 feet in height.
- p. Wipe down all door hinges.

2-10. BIMONTHLY SERVICES (Every other month)

Shampoo, with truck mounted cleaning unit, carpeted areas in the Hiram Morgan Hill Room as well as the main hallway to the end of the restrooms bimonthly as scheduled with CITY Staff.

2-11. QUARTERLY SERVICES

Shampoo, with truck mounted cleaning unit, all carpeted areas four times annually as scheduled with CITY staff (Madrone, Machado, Staff Offices, and Hallway from the Restrooms to the end of the West Hallway).

2-12. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all vinyl floors per approved methods.
- b. Remove all restroom floor drains, scrub clean and replace.
- c. Clean all windows inside and out for the entire facility. (Does not include high windows, in the El Toro Room, Hiram Morgan Hill Room and Playhouse).

2-13 ANNUAL SERVICES

Deep cleaning of the kitchen:

- a. Clean and degrease all stainless steel (except hood vents), all walls, doors/door frames, all ceiling tiles, tbar grids, light covers and fixtures, air vents, floor drains.
- b. Sweep and mop all floors
- c. Clean inside ovens
- d. Clean Stove tops

2-14. COMMUNITY & CULTURAL CENTER DAY PORTER SERVICES

a. DESCRIPTION

CITY requires day porter service for daytime service for regular and as needed duties. The day porter shall be responsible for janitorial duties outlined in the contract, but are needed during the day because of high customer use.

b. DAY PORTER COMMUNITY AND CULTURAL CENTER

The CCC requires daytime janitorial to clean the main building restrooms, hallway, Hiram Morgan Hill Room and other locations as needed from 2:00 pm to 4:00 pm on Wednesdays year-round.

c. DAY PORTER AS NEEDED

CITY staff will request assistance for daytime janitorial for special events and other activities that do not occur on a regular basis. Staff will provide a minimum of one week of notice for such requests.

2-15. SPECIAL CLEANING SERVICES AT PLAYHOUSE FACILITY (PERFORMANCE CLEANING)

It is estimated that the playhouse will be scheduled 125 nights per year which will require cleaning services to be provided on an as needed basis. The use schedule of the facility will be provided by the 15th of the prior month. Late schedule additions may occur, with a minimum of 48 hours notice provided. Areas of cleaning include the lobby, seating area, entry, hallways, and restrooms.

- a. Clean restrooms per Section 2-7 (Staff Office Areas).
- b. Clean all litter/waste from seating area.
- c. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- d. Vacuum all carpeted areas.
- e. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- f. Spot clean all carpets/floors/theater seats as necessary.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls, mirrors and windows with approved cleaner.
- i. Dust, wipe down or vacuum all theatre seats, cabinets, and countertops.
- j. Wipe down banisters.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Wipe down all tables.
- m. Dust all baseboards and sills.
- n. Clean all entry/exit windows inside and out

All after performance cleaning will be performed on an as-needed basis only when approved and as directed by City staff.

2-16. COMMUNITY CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Vinyl	Hardwood	Tile	Epoxy	Laminate
Main Building:							
Hiram Morgan Hill Room	4594	3196					1398
Hallway btwn Hiram & Kitchen	360		360				
Main Hallways	3870	3870					
Kitchen	600					600	
Poppy Jasper Room	625					625	
Diana Murphy Room	625		625				
Miramonte Dance Room	780			780			
Office Areas	750	600	150				
Madrone Room	650	650					
Machado Room	400	400					
El Toro Room	1770			1770			
Restrooms	740				740		
Children's Pavilion	800		800				
PlayHouse:							
Seating Area	1566	1566					
Entry	100				100		
Lobby	612	612					
Walkways	640		640				
Restrooms	400		400				
Dressing Rooms	120		120				
Dressing Rm Bathrooms	90		90				
Total for Rooms Needing Service	20092	10894	3185	2550	840	1225	1398

Restrooms	Basins	Toilet Bowls	Urinals
Main Building Men's	4	4	3
Main Building Women's	4	8	0
Children's Pavilion (child)	1	1	0
Children's Pavilion (adult)	1	1	0
Playhouse Men's	2	2	2
Playhouse Women's	2	5	0
Playhouse Dress 1	1	1	0
Playhouse Dress 2	1	1	0
Totals	10	14	3

2018 Facility Rental Information

	Days with Banquets	Days with Meetings
Hiram MH Room	165	191
El Toro Room	45	162

Facility #2: COUNCIL CHAMBERS
17555 Peak Avenue

Work Hours: Council Chambers – Sundays the building will close by 8:00 p.m. and reopen Monday at 7am

All work necessary for complete janitorial service including but not limited to the following:

3-1. RESTROOMS AND MAIN BUILDING – Sunday Only

- a. Empty wastebaskets and replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Hose/mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

3-2. COUNCIL CHAMBERS, MEETING ROOMS, OFFICES AND HALLWAYS – Sundays Only

- a. Empty wastebaskets and recycle containers as needed; replaced liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Mop floors with disinfectant.
- e. Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- f. Spot clean/mop all carpets/floors as necessary.
- g. Clean all entry/exit door windows inside and out.
- h. Clean door handles with approved cleaner.
- i. Spot clean walls, mirrors and windows with approved cleaner.
- j. Dust, wipe down or vacuum all furniture, cabinets and countertops.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Clean all white boards.
- m. Wipe down all tables.
- n. Dust all baseboards and sills.

3-3. KITCHEN/BREAK ROOM – Sundays Only

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Clean and wipe down cabinets, and countertops.
- e. Wash out basins with approved cleanser, rinse and dry, damp dry basin tramps.
- f. Clean all counters and appliances (stove top, oven front, refrigerators, etc) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner. Clean door handles with approved cleaner.
- h. Spot clean and remove any gum, residue or stains from all areas with approved methods.

The Sunday-only work described in paragraphs 3-1, 3-2, and 3-3 will be performed on an as-needed basis only when approved and as directed by City staff.

3-4. SEMI-ANNUAL SERVICES

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards

- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #3: CENTENNIAL RECREATION CENTER (CRC)
171 W. Edmundson Avenue

- **Work Hours:** Centennial Recreation Center is an active facility on weekdays from 4:30 a.m. to 10:00 p.m., Saturday-Sunday from 6:30 a.m. to 8:00 p.m

All work necessary for complete janitorial service including but not limited to the following:

4-1. ALL RESTROOMS & LOCKER ROOMS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by CITY).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Replace air fresheners in the West Wing and Senior Center restrooms monthly.

4-2. MAIN LOBBY/ADJACENT ROOMS & MAIN HALLWAYS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.
- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Clean and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-3. MULTI-PURPOSE ROOM & KITCHEN – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be

- k. replaced by CITY staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down all tables and chairs in the room.

4-4. SENIOR CENTER AREAS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-5. TEEN CENTER ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls and windows with approved cleaner.
- g. Clean door handles with approved cleaner.
- h. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-6. KIDS CLUB ROOM – service required 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Vacuum carpeted area of floor.
- e. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- f. Clean all entry/exit door windows inside and out.
- g. Wash out sink and drinking fountain with approved cleanser, rinse and dry.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-7. FITNESS ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors including under equipment and then damp mop floor with approved cleaner.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls, windows and mirrors with approved cleaner.
- g. Clean door handles with approved cleaner.
- h. Clean and wipe down all drinking fountains.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-8. GYMNASIUM AND AEROBICS ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floor using a fiber mop or approved treatment.
- d. Clean bleachers and under bleachers.
- e. Scrubber should be used to clean the floors 3 times a week and the other 4 should be wet mop using approved cleaner.
- f. Clean all entry/exit door windows inside and out.
- g. Spot clean walls, ground level windows and mirrors with approved cleaner.
- h. Clean door handles with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-9. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-10. LIFEGUARD ROOM (Once a week)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- d. Clean all entry/exit door windows inside and out.
- e. Clean door handles with approved cleaner.
- f. Spot clean walls and windows with approved cleaner.
- g. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- h. Replace burnt out light bulbs as necessary.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-11. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers located in enclosed patios and inside the pool area are to be emptied as needed; replace plastic liners. Clean receptacles.
- c. All doors and windows are to be checked, closed and locked securely.
- d. Report graffiti to Centennial Recreation Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- e. Clean all drinking fountains.
- f. Collect cardboard, flatten and place in recycle bins.
- g. Scrub all tile floor areas using approved methods.
- h. Clean gymnasium and aerobic room floors with floor scrubber.
- i. Damp mop stained concrete floors with approved cleaner.
- j. Clean all ground level windows in Main Lobby inside and out.
- k. Dust and remove spider webs from the ceilings, window sills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- l. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- m. Vacuum and spot clean all entry mats and clean floor below mats.
- n. Vacuum all ground level vents and dust exterior of ceiling level vents.
- o. Wipe down all door hinges.
- p. Clean all ground level interior window sills.
- q. Remove, clean and replace all light fixtures lower than 10 feet in height.
- r. Dust TV's and fans in Fitness, east hallway and Aerobics Rooms.

- s. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris
- t. Wipe down all tables and chairs in the room.

4-12. MONTHLY SERVICES

- a. Scrub, recoat and buff floors in the Multi-Purpose Room, Kitchen, Teen Center, and Kids Club Room
- b. Scrub, re-coat/wax and buff stained concrete floors using approved methods and material.

4-13. TRIENNIAL (Three times a year) SERVICES

Clean all windows inside and out for the entire facility once each during the Summer, Fall and Spring seasons. (Includes high windows, in the Natatorium, Gym and other areas). Use approved cleaner to remove hard water spots

4-14. QUARTERLY SERVICES

- a. Shampoo carpeted areas four times annually as scheduled with CITY staff.
- b. Pressure wash all pavement at facility front entrance and pool deck. Schedule with CITY staff.

4-15. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all linoleum floors per approved methods.
- b. Strip, wax, and buff all ceramic tile floors per approved methods in restrooms.
- c. Remove all floor drains, scrub clean and replace.
- d. Remove, dust, wash and replace all light fixtures.
- e. Dust and remove spider webs from walls, ceilings, window sills, skylights, crevices, railings, etc. over 10 feet in height.

4-16. ANNUAL SERVICES

- a. Concrete floors to be striped and waxed annually using approved materials and methods.
- b. Strip and wax the locker rooms' and family changing rooms' tile floors including baseboard tiles.

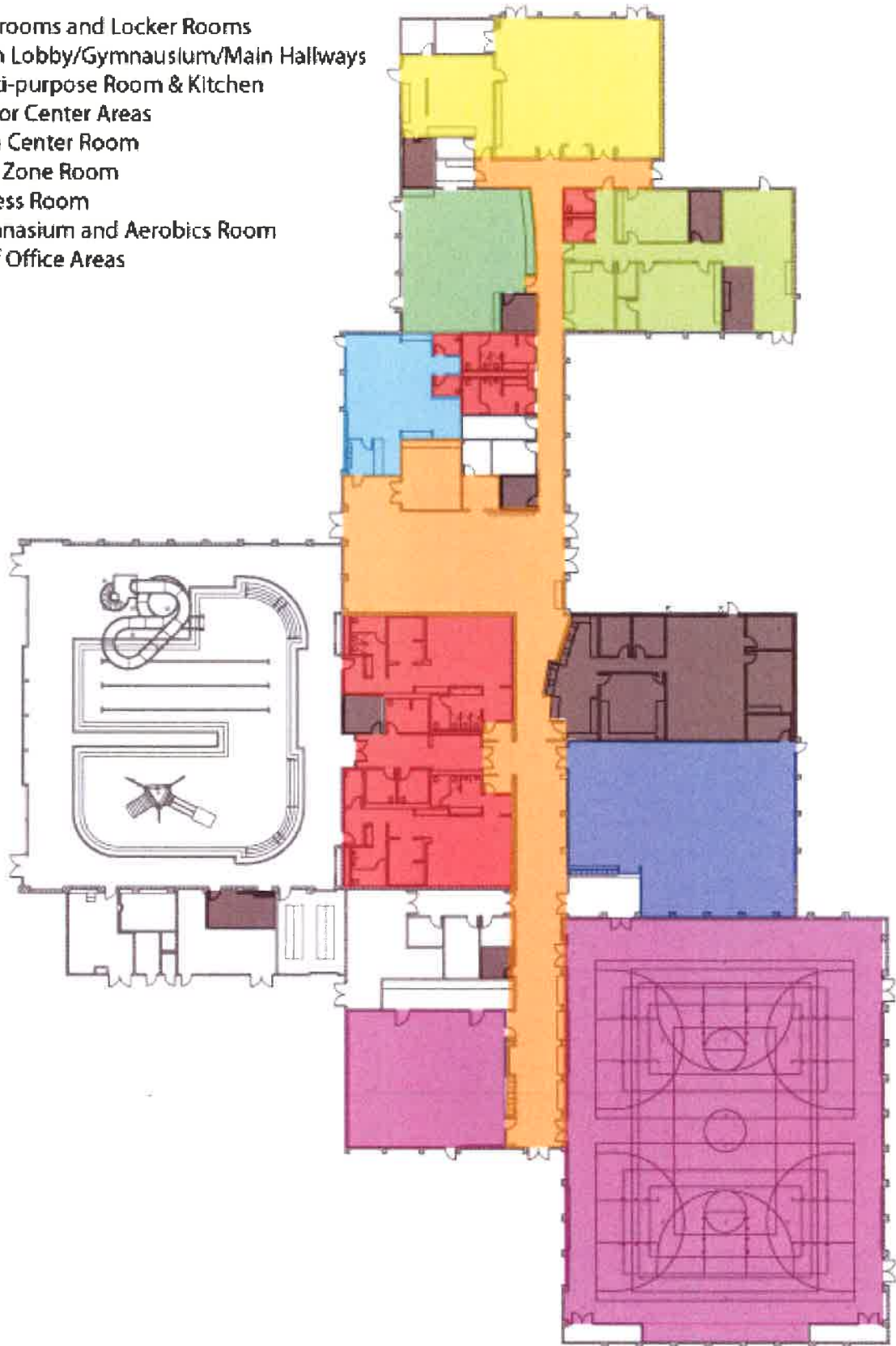
4-17. DAY PORTER SERVICES

- a. Day Porter Services to be provided by one male and one female custodian, Monday – Friday 11:00 a.m. – 1:00 p.m. and from 5:00 p.m. – 7:00 p.m.; Saturday and Sunday 12:00 p.m. – 2:00 p.m.
- b. Work to include: Clean and disinfect restrooms, restock dispensers, empty trash containers.
- c. Dust mop floor gymnasium and aerobic room floors between scheduled activities
- d. Clean locker rooms
- e. Disinfect drinking fountains as needed
- f. Damp mop floors as needed
- g. Walk building for litter & debris, outside entrances and parking lot
- h. Clean entrance doorways and glass as needed.
- i. Spot clean walls and doors throughout facility.
- j. Day Porters must sign in and out each day at the front desk.

4-18. CRC SITE INFORMATION AND FACILITY DIAGRAM

- 2-1 Restrooms and Locker Rooms
- 2-2 Main Lobby/Gymnasium/Main Hallways
- 2-3 Multi-purpose Room & Kitchen
- 2-4 Senior Center Areas
- 2-5 Teen Center Room
- 2-6 Kids Zone Room
- 2-7 Fitness Room
- 2-8 Gymnasium and Aerobics Room
- 2-9 Staff Office Areas

EDMUNDSON AVE.



Centennial Recreation Center Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Hardwood	Tile	Epoxy	Rub
Sr. Ctr.								
Lobby/Reception/Hallways	1127	1127						
Sr. Coord. Office	132	132						
Activity Room 1	464	464						
Activity Room 2	308	308						
Computer Room	277	277						
Sr. Ctr. Restrooms	112					112		
West Wing Hallways	1280		1280					
West Wing Restrooms	500					500		
Multi-Purpose Room	1796			1796				
Kitchen	623						623	
Nutrition Office	124			124				
Teen Juice Bar Area	88			88				
Teen Center	1401			1401				
Teen Coord. Office	109	109						
Main Lobby	2100	518	1582					
Membership Office	102	102						
Vending Alcove	103		103					
Party Room	331		331					
Kid Zone Room	970			970				
Kid Zone Restrooms	96					96		
East Wing Hallway	2020		2020					
Main Reception/Hallway	456	456						
Assoc. Exec. Office	104	104						
MSA Office	106	106						
Staff Work Room	359			359				
Staff Cubicles	812	812						
Facility Manager's Office	131	131						
Staff Break Room	241			241				
Locker Room Hall	310					310		
Men's Locker Room/Restrooms	1173					1173		
Women's Locker Room/Restrooms	1211					1211		
Family Changing Room 1	132					132		
Family Changing Room 2	94					94		
Family Changing Room 3	94					94		
Aquatics Office	122					122		
Lifeguard Break Room	204						204	
Fitness Room	3001							3001
Health & Fitness Dir. Office	91	91						
Gymnasium	10684				10684			
Aerobics Room	1753				1753			
Total for Rooms Needing Service	35141	4737	5316	4979	12437	3844	827	3001

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Restrooms	Basins	Toilets	Urinals	Showers
Sr. Center – Men's	1	1		
Sr. Center - Women's	1	1		
West Wing – Men's	2	1	2	
West Wing - Women's	2	3		
Kid Zone - Boys		1		
Kid Zone - Girls		1		
Locker Room – Men's	4	3	4	7
Locker Room - Women's	4	7		7
Locker Room - Families	3	3		3
Basins in other Rooms	6			
Totals	23	21	6	17

Facility #4: DENNIS KENNEDY AQUATICS CENTER
16200 Condit Road

- Work Hours: Aquatics Center is open weekdays from 5:00 a.m. to 8:00 p.m. (9:00 p.m. June-October), Saturdays from 7:00 a.m. to 12:00 p.m. (summer season to 6:30 p.m.), and Sundays 11:30 a.m. to 6:30 p.m. (summer season only).

Complete janitorial services to be provided every day facility is open, including but not limited to the locations listed below. Note that the Aquatics Center operates year-round but has a very high use during the summer swim season when a significantly higher frequency of service will be required. Alternately, during the off season, some rooms, such as the party room, are rarely used.

5-1. STAFF OFFICE AREAS/STAFF RESTROOMS - 3 days/week service (Sun, Tues & Thurs)

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Vacuum all carpeted areas.
- Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- Spot clean all carpets as necessary.
- Clean all entry/exit door windows inside and out.
- Clean door handles with approved cleaner.
- Spot clean walls and windows with approved cleaner.
- Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- Replace burnt out light bulbs as necessary.
- Spot clean and remove any gum, residue or stains from all areas with approved methods
- Dust window blinds.

5-2. RETAIL AREA – Off Season: 3 days/week service (Sun, Tues & Thurs) / Summer Season Daily

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- Clean all entry/exit door windows inside and out.
- Clean door handles with approved cleaner.
- Spot clean walls and windows with approved cleaner.
- Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- Spot clean and remove any gum, residue or stains from all areas with approved methods
- Clean cob webs with extension pole
- Clean the glass of the display case inside and out.

5-3. SMALL (TEAM) LOCKER ROOMS & FAMILY CHANGING ROOMS – 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by CITY).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.

5-4. LARGE LOCKER ROOMS - 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by CITY).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Pressure wash rubber mat in women's team locker room

5-5. EVENT ROOM – 2x per month / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpets
- d. Sweep and then mop floors.
- e. Clean all counters, fixtures and sinks.
- f. Clean door handles with approved cleaner.
- g. Wipe clean all tables and chairs
- h. Replenish all paper supplies and soap dispensers.
- i. Spot clean walls.
- j. Spot clean windows
- k. Replace burnt out light bulbs as necessary.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

5-6. ENCLOSED OUTDOOR AREAS – Off Season: 2x per month; Summer Season Daily

- a. Empty exterior trash cans and recycle receptacles as needed, replace liners

- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Pressure wash picnic area (tables & ground) and ground directly in front of the concessions stand and BBQ areas.
- d. Wipe clean exterior showers, lockers and fountains

5-7. THROUGHOUT FACILITY

- a. Clean all showers, restroom walls, and tile surfaces with approved cleaner.
- b. Pressure wash all epoxy floors in the team, main and family changing rooms
- c. Vacuum and spot clean all entry mats including floors underneath mats.

5-8. QUARTERLY SERVICES

- a. Clean event room mosquito screens
- b. Clean ventilation covers in team locker rooms, family changing rooms and locker rooms
- c. Scrub and degrease large locker room and family changing floors

5-9. SEMI-ANNUAL SERVICES

- a. Shampoo office carpets.
- b. Strip and wax floors in event room.
- c. Scrub and degrease Small Locker Room.
- d. Scrub and degrease Retail Area floors.
- e. Remove, dust, wash and replace all light fixtures.
- f. Clean all windows inside and out for the entire facility. (Includes high windows in the Retail Area, Coordinator's office, Ticket window).
- g. Dust/wipe all light fixtures throughout the facility

5-10. SPECIAL CLEANING AND DAY PORTER SERVICES

- a. Daily Cleaning for Swim Meets – all Summer Season daily tasks.
- b. End of Swim Meet Cleaning – all Summer Season daily tasks plus pressure washing pavement around the competition pool, instructional pool and walkways between grass and water slides.
- c. Day Porter Service – Two day porters, one male and one female will be needed daily (7 days) for 4 hours per day from late May through mid-August and weekends only from mid-August through mid-September.
- d. Day Porters must sign in and out at the front desk.

5-11. AQUATICS CENTER SUMMER SEASON SCHEDULE

The Aquatics Center operates year-round, and has a very high use during the Summer Swim Season. The Summer Season is comprised of:

- a. The Wednesday prior to Memorial Day through the third weekend of August - 7 days per week.
- b. From the third weekend in August through the third weekend in September the facility has high usage on Weekends and Labor Day. Weekday service during this period will be similar to off-season service.

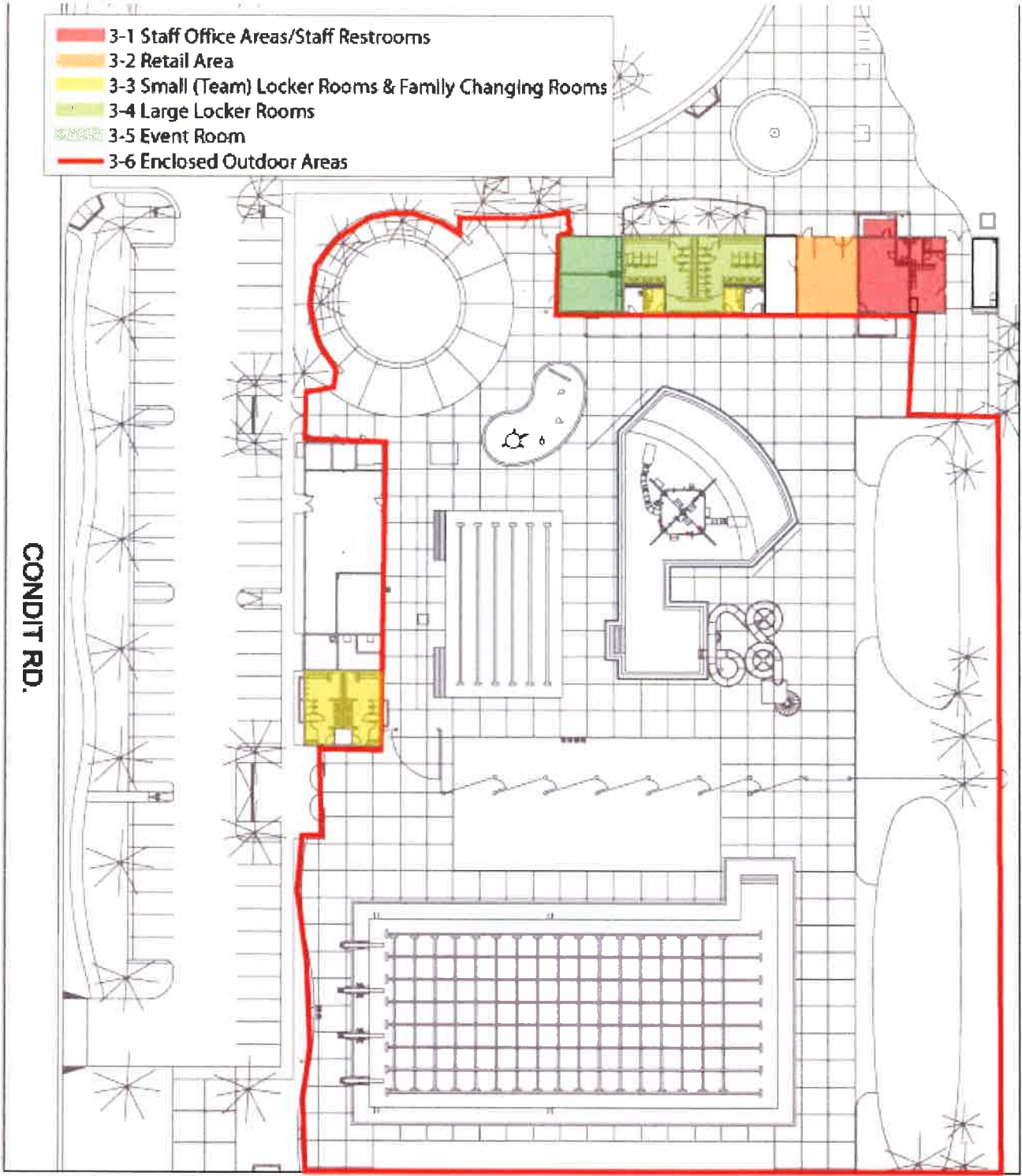
5-12. On-call janitorial services as requested and approved by City as needed for swim meets

5-13. AQUATICS CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Epoxy Resin
Event Room	550			550	
Retail Area	500		500		
Staff Area/Restrooms	694	400		294	
Family Changing Rooms	100				100
Small (Team) Locker Rooms/Restrooms	600				600
Large Locker Rooms/Restrooms	800				800
Total Rooms Needing Service	3244	400	500	844	1500

Restrooms	Basins	Toilet Bowls	Urinals	Showers
Staff Area/Staff Restrooms	3	2	0	1
Family Changing Rooms	2	2		2
Small (Team) Locker Rooms/Restrooms	8	8	4	2
Large Locker Rooms/Restrooms	10	12	5	8
Event Room	2	0	0	0
Totals	25	24	9	13



**Facility #5: PUBLIC WORKS CORPORATION YARD
100 Edes Court**

Work Hours: 6 p.m. to 5 a.m.

All work necessary for complete janitorial service including but not limited to the following:

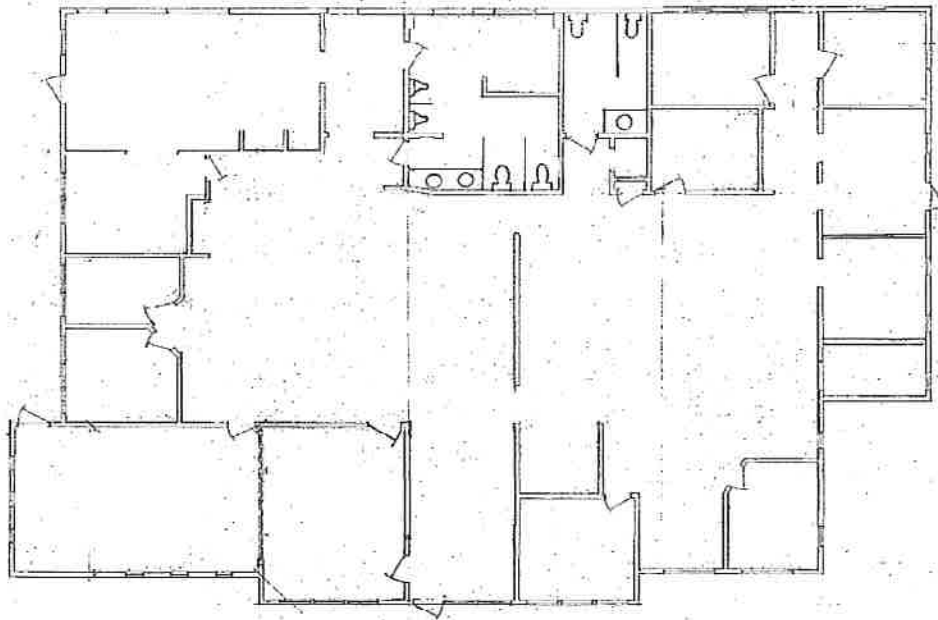
6-1. QUARTERLY SERVICES

Shampoo, with truck mounted cleaning unit, carpeted areas four times annually as scheduled with CITY staff.

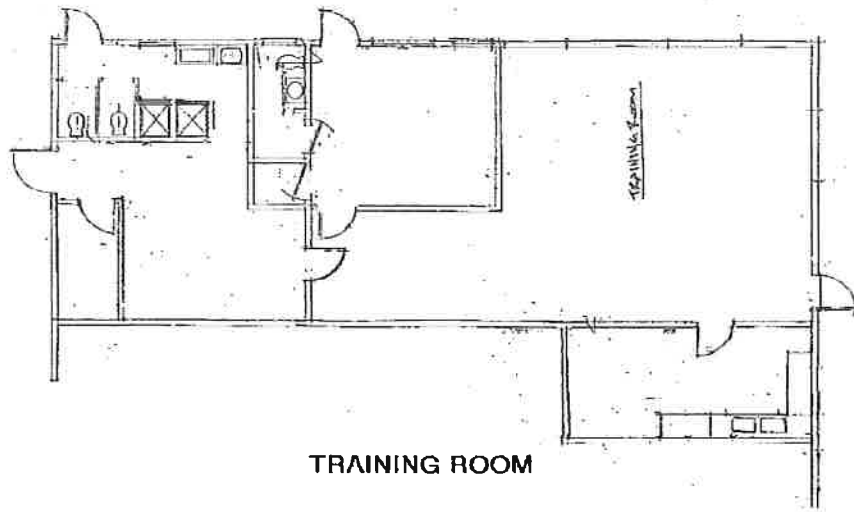
6-2. TRIANNUAL SERVICES

Strip, wax and buff all vinyl floors per approved methods

6-8. PUBLIC WORKS CORPORATION YARD – SITE INFORMATION AND FACILITY DIAGRAM



OFFICES



TRAINING ROOM

PUBLIC WORKS CORPORATION YARD

Facility #6: RAILROAD PARK
Depot Street between Third and Fourth Streets

- **Work Hours:** Railroad Park – Cleaning hours are from 12:00 a.m. to 7:00 a.m.

All work necessary for complete janitorial service including but not limited to the following:

- 7-1 RESTROOMS – Service 7 days/week
 - a. Empty trash cans and replace plastic liners as needed. Take trash to the parking structure dumpster.
 - b. Clean all mirrors and surrounding stainless steel/chrome with disinfectant
 - c. Wash out basin with approved cleanser, rinse and dry; damp dry basin traps
 - d. Clean/disinfect all toilets, damp dry all external surfaces; clean all stainless steel/chrome
 - e. Clean all counters, fixtures, and dispensers
 - f. Clean door handles
 - g. Replenish all paper supplies and soap dispensers
 - h. Damp wipe doors, walls
 - i. Hose/mop floors with disinfectant
 - j. Spot clean and remove any gum, residue or stains from all areas with approved methods
 - k. Check lights and report outages to the Maintenance Coordinator or designated representative same day
 - l. Dust ceiling, fixtures and walls as needed
 - m. Report all graffiti to Maintenance Coordinator or designated representative same day
- 7-2 RAILROAD PARK/PARKING LOT – Service 7 days/week
 - a. Litter pick up throughout entire park and parking lot
 - b. Empty trash/recycling if ½ full or more and take trash to the parking structure dumpster
 - c. Clean and wipe down all drinking fountains
 - d. Clean all body fluids and spills anywhere in the park/parking lot
 - e. Report all graffiti to Maintenance Coordinator or designated representative same day

Facility #7: DOWNTOWN PARKING GARAGE
50 East Third Street

- **Work Hours:** Downtown Parking Garage - Cleaning hours are from 12:00 a.m. to 7:00 a.m.

All work necessary for complete janitorial service including but not limited to the following:

- 8-1 DAILY SERVICES
 - a. Litter pick up throughout the garage (including stairwells and underneath)
 - b. Empty trash/recycling if ½ full or more and put in the parking structure dumpster.
 - c. Inspect elevator function and report any problems same day
 - d. Inspect elevator for damage or graffiti and report any problems same day
 - e. Clean all body fluids and spills anywhere in the garage and elevator
 - f. Clean elevator floors
 - g. Wipe down the entire inside of the elevator
 - h. Remove any postings, tape, string, etc
 - i. Check lights and report outages to the Maintenance Coordinator or designated representative same day
- 8-2 WEEKLY SERVICES
 - a. Clean elevator doors (inside and out) with stainless steel cleaner
 - b. Dust and clean the handrails, maps, EV chargers, phones, trash/recycle receptacles
- 8-3 As needed garage cleaning services as requested and approved by City.

Facility #8: CITY HALL/DEVELOPMENT SERVICES CENTER (DSC) BUILDING
17575 Peak Avenue

- **Work Hours:** City Hall/DSC Building- Annual services to be coordinated with CITY Maintenance Staff

9-1 ANNUAL SERVICES

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards
- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #9: POLICE DEPARTMENT 16200 Vineyard Drive

WORK HOURS

- Days: 5 Days a week (Monday, Tuesday, Wednesday, Thursday, Saturday)
- Hours: between 6pm-5am

All work necessary for complete janitorial service including but not limited to the following:

10-1. ALL RESTROOMS & LOCKER ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers and benches (front, top, inside and out) with a damp cloth and disinfectant.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Vacuum all carpeted areas.

10-2. MAIN ENTRANCE/LOBBY AREA/ AND HALLWAYS (INCLUDING BACK HALLWAY BY LOCKER ROOMS/GYM) – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.
- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean door handles with approved cleaner.

- j. Clean and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

10-3. LUNCH/BREAK ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash, recycle and compost receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down all tables and chairs in the room.

10-4. CONFERENCE ROOMS/INTERVIEW ROOMS/BREFING ROOM/REPORT WRITING ROOM (OPEN OFFICE ON MAP)/EOC/RECORDS/SPECIAL OPS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- K. Any papers left on tables will be left as found.

10-5. EVIDENCE ROOM/JAIL/BOOKING AND PROCESSING/LOUNGE/DISPATCH/COPY ROOM – 3 days/week/

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be

replaced by City staff).

- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- k. Any papers left on tables will be left as found.

10-6. STAFF OFFICE AREAS – Trash 5 days a week and rest of service 3 days/week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

10-7. OUTSIDE TRASH AREA

- a. Brown recycling containers need to be put outside of the gate for Recology to pick up on Tuesday evening and brought back in Wednesday
- b. Green compost containers need to be put outside of the gate for Recology to pick up on Saturday evening and brought back in Monday

10-8. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 5 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers located in enclosed patios and inside the pool area are to be emptied as needed; replace plastic liners. Clean receptacles.
- c. Collect cardboard, flatten and place in recycle bins.
- d. Scrub all tile floor areas using approved methods.
- e. Clean all ground level windows in Main Lobby inside and out.
- f. Dust and remove spider webs from the ceilings, window sills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- g. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- h. Vacuum and spot clean all entry mats and clean floor below mats
- i. Vacuum all ground level vents and dust exterior of ceiling level vents.
- j. Wipe down all door hinges.
- k. Clean all ground level interior window sills.
- l. Remove, clean and replace all light fixtures lower than 10 feet in height.
- m. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris.
- n. Wipe down all tables and chairs in the room.
- o. No persons shall be admitted into the building by the janitors.
- p. All doors and main access points shall be locked during and after each service.
- q. Follow all MHPD security measures and protocols as directed.

10-9. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all linoleum floors per approved methods.
- b. Strip, wax, and buff all tile floors per approved methods in west wing restrooms, locker rooms, family changing rooms, hallway and senior center restrooms.
- c. Remove all floor drains, scrub clean and replace.
- d. Remove, dust, wash and replace all light fixtures.
- e. Clean all windows inside and out for the entire facility

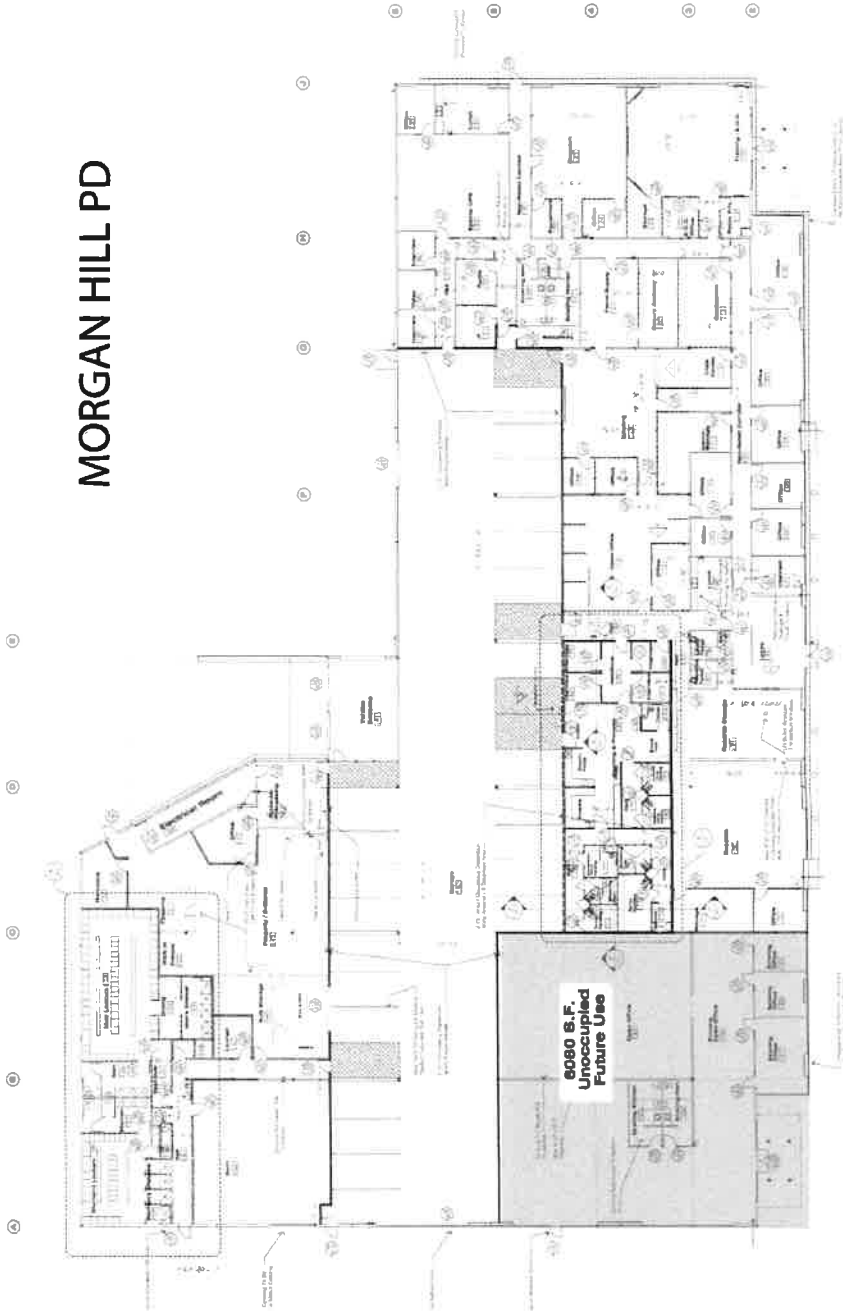
10-10 ANNUAL SERVICES

Truck mounted steam extraction of all carpeted areas.

10-11 On-call janitorial services as requested and approved by City.

10-12. POLICE STATION SITE INFORMATION AND FACILITY DIAGRAM

MORGAN HILL PD



CITY FACILITY ON-CALL SERVICES

- 11-1 Additional carpet cleanings as requested and approved by City
- 11-2 Other janitorial services at City facilities as requested and approved by City.

EXHIBIT B PAYMENT PROVISIONS

As described in the Scope of Work, this Agreement is outcome-based, with an inspection and rating process. Both SERVICE PROVIDER and CITY shall perform inspections as described in the Scope of Work. SERVICE PROVIDER will be paid only for work rated as "meets standards". SERVICE PROVIDER will not be paid for work rated as "below standard" until conditions improve and rate as "meets standards" if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER. If an area does not meet CITY standards, it will be considered "below standard". SERVICE PROVIDER will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER.

CITY will perform inspections and prepare reports weekly, which will be e-mailed to the SERVICE PROVIDER. The first time a site fails to meet CITY Standards per the weekly inspections, the SERVICE PROVIDER will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will be incurred. If a site is not brought back into compliance within the allotted timeframe the following penalties will occur:

1. First Penalty: SERVICE PROVIDER to receive warning.
2. Second Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$25 monthly deduction per deficiency.
3. Third Penalty: At the same site within (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$75 monthly deduction per deficiency.

The parties will observe the following progressive problem resolution process:

1. Written notice of the problem.
2. Field conference with CITY inspector and SERVICE PROVIDER'S field representative to identify problem and agree on solution as presented by SERVICE PROVIDER.
3. Conference between CITY'S representative and SERVICE PROVIDER'S principal.
4. Imposition of penalties and/or correcting defect at SERVICE PROVIDER'S cost.
5. Termination of Contract.

No payment will be made for services not performed. CITY reserves the right to back charge the SERVICE PROVIDER for services not performed. If services are not performed as per the contract or schedule submitted, after 5-days' notice to SERVICE PROVIDER of failure to perform, CITY may then contract out the service and back charge the SERVICE PROVIDER cost plus 15%.

If deficiencies are not corrected in a timely manner, CITY may perform the work using others and deduct the cost from SERVICE PROVIDER'S payment as described in the Payment Provisions.

If SERVICE PROVIDER is unable to complete the work within the specified time period, CITY may deduct the applicable portions, pro rata, from the payment to SERVICE PROVIDER.

Failure by SERVICE PROVIDER to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the SERVICE PROVIDER if any scheduled use, (including, but not limited to, special events or recreation programs) of CITY facilities are impacted by neglect on the SERVICE PROVIDER'S part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the SERVICE PROVIDER for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

SCHEDULE OF COMPENSATION RATES

The rate schedule is composed of two parts: a base bid for regular services, and bid alternates for services that will be performed only when requested and approved by CITY. CITY reserves the right to reduce or add services upon thirty (30) days' notice to SERVICE PROVIDER.

Bid Item	Item	Annual Amount	Bid Total: Two-Year Amount
1.	Community and Cultural Center Section 2-1 thru Section 2-14, and Section 2-16	\$83,495.00	\$166,990.00
2.	Council Chamber Building Section 3-4. Semi-Annual Cleaning Only (2 times per year)	\$5,100.00	\$10,200.00
3.	Centennial Recreation Center Section 4-1 thru Section 4-17	\$130,415.00	\$260,830.00
4.	Dennis Kennedy Aquatics Center Section 5-1 thru Section 5-9, and Section 5-11	\$29,165.00	\$58,330.00
5.	Dennis Kennedy Aquatics Center: Section 5-10. Special Cleaning and Day Porter Services	\$32,620.00	\$65,240.00
6.	Public Works City Corporation Yard Section 6-1 thru Section 6-2	\$3,000.00	\$6,000.00
7.	Railroad Park Section 7-1 thru Section 7-2	\$12,468.00	\$24,936.00
8.	Downtown Parking Garage Section 8-1 thru Section 8-2	\$21,252.00	\$42,504.00
9.	City Hall/Development Services Center (DSC) Building Section 9-1	\$5,700.00	\$11,400.00
10.	Police Department Section 10-1	\$53,742.00	\$106,944.00

Bid Total

\$753,374.00

BID ALTERNATE 1: Council Chamber

Bid Alternate Item	Item	Annual Amount	Bid Total: Two-Year Not-to- exceed Amount
1.	Council Chamber Building: Sunday Only Service (3-1 to 3-3)	\$5,805.00	\$11,610.00

BID ALTERNATE 2: Playhouse Cleaning

Bid Alternate Item	Item	Estimated performances	Bid Amount: Cost per After Performance Cleaning
1.	Community and Cultural Center: Section 2-15. Special Cleaning Services at Playhouse Facility (After Performance Cleaning)	250	\$67.50
		Two-year not-to-exceed amount	\$16,875.00

ADDITIONAL SERVICES

Facility	Hourly Rate	Estimated Hours	Total
Police Department Section 10-2: On-call janitorial	\$45.00	100	\$4,500.00
Downtown Parking Garage Section 8-3: Extra Garage Cleaning	\$25.00	500	\$12,500.00
Aquatic Center Section 5-12: Additional Swim Meet Cleanings	\$25.00	500	\$12,500.00
City Facilities Section 11-1: Additional Carpet Cleanings	\$25.00	400	\$10,000.00
City Facilities Section 11-2: Misc. Facility Extras	\$25.00	400	\$10,000.00
		Annual Total	\$49,500.00
		Two-year not-to-exceed amount	\$99,000.00

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

Work shall be performed by SERVICE PROVIDER at the frequency and at the times specified in the Scope of Work for each facility. All work designated as on-call, annual, semi-annual, and quarterly shall be scheduled and performed as directed by City staff.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

WWW.MORGANHILL.CA.GOV

ADDENDUM NO. 3

DATE: September 14, 2020

TO: ALL RESPONDING PARTIES TO THE RFP FOR
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. The following language is added to the Request for Proposals (RFP):

In submitting a bid, Contractor understands and agrees that the services shall be provided in accordance with all applicable laws, including but not limited to the Displaced Janitor Opportunity Act (California Labor Code §§ 1060 et seq.) and the California Property Service Workers Protection Act (California Labor Code §§ 1420 et seq.). A successor contractor or successor subcontractor shall retain, for a 60-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding four months or longer at the site or sites covered by the successor service contract unless the successor contractor or successor subcontractor has reasonable and substantiated cause not to hire a particular employee based on that employee's performance or conduct while working under the terminated contract.

2. Is the lights change included in the contract, is the day porter for Community & Cultural Center from 2 pm to 4pm Wednesday only ?

The actual light bulbs will be provided by the City, but it is the contractors responsibility to check and replace the lights on a daily basis.

CCC day porter requests can vary depending on events and usage in the facility. When large group gatherings are permitted to happen again the CCC will likely resume day porter services on Wednesdays starting at 2pm and ending at 4pm. The City would work with the contractor on adding this service if/when it resumes

3. Can you provide current janitorial staffing numbers for each location from current contractor and if you feel this is sufficient?



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

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Based on City staff observations, each site typically has two (2) staff that provide service. It is up to the contractor as to how they choose to staff each site based on the scope of work. It is less about the number of staff and more about the quality of work performed on a nightly basis, and completing work in the time allocated (or before facility opens back to the public).

4. Has the city had to hire an outside service provider to correct work of the incumbent causing a deduction of the monthly contract price? (Section 1-5: Corrective Work)

No, the City has not had to hire an outside contractor to correct any work.

5. Has the current incumbent incurred any service penalties during the contract period? If so, how many and what level 1,2, or 3? Was the incumbent ever not paid 100% of the monthly contract price? (Section 1-8: Outcome-based Contract and Inspection Problem Resolution Process)

Yes, the current contractor has had penalties deducted therefore not receiving 100% of payment. There have been approximately five (5) warnings, three (3) level 2 deductions, and nine (9) level 3 deductions.

6. Has the incumbent ever been back charged for nonperformance? (Section 1-9: Services Not Performed)

No, the current contractor has not been back charged for nonperformance.

7. How many staff are currently employed for the janitorial crew? Is this number of staff sufficient for completing the work? How many full-time and part-time employees are there?

Per City staff observations, per site there are typically two (2) janitorial staff that come in each night. The City does not dictate the amount of staff, but focuses on the quality of work based on the scope of work for each facility and whether it is completed in the window of time allowed. The Centennial Recreation Center has the shortest window because it closes at 10 p.m. and opens again at 4:30 a.m. It is up to the awarded contractor as to how they want to staff a facility to successfully perform the scope on a nightly basis. In the current contract some janitorial crews work at multiple sites.

The City of Morgan Hill does not have access to the information regarding the number of full-time and part-time employees. The current service provider provides staffing sufficient to complete the work, and is compensated on a monthly basis for services performed as described in the schedule previously provided in Addendum #2.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

WWW.MORGANHILL.CA.GOV

8. What is the total yearly cost for the current contract?

The total yearly cost for the current contract is a not to exceed amount of \$440,429.50. This consists of the janitorial base bid services of \$376,687.00 and a total allowance of \$63,742.50 for the following as-needed services:

Council Chamber Sunday Only Cleanings	\$ 5,805.00
Playhouse After Performance Cleanings	\$ 8,437.50
Police Dept. On-Call Services	\$ 4,500.00
Downtown Parking Garage Extra Cleanings	\$12,500.00
Aquatics Center Additional Swim Meets	\$12,500.00
City Facilities – Additional Carpet Cleaning	\$10,000.00
City Facilities – Misc. Facility Extras	\$10,000.00
TOTAL FOR AS-NEEDED SERVICES	\$63,742.50

9. Do all the janitors need to be background checked?

Yes, all the janitors need to complete background checks.

10. For the background check, it states that the background check may be performed at the Police Department site. This brings the question; can the background check be performed where we chose? If I'm not mistaken, currently the City pays \$35 and the contractor pays \$15. For Morgan Hill, would the contractor pay in full a total of \$83?

Yes, you can have the background check performed at locations other than the City of Morgan Hill Police Department, but the background checks must include a Department of Justice and FBI background check. The estimated cost to complete a background check at the Morgan Hill Police Department is \$69.

11. Is the Police Department the only location requiring a background check?

No, all city facilities/locations require background checks for janitorial staff.

12. If the current staff stays on will they need background checks again?

Yes, per the Morgan Hill Police Department, new background checks will be required of current staff that stays on. Background checks are not sharable, they are valid only for the company that requested them.

13. Who is the current vendor?



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MORGAN HILL, CA 95037

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The current vendor is Firato Service Company, Inc.

14. Will the incumbent be bidding on this RFP?

Yes, we anticipate that the incumbent will be bidding on this RFP.

15. Is the current incumbent a union or non-union provider?

The current incumbent is a non-union provider.

16. When will the new contract start?

The new contract starts on January 1, 2021.

17. Where can we find a copy of the addendums?

Addendums are posted on the City website at <https://www.morgan-hill.ca.gov/bids.aspx?bidID=351> and at www.publicpurchase.com

18. California law regarding no janitor left behind-if you switch service providers, we are required to hire the current staff. This is not union, but are you requiring living or prevailing wages? Are you able to provide wage rates and current incumbent information?

While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wage rates or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

The DIR does not provide a State prevailing wage for janitorial services, and the City of Morgan Hill does not have a living wage ordinance or policy.

The City is only able to provide the current fee schedule as previously produced in Addendum #2.

19. What is the minimum wage in Morgan Hill?

For employees and businesses in Morgan Hill there is no local ordinance for minimum wage. Minimum wage in Morgan Hill is based upon the State of California minimum wage. https://www.dir.ca.gov/dlse/faq_minimumwage.htm



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
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WWW.MORGANHILL.CA.GOV

Date	Minimum Wage for Employers with 25 employees or less	Minimum Wage for Employers with 26 employees or more
January 1, 2021	\$13.00 per hour	\$14.00 per hour
January 1, 2022	\$14.00 per hour	\$15.00 per hour

20. If the wage rates could be provided that would help in being able to compare apples to apples, otherwise only the current incumbent knows the current pay wages. If a new service provider is chosen, we will have to provide those same rates to the current staff.

The City is only able to provide the fee schedule as previously produced in Addendum #2. While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wages or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

21. Does the current contractor provide health benefits?

The City does not have access to this information, and the City does not require any specific benefits be provided.

22. What is a disinfecting protocol?

This is dependent upon what product you are using for cleaning services and what the dwell time is. We regularly use "Strikebak" at our facilities, which has a dwell time of 10 minutes. We follow the label's instructions on the product and that's how City staff disinfects throughout the day and also the fitness equipment.

23. Each contractor proposes an independent disinfecting protocol?

It is up to each contractor how they want to perform their disinfecting at each facility as long as they follow the scope that we provided in the RFP.

24. On the Subcontractor List submittal are we obligated to fill in any subcontractor even if we are not going to use them?

No, if you do not have any subcontractors, please state "Not Applicable," on the Subcontractor List form.

25. Do you provide consumable products?



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MORGAN HILL, CA 95037

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WWW.MORGANHILL.CA.GOV

Yes, the City provides all the consumable products (toilet paper, urinal cartridges, paper towels, soap, light bulbs, etc.)

26. Are the picnic tables at the Aquatics Center included in the pressure washing schedule?

Yes, under Section 5-6, "Pressure wash picnic area (tables & ground) and ground directly in front of the concessions stand and BBQ areas. During the off-season this occurs one (1) time per month and daily during summer season.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037GENERAL: (408) 779-7271
FAX: (408) 779-3117

WWW.MORGANHILL.CA.GOV

ADDENDUM NO. 4

DATE: September 28, 2020

TO: ALL RESPONDING PARTIES TO THE RFP FOR
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Final Addendum: Responses to Questions

1. Regarding the Recreation Center, page #28, paragraph 4-14 Quarterly Services, "pressure wash all pavement at facility front entrance." Will we need to pressure wash all the way out to the pavement of the parking lot?

Yes, the pressure washing is for the entrance area all the way to the parking lot.

2. Regarding Facility #7: Downtown Parking Garage, page #41, line 8-3 Extra Garage Cleaning, "pressure washing of stairwells and cleaning ceiling beams that collect dirt and dust." Can you provide the frequency?

The pressure washing for the parking garage is an annual frequency.

3. On Attachment A- Bid Schedule: Base Bid (page 50). Base Bid Items # 4 and # 5, list Section 5-12. Can you please clarify why lines 4 and 5 both have Section 5-12?

Both base bid item #4 (Aquatics Center Janitorial Services) and base bid item #5 (Aquatics Center Summer Season Schedule) refer to Section 5-12 because that section is the Aquatics Center's Site Information and Facility Diagram. The information contained in Section 5-12 applies to both base bid items #4 and #5.

4. Does the Pollution Liability and Professional Liability Insurance apply to this solicitation?

No, both the pollution liability and professional liability insurance do not apply to the janitorial services contract.

5. Could someone email me the RFP for Janitorial Services as a word document?

We do not send the RFP in Word format. To be fair and equitable, everyone receives the RFP in PDF format only.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

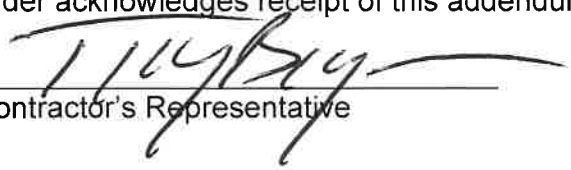
GENERAL: (408) 779-7271
FAX: (408) 779-3117

WWW.MORGANHILL.CA.GOV

6. The due date and time remain the same for this RFP. All proposals must be received by the City in a PDF format and e-mailed to cynthia.iwanaga@morganhill.ca.gov no later than 11:00 a.m. on Thursday, October 8, 2020. No late proposals will be accepted.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

CITY OF MORGAN HILL

BUSINESS LICENSE CERTIFICATE

"For Services Provided in the City of Morgan Hill, California Onl

Business Name FIRATO SERVICE CO., INC.
Business Location 17485 Monterey Rd 200
 Morgan Hill, Ca 95037
Business Owner(s) FIRATO SERVICE CO. INC.

FIRATO SERVICE CO., INC.
 17485 MONTEREY RD 200
 MORGAN HILL, CA 95037

TO BE POSTED IN A CONSPICUOUS PLACE AND
 NOT TRANSFERABLE OR ASSIGNABLE.



Description BUILDING CLEANING SERVICE
 [SQFT 900]
Business Type House Cleaning - Janitorial
 Services
Business License Number 07210071
Effective Date July 01, 2019
Expiration Date June 30, 2020

For all inquiries regarding this license, contact HdL
 Business License Division at 669-454-3100.

FIRATO SERVICE CO., INC.:

Thank you for your payment on your City of Morgan Hill Business License. **ALL CERTIFICATES MUST BE AVAILABLE FOR INSPECTION UPON REQUEST.** If you have questions concerning your business license, contact the Business Support Center via email at: support@HdLgov.com or by telephone at: 669-454-3100.

Keep this portion for your license separate in case you need a replacement for any lost, stolen, or destroyed license. A fee

SEPARATE BUSINESS LOCATIONS

In accordance with the section 5.04.120 of the City's Municipal Code, a separate license must be obtained for each branch establishment or location of the business transacted and carried on and for each separate unrelated type of business at the same location, and each license shall authorize the licensee to transact and carry on only the business licensed thereby at the location or in the manner designated in such license; provided, that warehouses and distributing plants used in connection with and incidental to a business license under the provision of this chapter shall not be deemed to be a separate place of business or branch establishment.

LICENSE REQUIREMENT FOR CONTRACTORS THAT WORK FOR YOUR BUSINESS

In accordance with section 5.04.270 of the City's Municipal Code, if you have anyone working for you in Morgan Hill that you are not claiming as an employee (for example a dance instructor or a cosmetologist at a salon), and you issue them a 1099 tax form, they must have their own business tax certificate in the City of Morgan Hill. Their tax certificate must be posted when they are doing business.



BUSINESS LICENSING
 8839 N CEDAR AVE #212
 FRESNO, CA 93720-1832

City of Morgan Hill
BUSINESS TAX CERTIFICATE

FIRATO SERVICE CO., INC.
 17485 MONTEREY RD 200
 MORGAN HILL, CA 95037

License Number: 07210071

Date of Issue: 07/01/2019

State of California
 Department of Industrial Relations
 Division of Labor Standards Enforcement
 Licensing & Registration Unit
 1515 Clay Street, Ste. 1902
 Oakland, CA 94612



Registration Number:
JS-LR-000019682

JANITORIAL SERVICES REGISTRATION

Effective Date	Expiration Date
10/16/2019	10/16/2020

Firato Service Company, Inc.
 17485 Monterey Road, Suite #200
 Morgan Hill, CA 95037

Workers Compensation Insurance Expiration Date:
8/1/2020

Branch 1- DBA N/A

17485 Monterey Road, Suite #200, Morgan Hill, CA
 95037

Having paid to the Labor Commissioner of the State of California the required Registration Fee is hereby granted a registration to conduct the business of Janitorial Services in the State of California at the location(s) listed above and effective for the period designated above in conformity with the provisions of Chapter 4, Part 4.2, Division 2 of the Labor Code and the rules and regulations issued thereunder by the Labor Commissioner.

THIS REGISTRATION IS NOT TRANSFERABLE AND IS VALID ONLY AT THE REGISTERED OPERATING LOCATION INDICATED ABOVE

ALTERATIONS WILL VOID THIS REGISTRATION

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)

CERTHOLDER COPY

NA



P.O. BOX 8192, PLEASANTON, CA 94588

CERTIFICATE OF WORKERS' COMPENSATION INSURANCE

ISSUE DATE: 08-01-2020

GROUP:
 POLICY NUMBER: 1310753-2020
 CERTIFICATE ID: 275
 CERTIFICATE EXPIRES: 08-01-2021
 08-01-2020/08-01-2021

CITY OF MORGAN HILL
 17575 PEAK AVE
 MORGAN HILL CA 95037-4128

NA

This is to certify that we have issued a valid Workers' Compensation insurance policy in a form approved by the California Insurance Commissioner to the employer named below for the policy period indicated.

This policy is not subject to cancellation by the Fund except upon 30 days advance written notice to the employer.

We will also give you 30 days advance notice should this policy be cancelled prior to its normal expiration.

This certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policy listed herein. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate of insurance may be issued or to which it may pertain, the insurance afforded by the policy described herein is subject to all the terms, exclusions, and conditions, of such policy.

Authorized Representative

President and CEO

EMPLOYER'S LIABILITY LIMIT INCLUDING DEFENSE COSTS: \$1,000,000 PER OCCURRENCE.

ENDORSEMENT #0015 ENTITLED ADDITIONAL INSURED EMPLOYER EFFECTIVE 2019-08-01 IS ATTACHED TO AND FORMS A PART OF THIS POLICY. NAME OF ADDITIONAL INSURED: CITY OF MORGAN HILL

ENDORSEMENT #2065 ENTITLED CERTIFICATE HOLDERS' NOTICE EFFECTIVE 08-01-2008 IS ATTACHED TO AND FORMS A PART OF THIS POLICY.

ENDORSEMENT #2570 ENTITLED WAIVER OF SUBROGATION EFFECTIVE 2020-08-01 IS ATTACHED TO AND FORMS A PART OF THIS POLICY. THIRD PARTY NAME: CITY OF MORGAN HILL

ENDORSEMENT #1651 - JULIENE M. FIRATO, TREASURER - EXCLUDED.

ENDORSEMENT #1651 - RICHARD G. FERATO, PRESIDENT - EXCLUDED.

EMPLOYER

FIRATO SERVICE CO INC
 17485 MONTEREY ST STE 200
 MORGAN HILL CA 95037

NA

[AA8,CN]



P.O. BOX 8192, PLEASANTON, CA 94588

CERTIFICATE OF WORKERS' COMPENSATION INSURANCE

ISSUE DATE: 08-01-2020

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 17575 PEAK AVE
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Authorized Representative

President and CEO

EMPLOYER'S LIABILITY LIMIT INCLUDING DEFENSE COSTS: \$1,000,000 PER OCCURRENCE.

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EMPLOYER

FIRATO SERVICE CO INC
 17485 MONTEREY ST STE 200
 MORGAN HILL CA 95037

NA

[AA8,CN]

WAIVER OF SUBROGATION NOTICE

Enclosed is your copy of a certificate of insurance on which the certificate holder required a waiver of subrogation:

1. Please be advised that a waiver of subrogation requires that a 3% surcharge will be applied by State Fund ONLY to the premium assessed on the payroll of your employees earned while engaged in work for that certificate holder who requested the waiver. (Note: if you have no employee payroll on that job, then there is no charge.)
2. To apply the 3% surcharge, you must also agree to maintain accurately segregated payroll records for employees engaged in work on job/s for the certificate holder who has the waiver. The payroll records are subject to verification by an auditor.

Example:

Payroll for job:	\$5,000.00
Sample Rate:	13.30%

Regular Premium equals:	\$ 665.00
Surcharge:	3.00%

Additional Waiver charge:	\$ 19.95
Total premium equals	\$ 684.95 (665.00 + 19.95)



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

09/30/20

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Ferrante Insurance Services, Inc. 1401 Willow Pass Road, Ste 880 Concord, CA 94520 0D91034	CONTACT NAME: PHONE (A/C, No, Ext): (925)674-1755 FAX (A/C, No): (925)674-1663 E-MAIL ADDRESS: ai@ferranteinsurance.com														
INSURED Firato Service Company, Inc. 17485 Monterey St Suite 200 Morgan Hill, CA 95037	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: left;">NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Lloyd's</td> <td>AA1122000</td> </tr> <tr> <td>INSURER B : Progressive Casualty Insurance</td> <td>11770</td> </tr> <tr> <td>INSURER C : StarStone Specialty Ins. Comp.</td> <td>44776</td> </tr> <tr> <td>INSURER D : Navigators Insurance Company</td> <td>42307</td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Lloyd's	AA1122000	INSURER B : Progressive Casualty Insurance	11770	INSURER C : StarStone Specialty Ins. Comp.	44776	INSURER D : Navigators Insurance Company	42307	INSURER E :		INSURER F :	
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INSURER E :															
INSURER F :															

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD	WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☒ OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PROJECT ☐ LOC OTHER:	Y	Y	CISDTW004824 19	12/03/19	12/03/20	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 \$
B	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ OWNED AUTOS ONLY ☒ SCHEDULED AUTOS ☐ HIRED AUTOS ONLY ☒ NON-OWNED AUTOS ONLY			06510503-2	02/01/20	02/01/21	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
C	☒ UMBRELLA LIAB ☒ OCCUR ☒ EXCESS LIAB ☐ CLAIMS-MADE DED RETENTION \$			76197B192ALI	12/03/19	12/03/20	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y / N	N / A				PER STATUTE OTH-ER E L EACH ACCIDENT \$ E L DISEASE - EA EMPLOYEE \$ E L DISEASE - POLICY LIMIT \$
D	Inland Marine			04-IM30045	07/25/20	07/25/21	Office Contents \$ \$50,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insured with primary and non-contributory wording and waiver of subrogation applies per the attached endorsement form#CG 20 10 10 01, DGL 1070 0716 & CG 20 24 10 93.

CERTIFICATE HOLDER
CANCELLATION

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037-4128

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

© 1988-2015 ACORD CORPORATION. All rights reserved.

UMR: B6991SCO2018S01

POLICY NUMBER: CISDTW004824 19

COMMERCIAL GENERAL LIABILITY

CG 20 10 10 01

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - OWNERS, LESSEES OR CONTRACTORS - SCHEDULED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

The City of Morgan Hill, its elected or appointed officials, boards, agencies,
officers, agents, employees, and volunteers
17575 Peak Avenue
Morgan Hill, CA 95037-4128

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

- A. Section II - Who Is An Insured** is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.
- B.** With respect to the insurance afforded to these additional insureds, the following exclusion is added:

2. Exclusions

This insurance does not apply to "bodily injury" or "property damage" occurring after:

- (1) All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the site of the covered operations has been completed;
or
- (2) That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

UMR: B6991SCO2018S01

POLICY NUMBER	EFFECTIVE DATE AND TIME	INSURED
CISDTW004824 19	12/03/2019	Firato Service Company Inc. DBA: Firato Service Company Inc.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PRIMARY AND NON-CONTRIBUTING INSURANCE (Third Party's Sole Negligence)

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
OWNERS AND PROTECTIVE LIABILITY COVERAGE FORM

The following is added to the Other Insurance conditions of **SECTION IV - CONDITIONS**:

Other Insurance:

Third Party

It is agreed that in the event of a claim or "suit" arising out of the Named Insured's sole negligence, this insurance shall be primary and any other insurance maintained by the additional insured named as the Third Party below shall be excess and non-contributory.

The Third Party to whom this endorsement applies is:

The City of Morgan Hill, its elected or appointed officials, boards, agencies,
officers, agents, employees, and volunteers
17575 Peak Avenue
Morgan Hill, CA 95037-4128

Absence of a specifically named Third Party above means that the provisions of this endorsement apply "as required by written contractual agreement with any Third Party for whom you are performing work."

All other terms, conditions and exclusions under this policy are applicable to this Endorsement and remain unchanged.

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)

UMR: B6991SCO2018S01

POLICY NUMBER: CISDTW004824 19

COMMERCIAL GENERAL LIABILITY

CG 24 04 10 93

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**WAIVER OF TRANSFER OF RIGHTS OF RECOVERY
AGAINST OTHERS TO US**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE**Name of Person or Organization:**

The City of Morgan Hill, its elected or appointed officials, boards, agencies,
officers, agents, employees, and volunteers
17575 Peak Avenue
Morgan Hill, CA 95037-4128

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

The TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US Condition (Section IV COMMERCIAL GENERAL LIABILITY CONDITIONS) is amended by the addition of the following:

We waive any right of recovery we may have against the person or organization shown in the Schedule above because of payments we make for injury or damage arising out of your ongoing operations or "your work" done under a contract with that person or organization and included in the "products-completed operations hazard". This waiver applies only to the person or organization shown in the Schedule above.

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: David Gittleson, Associate Engineer
APPROVED BY: City Manager

AWARD PHASE 1 OF HALE AVENUE EXTENSION PROJECT TO DESILVA GATES CONSTRUCTION

RECOMMENDATION(S)

1. Approve the Hale Avenue Extension Project plans and specifications;
2. Award contract to DeSilva Gates Construction for the Hale Avenue Extension Project in the amount of \$14,174,174;
3. Authorize expenditure of construction contingency funds not to exceed \$1,417,417; and
4. Authorize the City Manager to execute and administer the construction contract with DeSilva Gates Construction pending review and approval by the City Attorney's office.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability
Transportation

GUIDING DOCUMENTS

Bikeways
Trails
Parks
and Recreation Masterplan
Morgan Hill 2035 General Plan
Water System Master Plan

REPORT NARRATIVE:

The Hale Avenue Extension project is a significant and long planned transportation improvement for the City of Morgan Hill. It has been included and identified in the City's General Plan since 1969 as a north/south arterial street for the west side of the community. The limits of the Hale Avenue Extension project are West Main Avenue at the north end and Spring Avenue at the south end (Attachment 1).

The Hale Avenue Extension project was designed with community input as a two-lane multi-modal arterial street using the "Complete Streets" criteria for roadway planning as an additional tool. The completed project will provide a continuous north/south route on the west side of the City which will help to reduce cut through traffic in the local neighborhoods. It will also have the benefit of reducing energy consumption by providing an efficient and continuous roadway network within the City of Morgan Hill.

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.

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 2) and the Cut through Traffic Study is available on the City's Traffic and Transportation Management Page (Attachment 3).

Before the Council tonight is the award of the major portion of the project. The scope of work includes constructing approximately 4,000 linear feet of new roadway, including; a roundabout at the West Dunne/Hale intersection, bike lanes, median, separated pedestrian pathway, sound walls, retaining walls, street lights, striping, fiber optic conduits, undergrounding of overhead utility crossings, water line and fire hydrants, stormwater bioswales, storm drain system, irrigation and landscaping, traffic control and project clean-up. The bid opening for the project was held on October 29, 2020 and the bids received are listed below.

DeSilva Gates Construction	\$14,174,174
Granite Construction Company	\$14,425,928*
Joseph L Albanese, Inc.	\$15,094,564
Granite Rock Company	\$15,474,937
Teichert Construction	\$15,915,263

* *Corrected Value*

DeSilva Gates Construction is the apparent low bidder. DeSilva Gates Construction's bid amount is 5% more than the engineer's estimate of \$13.5M. DeSilva Gates

Construction is an experienced contractor and has performed work for the City on previous projects. Staff recommends award of the contract to DeSilva Gates Construction in the amount of \$14,174,174 plus a 10% contingency of \$1,417,417 to address unknown site conditions for this project.

Construction is anticipated to commence in early 2021 and will be constructed in coordination with Phase 2A of Valley Water's Upper Llagas Creek Flood Control Project. The two projects have a common work area near the intersection of Hale Avenue and West Main Avenue. The Flood Control Project will need to complete its work in this area before the Hale Avenue roadway improvements can be constructed. Thus, the Hale Avenue Extension project will be constructed via two phases. The first phase (subject of this staff report) will construct Hale Avenue from Spring Avenue to Warren Avenue. The second phase (subject to a second staff report on this Council agenda) will construct Hale Avenue from Warren Avenue to approximately 300 feet north of the West Main Avenue and Hale Avenue intersection. The Phase 2 roadway improvements will be constructed by Valley Water as part of Phase 2A of the Upper Llagas Creek Flood Control Project.

The project plans and specifications can be found on the City's web page in the Community Projects (attachment 4).

COMMUNITY ENGAGEMENT: Inform

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. Most recently, the City Council approved the funding for the project in June 2020. More recently, City staff held a Town Hall meeting on Thursday, June 11 to specifically discuss the Hale Avenue Extension. The City's Hale Avenue Project webpage (Attachment 2) provides significant project background on the history of the project and its intended purpose.

ALTERNATIVE ACTIONS:

1. The City Council could elect to reject all bids, value engineer portions of the project and rebid in hopes of receiving lower prices. However, there is no guarantee that this option will be less expensive. There is a potential that delay for this purpose would put the grant funding at risk.
2. The City Council could also elect to not award this contract at this time. Doing so could forfeit the \$16.5M in grant monies awarded to the project through Measure B. In addition, not constructing the project would leave the City with acres of vacant land purchased with Traffic Impact Fees. Thus, the land cannot be used for other public purposes and would likely need to be sold off for development and many of those proceeds refunded to developers that paid them.

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

FISCAL AND RESOURCE IMPACT:

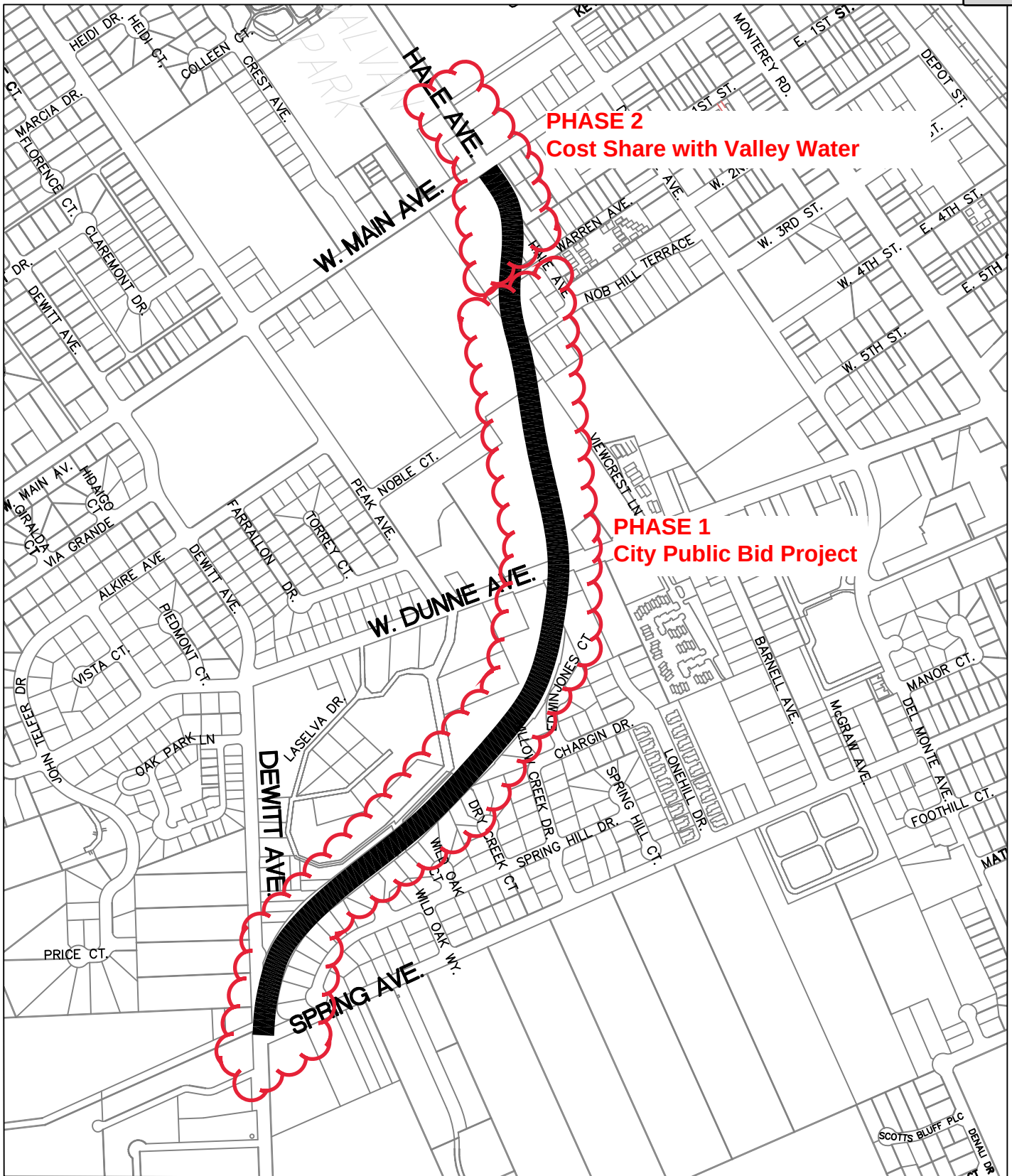
The total authorization needed for this project is \$15,591,591, which includes a 10% contingency amount of \$1,417,417. The project will receive \$16.5M in Measure B monies which will be applied to the construction portion of the project. Additionally, funding of \$2M for storm system expansion is also allocated for this project for a total of \$18.5 million. \$15,591,591 of the \$18.5M is allocated with this Phase 1 associated with this report and the remaining funds will be allocated with the Phase 2 included on this agenda in a separate report.

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:

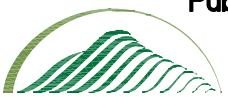
1. Hale Project Location Map Phases
2. Hale Avenue Project Webpage (weblink)
3. Cut Through Traffic Study (weblink)
4. Plans and Specifications (weblink)



SCALE: NTS

City of Morgan Hill

Public Works Department



CITY OF MORGAN HILL

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LOCATION PLAN

Hale Avenue Extension

Date: 11/18/20

Drwn by: DIG

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CITY OF MORGAN HILL

CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Chris Ghione, Public Services Director

APPROVED BY: City Manager

APPROVE COST SHARE AGREEMENT WITH VALLEY WATER FOR THE HALE AVENUE EXTENSION PROJECT AND FLOOD CONTROL IMPROVEMENTS

RECOMMENDATION(S)

1. Authorize the City Manager to execute and administer a cost share agreement with Valley Water for the construction of the Hale Avenue Extension Project south of Warren Avenue and improvements supporting the Upper Llagas Creek Flood Control Project for up to \$3.5 million; and
2. Authorize the City Manager to make minor modifications to the agreement as necessary with approval of the City Attorney.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability
Transportation

GUIDING DOCUMENTS

Bikeways
Trails
Parks
and Recreation Masterplan
Morgan Hill 2035 General Plan
Vision Zero

REPORT NARRATIVE:

For decades, the City has supported Valley Water in efforts to complete the Upper Llagas Creek Flood Protection Project. Completion of this project will provide flood control for the West Little Llagas Creek running through Morgan Hill, protecting homes and businesses. Valley Water is planning to bid Phase 2A in the coming months. This phase runs from Ciolino Drive at the existing storm drain channel north to approximately 300 feet north of Main Avenue on Hale Avenue. Once complete, the Flood Protection Project will be interconnected with the City's infrastructure. At this point, Valley Water intends to fund the primary elements of the project for flood control. The City intends to construct the Hale Avenue Extension Project which overlaps the Flood Control project from Warren Avenue north to Main Avenue. Since the two projects overlap, the City and Valley Water have jointly designed and now are proposing to jointly construct the projects in this area.

The Flood Control Project will need to complete its work in this area before most of the Hale Avenue roadway improvements can be constructed. Thus, the Hale Avenue Extension project will be constructed via two phases. The first phase (subject of the other staff report on the Council agenda) will construct Hale Avenue from Spring Avenue to Warren Avenue. The second phase (the subject of this staff report) will construct Hale Avenue from Warren Avenue to approximately 300 feet north of the West Main Avenue and Hale Avenue intersection (Attachment 1). In addition to work on the Hale Avenue Extension, the City intends to partner to improve the storm drain system and construct trash capture devices in association with the expansion of the Flood Control Project and system expansion. In total the improvements shall include:

- Roadway
- Multi-use path
- Curb, gutter, and sidewalks
- Storm drainage facilities
- Traffic signal at Main and Hale Avenues
- Streetlights
- Undergrounding overhead utilities
- Modifications/expansion to the storm drain system

It is anticipated that the Flood Control Project will begin in early 2021 and take 2-3 years to construct. Detailed information on the Hale Avenue Extension Project is included in the other staff report on this Council Agenda. The cost share agreement will allow Valley Water to bid the City improvements as a component of their projects. The City currently estimates the cost of the improvements at \$3 million and is recommending an additional \$500,000 be authorized as a bid contingency.

COMMUNITY ENGAGEMENT: Inform

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. Most recently, the City Council approved the funding for the project in June 2020. More recently, City staff 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.

Valley Water and the City intend roll out an ongoing joint communication program to inform residents of timings of impacts associated with construction. The largest impacts related to the Flood Control Project will be construction at and near the East Main and Hale Avenues intersection, as well work on Del Monte and Ciolino Avenues south of 5th Street, including the East Dunne and Del Monte intersection.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

- Prior Council Actions associated with the Hale Avenue Extension Project are included in the Hale Avenue Extension report also on this Council Agenda.

- The City has taken numerous actions over the last several decades in support of the Upper Llagas Creek Flood Protection Project. The City Council received an update report on the Project from Valley Water on March 6, 2019.
- City Council approved design consultant work with Woodard and Curran, Inc. for \$457,271 for the design of City improvements associated with Valley Water's Flood Protection Project on June 26, 2019 and an amendment for additional scope on September 23, 2020 for an additional \$71,697.

FISCAL AND RESOURCE IMPACT:

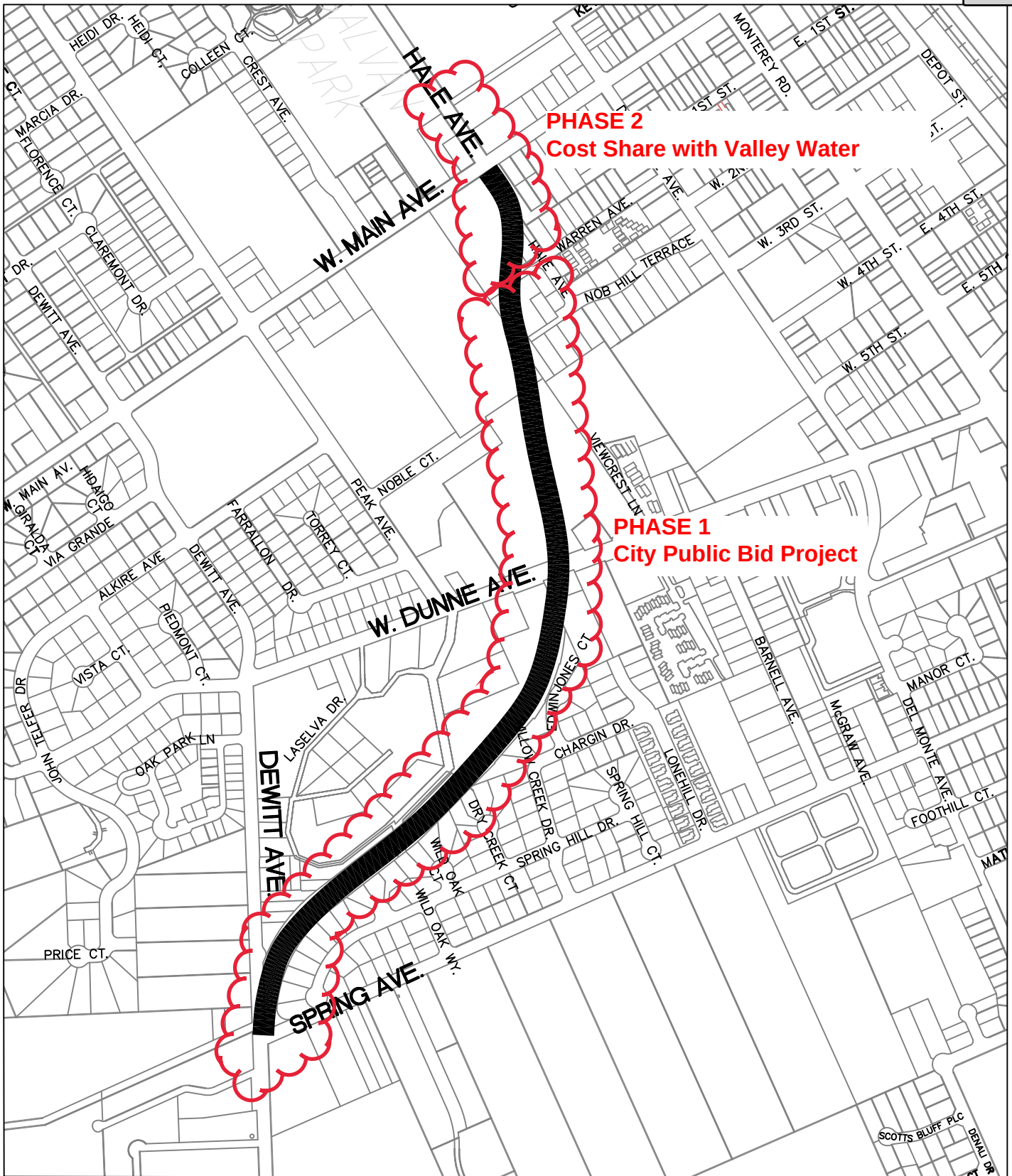
The total authorization needed for this cost share agreement is \$3.5 million. Funding will come from the City's Hale Avenue Extension project (\$2.7 million) and the City's Llagas Flood Control Project (\$0.8 million). The Hale Avenue Extension project will receive \$16.5M in Measure B monies which will be applied to the construction portion of the project. These projects, and budgets, are included in the City's current Capital Improvement Program.

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). Valley Water certified an Environmental Impact Report for the Flood Control Project.

LINKS/ATTACHMENTS:

1. Hale Project Location Map Phases
2. Phase 2A Cost Share Draft 11.11.20
3. Exhibit A to Agreement - MAP
4. Hale and West Main Design for Cost Share Agreement



SCALE: NTS

City of Morgan Hill

Public Works Department



CITY OF MORGAN HILL

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LOCATION PLAN

Hale Avenue Extension

Date: 11/18/20

Drwn by: DIG

PAGE 1 OF 1

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Attachment: Hale Project Location Map Phases (2017 : Cost Share Agreement with Valley Water for the Hale Avenue Extension Project and

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

This agreement (AGREEMENT) is made and entered into as of the date it is fully executed, by and between the CITY OF MORGAN HILL (CITY), a municipal corporation of the State of California and the SANTA CLARA VALLEY WATER DISTRICT (DISTRICT), a special DISTRICT of the State of California. CITY and DISTRICT may be referred to individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

RECITALS

WHEREAS, DISTRICT is currently proceeding with the design and construction phases of its Upper Llagas Creek Flood Protection Project (DISTRICT PROJECT), for which a Final Environmental Impact Report was certified by the DISTRICT'S Board of Directors and the Project was approved on June 10, 2014. Once the design phase is completed, DISTRICT will subsequently advertise for bids and award a contract for Phase 2A construction (DISTRICT IMPROVEMENTS) of the DISTRICT PROJECT; and

WHEREAS, Parties have previously executed on October 29, 2020 a Cost Sharing Agreement (#A4406S) for the construction of CITY IMPROVEMENTS in cooperation with Phase 1 construction of the DISTRICT PROJECT which shall remain in full effect; and

WHEREAS, CITY has proposed improvements (CITY IMPROVEMENTS) be included in the DISTRICT IMPROVEMENTS, as generally defined within the City of Morgan Hill Capital Improvement Program, including a portion of the Hale Avenue Extension Project (CITY PROJECT); and

WHEREAS, the Parties mutually agree it is in the public's best interests to achieve the economic benefits and efficiencies resulting from combining the design and construction of the Parties' public improvement projects; and

WHEREAS, the DISTRICT is willing to include CITY IMPROVEMENTS in its DISTRICT IMPROVEMENTS, at CITY'S expense and in accordance with the terms and conditions set forth in this AGREEMENT.

WHEREAS, the DISTRICT and the CITY have jointly planned and designed the DISTRICT IMPROVEMENTS and CITY IMPROVEMENTS between approximately Warren Avenue and 300 feet north of the exiting West Main Avenue and Hale Avenue intersection; and

NOW THEREFORE, in consideration of their mutual promises and agreements, and subject to the terms, conditions and provisions hereinafter set forth, the Parties hereto agree as follows:

AGREEMENT

1. DISTRICT IMPROVEMENTS DESCRIPTION

1.1. The DISTRICT IMPROVEMENTS scope of work:

**COST SHARING AGREEMENT
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FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

- 1.1.1. Prepare complete design and construction documents for Phase 2A of the DISTRICT PROJECT, including incorporating the proposed CITY IMPROVEMENTS into the proposed DISTRICT IMPROVEMENTS;
- 1.1.2. Phase 2A consists of construction of a portion of Reach 8 from Ciolino Avenue at West Little Llagas Creek northerly to approximately 300 feet north of the existing West Main Avenue and Hale Avenue intersection;
- 1.1.3. Construction of the proposed approximately 2,300 linear feet horseshoe shaped underground high-flow diversion tunnel beneath existing Nob Hill between approximately West Dunne Avenue and Warren Avenue;
- 1.1.4. Construct approximately 1,600 linear feet of twin reinforced concrete box culverts upstream and downstream of the proposed high flow bypass underground tunnel;
- 1.1.5. Construction will include traffic control, detours, road work, utility relocations and coordination, fencing, soil testing as required for off-site disposal, concrete and other miscellaneous work, community outreach and coordination.

1.2. CITY'S IMPROVEMENTS scope of work:

- 1.2.1 Construct the Hale Avenue Extension Project (portion of CITY PROJECT) from approximately Warren Avenue north through the Main Avenue intersection by approximately 300 feet: including:
 - a. Roadway construction;
 - b. Multi-use path;
 - c. Curb, gutter, and sidewalks;
 - d. Storm drainage facilities;
 - e. Traffic signal at Main and Hale Avenues;
 - f. Streetlights;
 - g. Soundwall;
 - h. Traffic control, detours, road work, utility relocations and coordination, fencing, soil testing as required for off-site disposal, concrete and other miscellaneous work, community outreach and coordination.
- 1.2.2. Along Hale Avenue from approximately West Main Avenue for 300 feet construct improvements including, but are not limited to:
 - a. Hale Avenue street lighting;
 - b. Hale Avenue utility relocations;
 - c. Underground conduit as required to underground existing overhead utilities; and
 - d. Modifications to existing storm drains within the DISTRICT IMPROVEMENTS to comply with future Regional Water Quality Control Board requirements.

2. DISTRICT PROJECT LOCATION

- 2.1. The DISTRICT PROJECT is located from Llagas Creek at Buena Vista Avenue within the City of Gilroy, upstream and northerly along a portion of East Little

**COST SHARING AGREEMENT
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Llagas Creek and northwesterly along a portion West Little Llagas Creek to Llagas Road within the northern portion of the City of Morgan Hill, as shown on Exhibit A, "Upper Llagas Creek Flood Protection Project" attached hereto and incorporated herein by this reference.

- 2.2. The DISTRICT IMPROVEMENTS, Phase 2A, consists of construction of a portion of Reach 8 of the DISTRICT PROJECT from Ciolino Avenue at West Little Llagas Creek northerly to approximately 300 feet north of the existing West Main Avenue and Hale Avenue intersection.
- 2.2. The proposed CITY IMPROVEMENTS are located along the future Hale Avenue Extension right-of-way alignment from Warren Avenue north to through the Main Avenue intersection to approximately 300 feet north on Main Avenue, all within the City of Morgan Hill, all within a portion of Reach 8 of the DISTRICT PROJECT, as shown on Exhibit A, "Upper Llagas Creek Flood Protection Project" attached hereto and incorporated herein by this reference.

3. SCOPE OF WORK

- 3.1. DISTRICT will perform the following:
 - 3.1.1. Administer, design, and contract the construction of its DISTRICT IMPROVEMENTS, including incorporating the CITY IMPROVEMENTS, and coordination with appropriate local, state, federal, and regulatory agencies.
 - 3.1.2. DISTRICT, as Lead Agency for its DISTRICT PROJECT, pursuant to the requirements of the California Environmental Quality Act (CEQA), will proceed with construction of the DISTRICT IMPROVEMENTS in accordance with the DISTRICT's Final Environmental Impact Report certified on June 10, 2014, and permits, as authorized by appropriate regulatory agencies.
 - 3.1.3. Ensure its obligations are met as Lead Agency under CEQA.
 - 3.1.4. Construction of the proposed CITY IMPROVEMENTS will be completed as part of the DISTRICT IMPROVEMENTS. The DISTRICT will officially transfer the operations and maintenance responsibilities for the CITY IMPROVEMENTS to the City upon the construction completion of said CITY IMPROVEMENTS and after written acceptance by both the CITY and the DISTRICT. The CITY will own the CITY IMPROVEMENTS and is responsible for their sustained operations and maintenance responsibilities in perpetuity.
- 3.2. CITY will perform the following:

**COST SHARING AGREEMENT
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UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

- 3.2.1. CITY, as Lead Agency for its CITY PROJECT, certified an Environmental Impact Report on August 23, 2017 pursuant to the requirements of the California Environmental Quality Act (CEQA) and as authorized by the appropriate agencies.
- 3.2.2. Provide DISTRICT with all documentation and information regarding its proposed CITY IMPROVEMENTS, so the DISTRICT PROJECT team preparing the DISTRICT IMPROVEMENTS design and construction documents, can include the design of these CITY IMPROVEMENTS in its DISTRICT IMPROVEMENTS per CITY'S requirements.
- 3.2.2. Promptly review the DISTRICT'S design team's documents prepared for public bidding and award and provide input to DISTRICT confirming acceptance of the design and construction documents prior to DISTRICT proceeding with construction advertisement and bidding.
- 3.3. Designees:
 - 3.3.1. The designated project manager for DISTRICT for the duration of the DISTRICT IMPROVEMENTS construction is Mr. Stephen M. Ferranti. Except as superseded by existing DISTRICT Board of Directors, the District Act, rule or practice, DISTRICT's project manager has all the necessary authority to direct technical and professional work within the scope of the AGREEMENT and will serve as the principal point of contact with CITY.
 - 3.3.2. The designated project manager for CITY for the duration of the DISTRICT IMPROVEMENTS, including CITY IMPROVEMENTS construction is Mr. Chris Ghione. Except as superseded by existing CITY law, rule or practice, CITY's project manager had all the necessary authority to review, approve, and accept technical and professional work within the scope of the AGREEMENT and served as the principal point of contact with DISTRICT.

4. COST-SHARING OF CITY IMPROVEMENTS CONSTRUCTED BY DISTRICT

- 4.1. DISTRICT will advertise and publicly bid its DISTRICT IMPROVEMENTS and include the CITY IMPROVEMENTS as separate bid items, whenever practicable in order to ascertain the bidders' proposed prices for the CITY IMPROVEMENTS. Where separation of the CITY IMPROVEMENTS is not practicable (i.e. joint utility relocation work), then Parties agree to split the cost equally or as mutually agreed on by the Parties.
- 4.2. DISTRICT will provide to CITY for their review and acceptance the bid items pricing information for the CITY IMPROVEMENTS with seven (7) calendar days after DISTRICT's public bid opening.

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
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UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

- 4.3. CITY will remit payment in full to the DISTRICT for the bid items associated with the CITY IMPROVEMENTS, including the agreed upon CITY share for those shared bid items involving both CITY IMPROVEMENTS and DISTRICT IMPROVEMENTS (Section 4.1) within 90 calendar days after DISTRICT's issuance of a Notice to Proceed (NTP) to its DISTRICT IMPROVEMENTS construction contractor (CONTRACTOR) awarded a contract by its Board of Directors.
- 4.4. CITY further agrees to reimburse the DISTRICT \$78,850.00 for the DISTRICT's cost of \$157,700 for construction of an upgrade to the CITY sanitary sewer maintenance access road to be utilized by the CITY as a future public trail along the southern portion of the DISTRICT's Lake Silveira property within 90 calendar days of completion of said improvements.
- 4.5. Modifications to DISTRICT'S contract with its CONTRACTOR.
 - 4.5.1. DISTRICT agrees to provide CITY with written notice and documentation regarding any modifications, revisions, change orders, and/or extra work required in association with the CITY IMPROVEMENTS to CITY within seven (7) calendar days of DISTRICT becoming aware of or initiating such matter, so CITY can provide direction to DISTRICT, if necessary and appropriate.
 - 4.5.2. CITY will respond to DISTRICT regarding such matters within seven (7) calendar days of receipt of such information and provide written direction to DISTRICT, if necessary and appropriate.
 - 4.5.3. If CITY's approval(s) results in an expense above the bid items amounts for which it already remitted payment to DISTRICT, CITY agrees to remit payment in full to DISTRICT within 60 calendar days of receipt of DISTRICT invoice, along with any supporting documentation for said additional costs associated with the CITY IMPROVEMENTS.
- 4.6. In consideration of DISTRICT incorporating the CITY IMPROVEMENTS into the DISTRICT IMPROVEMENTS design, CITY will make available the staging area on the former PG&E property adjacent to the intersection of Hale Avenue and West Main Avenue to be used by DISTRICT'S CONTRACTOR at no cost to the DISTRICT until completion of the DISTRICT IMPROVEMENTS and CITY IMPROVEMENTS, commencing on the date DISTRICT awards a construction contract to its CONTRACTOR. CITY agrees to grant to the DISTRICT an easement for the portion of the DISTRICT IMPROVEMENTS within existing CITY right of way (former PG&E property) as mutually agreed on by the PARTIES at no cost to the DISTRICT.

5. INSURANCE AND INDEMNIFICATION

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

- 5.1. In lieu of and notwithstanding the pro rata risk allocation, which might otherwise be imposed between the Parties pursuant to Government Code Section 895.6, the Parties agree that all losses or liabilities incurred by a Party shall not be shared pro rata but, instead, DISTRICT and CITY agree that, pursuant to Government Code Section 895.4, each of the Parties hereto shall fully indemnify and hold each of the other Parties, their officers, board members, employees, and agents, harmless from any claim, expense or cost, damage or liability imposed for injury (as defined in Government Code Section 810.8) occurring by reason of the negligent acts or omissions or willful misconduct of the indemnifying Party, its officers, employees, or agents, under or in connection with or arising out of any work, authority, or jurisdiction delegated to such Party under this AGREEMENT. No Party, nor any officer, board member, or agent thereof shall be responsible for any damage or liability occurring by reason of the negligent acts or omissions or willful misconduct of the other Party hereto, its officers, board members, employees, or agents, under or in connection with or arising out of any work authority or jurisdiction delegated to such other Party under this AGREEMENT.
- 5.2. The rights, duties, and obligations of the Parties as set forth above in this Section 5 of this AGREEMENT will survive termination, suspension, completion, and expiration of this AGREEMENT.

6. ADDITIONAL PROVISIONS

- 6.1. A Party's waiver of any term, condition, covenant, or breach of any term, condition or covenant shall not be construed as a waiver of any other term, condition, or covenant or breach of any other term, condition, or covenant.
- 6.2. This AGREEMENT contains the entire AGREEMENT between DISTRICT and CITY relating to the DISTRICT'S IMPROVEMENTS and CITY'S IMPROVEMENTS. Any prior agreements, promises, negotiations, or representations not expressly set forth in this AGREEMENT are of no force or effect.
- 6.3. If any term, condition, or covenant of this AGREEMENT is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this AGREEMENT shall be valid and binding on DISTRICT and CITY.
- 6.4. This AGREEMENT shall be governed and construed in accordance with the laws of the State of California.
- 6.5. This AGREEMENT may be executed in counterparts and will be binding as executed.
- 6.6. The term of this AGREEMENT shall commence upon execution of the AGREEMENT by both Parties and terminate upon completion of the DISTRICT

**COST SHARING AGREEMENT
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AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

IMPROVEMENTS, notification of completion by DISTRICT to CITY, and receipt by DISTRICT of payment in full by CITY.

- 6.7. All changes or extensions to this AGREEMENT must be in writing in the form of an amendment approved by both Parties.
- 6.8. Claims related to the design of DISTRICT'S IMPROVEMENTS will be administered by DISTRICT and Claims related to the design of CITY'S IMPROVEMENTS will be administered by the CITY. The obligations of both Parties, as stated in this paragraph, will survive termination, completion, suspension, and expiration of this AGREEMENT.
- 6.9. This AGREEMENT is entered into only for the benefit of the Parties executing this AGREEMENT and not for the benefit of any other individual, entity, or person.

7. TERMINATION

- 7.1. This AGREEMENT will terminate upon completion of the DISTRICT IMPROVEMENTS, notification of completion by DISTRICT to CITY, and receipt by DISTRICT of payment in full by CITY, or by mutual written consent and terms acceptable to both Parties.

8. NOTICES

- 8.1 All correspondence relating to the DISTRICT IMPROVEMENTS, including all written notices required by the terms and conditions of this AGREEMENT may be delivered by first class mail addressed to the appropriate Party at the following addresses:

DISTRICT:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
Attn: Mr. Stephen M. Ferranti, P.E., Engineering Unit Manager
Phone: (408) 630-2677
E-mail: sferranti@valleywater.org

CITY:

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037
Attn: Mr. Chris Ghione, Public Services Director
Phone: (408) 782-9154
E-mail: chris.ghione@morganhill.ca.gov

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, this AGREEMENT becomes effective upon full execution by the Parties as set forth below.

"CITY"

CITY OF MORGAN HILL
A Municipal corporation of the County of Santa Clara

By: _____
Christina Turner
City Manager

Date: _____

ATTEST:

Michelle Wilson
Deputy City Clerk

APPROVED AS TO FORM:

Donald Larkin
City Attorney

"DISTRICT"

SANTA CLARA VALLEY WATER DISTRICT,
a Special District, created by the California Legislature

By: _____
Rick L. Callender, Esq.
Chief Executive Officer

Date: _____

ATTEST:

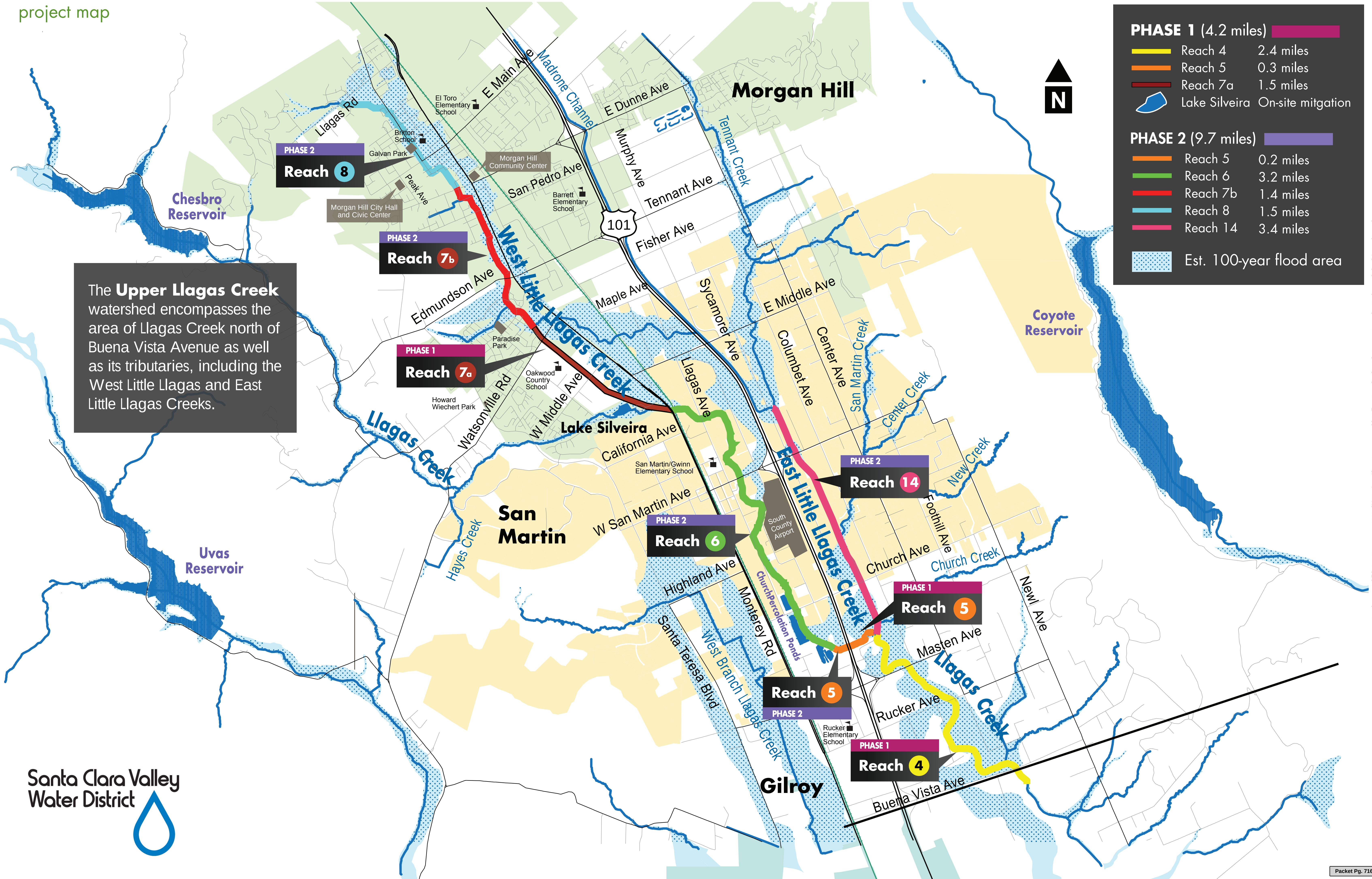
Michele L. King
Clerk of the Board of Directors

APPROVED AS TO FORM:

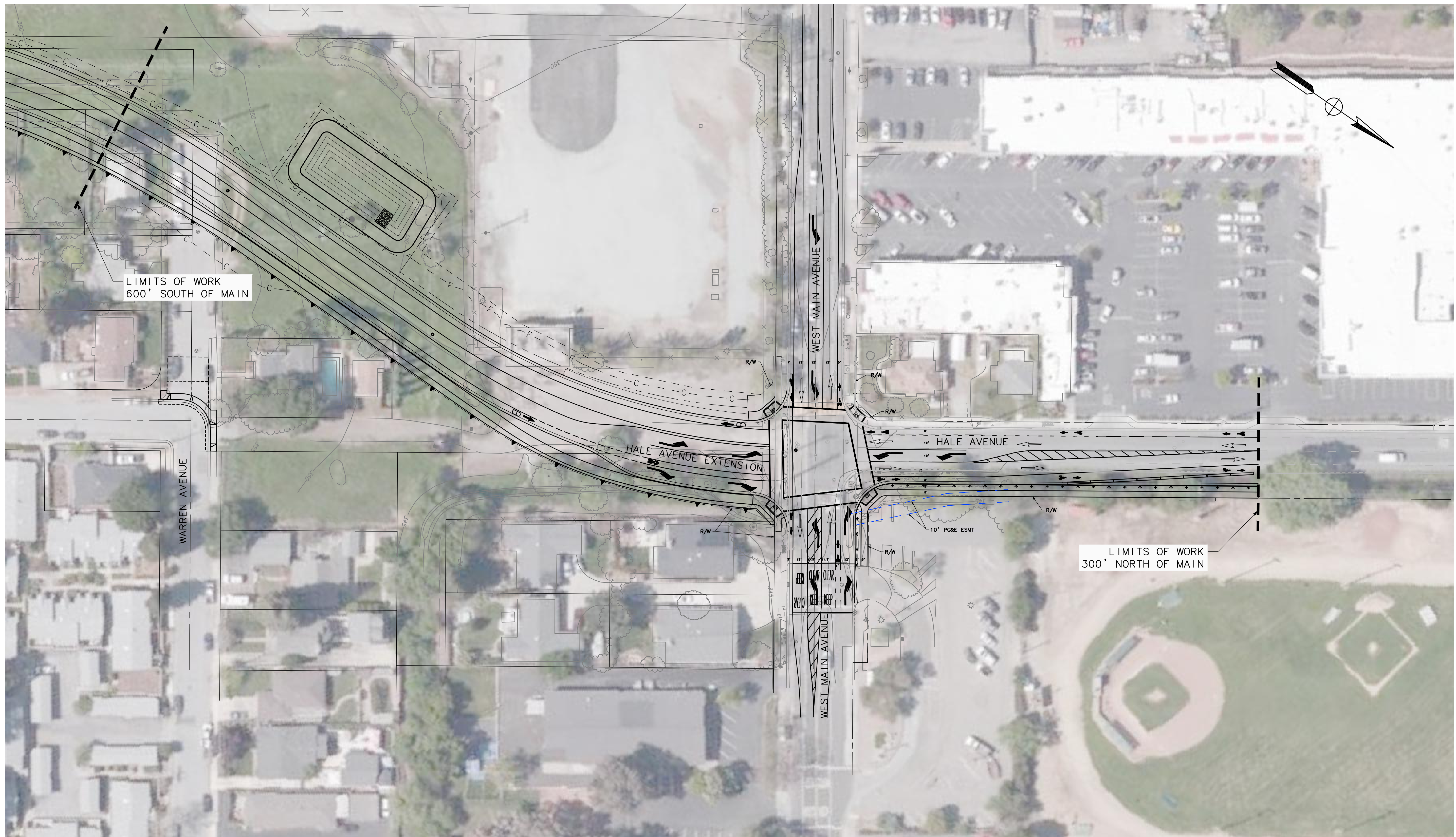
Brian Hopper
Senior Assistant District Counsel

Upper Llagas Creek flood protection project

project map



The **Upper Llagas Creek** watershed encompasses the area of Llagas Creek north of Buena Vista Avenue as well as its tributaries, including the West Little Llagas and East Little Llagas Creeks.



HALE AVE AND WEST MAIN AVE INTERSECTION
HALE AVENUE IMPROVEMENTS PHASE 2A
SCALE : 1" = 40'
NOVEMBER, 2020



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Christie Thomas,
APPROVED BY: City Manager

RECEIVE REPORT REGARDING SILICON VALLEY COMMUNITY FOUNDATION 2020 CENSUS OUTREACH GRANT ACTIVITIES AND OUTCOMES

RECOMMENDATION(S)

Receive Report.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Supporting Our Youth
Seniors
and Entire Community
Preserving and Cultivating Public Trust
Enhancing Diversity and Inclusiveness
Advancing Regional Initiatives

2020-2021 Strategic Priorities

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

GUIDING DOCUMENTS

Bikeways
Trails
Parks
and Recreation Masterplan
Economic Blueprint
Fire Services Standards of Coverage
Morgan Hill 2035 General Plan
Public Safety Master Plan

REPORT NARRATIVE:

Every ten years, the Federal Government performs a nation-wide count that results in development of formulas for funding that assists many different aspects of every community, no matter the size, no matter the location. Census data helps communities respond to natural disasters and secure support for hospitals and fire departments, planning and funding for education and school lunches, and planning and funding for infrastructure including roads and transit systems. Without an accurate count, our community will miss out on the funding that it needs and to which it is entitled.

With that in mind, in November of 2019, the City's Housing Program applied for and received a grant in the amount of \$34,000 for "census outreach to hard to count populations" from the Silicon Valley Community Foundation. The city also pledged to

contribute \$20,000 of in-kind labor/staff to the census effort, for a combined Morgan Hill census outreach effort of \$54,000. The City received the first installment of the grant in the amount of \$17,000 in February 2020.

The City's original outreach efforts to count "hard to count communities" included many on-site, large-scale events at several local community based organizations, local churches, local apartment communities, South County Farms, local RV and Mobile Home Parks, including events at many City venues. There were also plans to have Kiosk's set up at City Hall, the Council Chambers, the Community and Cultural Center, and at faith-based supper pickup sites. With the onset of the COVID-19 pandemic, we were forced to pivot and direct our efforts towards a more virtual format. Due to the cancellation of many outreach activities, the City opted to receive only the initial grant installment of \$17,000 rather than accepting the second \$17,000 installment, which would have totaled \$34,000. Staff knew that the additional \$17,000 would not be able to be spent as planned on larger scale outreach efforts.

Pre-pandemic, census training was completed by staff, planning efforts began, a volunteer recruitment campaign was designed and implementation began. A Census table was set up at the "Mayor's State of the City Address", at the Tuesday Cathedral of Faith food distribution at the Community and Cultural Center site, at the Loving and Learning Center, and an educational event was conducted at the March Kiwanis meeting. The City also collaborated with the Morgan Hill Times and Morgan Hill Life to provide a 2020 Census article. Large-scale future events were planned at Community Solutions, the Gilroy Compassion Center in Gilroy, and at Maple Leaf RV park in Morgan Hill.

Outreach was challenging during the COVID-19 "shelter in place" order, but many meaningful efforts were made towards outreach to our harder to count populations. We worked in collaboration with the local faith based community, community based non-profit organizations, the Morgan Hill Library, local residential property managers and apartment communities, RV and mobile home managers, Morgan Hill Unified School District and South County farmers. Messaging was provided via the City website dedicated Census page, email and social media campaigns, an online video from a Council member, mailers (including inserts in the monthly utility bills, the business license renewal bills, and a separate mailer to low responding census tracts), and flyers with gift card incentives to all communities.

Later in the effort, a phone banking team consisting of volunteers and City teammates was established to call Spanish and English speaking residents to remind them of their opportunity to complete the census and to provide guidance if they had questions. Through this effort, a total of 2,631 calls were made to our community. Our team also placed flyers on bulletin boards throughout the City in laundromats and coffee shops, in grocery bags at food resources sites, and created a Spanish and English census message for our Downtown Digital Bulletin Board. Upon request from the County, we promoted an outreach technology called "Outreach Circle" to City employees and our local community based organizations, faith based community, and apartment managers. This technology sent personal emails and texts from the person using it but ended up

not being compatible with our City accounts. We requested folks to use it with their personal contacts should they so choose.

Morgan Hill also worked with the Santa Clara County Census team to further their efforts at local COVID testing and food bank sites by setting up a safe Census Kiosk at the Morgan Hill Council Chambers COVID-19 testing site and by providing gift cards to the Ochoa Housing test site to encourage everyone to complete the Census. In between testing events, our South County Abode County Homeless Outreach worker carried the Kiosk with him to outreach to our residents experiencing homelessness. Our final Census efforts included a Zoom Townhall event dedicated to the 2020 Census. Finally, in collaboration with EAH Housing, the City of Gilroy, and the County Census team, Morgan Hill participated in a “South County Census Caravan” led by the Police Department and a digital census truck. The caravan included the Mayor and Morgan Hill City Manager, Gilroy and Morgan Hill City staff, residents from both Gilroy and Morgan Hill, and EAH Housing and County Census staff. The caravan drove throughout both the cities of Morgan Hill and Gilroy. The route focused on apartment communities, parks and recreational facilities, farmworker housing sites, and on lower counted census tracts.

While we wish that we could have completed our originally envisioned Census outreach program, Morgan Hill’s hard work resulted in the 2020 Census count rate of 81.9%, up from 75.3% in 2010. The 81.9% represents the self-response rate for Morgan Hill. That means, of all the households asked to respond to the census, 81.9% of them returned a respond on their own via the internet, phone or paper form. The rest of the people who did not respond on their own, were hypothetically counted via enumerator or census taker. These census employees went to homes during non-response follow-up and tried to get a response. If the household would not respond or was not at home, census employees will impute the data from other reliable sources or via proxy (asking a neighbor who lives in a household).

Below is a breakdown of how the \$17,000 census grant funds were spent:

Activity	Amount Spent	Notes:
Labor Costs	\$9,653	Not including in kind Labor Costs in the amount of \$21,725
Mailers	\$5,452	Includes printing, postage, envelopes, sub-contractor costs, etc.
Office Supplies/Expenses	\$403	
Flyer Printing	\$187	Not including mailer printing
Event Supplies	\$185	
Gift Cards	\$1,120	EAH Campaign, Ochoa Testing site, Morgan Hill Testing site, Community Flyer response
Total	\$17,000	

COMMUNITY ENGAGEMENT:

This report serves to inform the community of Silicon Valley Community Foundation 2020 Census Outreach Grant outcomes. Engagement with the community is described above.

ALTERNATIVE ACTIONS:

Not applicable

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On January 15, 2020, the City Council received a report and adopted a resolution promoting outreach activities and participation in the Census 2020 Update

FISCAL AND RESOURCE IMPACT:

The grant related revenue and outreach expenditures were included in the adopted budget for FY2019-20 and FY 2020-21, in the Housing Fund (236).

CEQA (California Environmental Quality Act):

Not a Project



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Dat Nguyen, Finance Director

APPROVED BY: City Manager

ADOPT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

RECOMMENDATION(S)

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize City Manager to execute all related documents with the sale of the sewer revenue bonds.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability

GUIDING DOCUMENTS

Wastewater System Master Plan

REPORT NARRATIVE:

Reciprocal action is recommended by the Morgan Hill Financing Authority agenda for November 18, 2020.

The proposed projects to be funded with proceeds of the financing include repair and replacement of pipes, sewer main upgrades, South County Regional Wastewater Authority plant expansion and improvements, sewer line repair and replacement, and new sewer mains and trunk line.

The City's capital improvement plan identifies funding for the proposed projects through impact fees, user fees and bond proceeds. The bonds are anticipated to generate \$20,000,000 for projects and will supplement funds already on hand (the "2020 Bonds").

The City has outstanding 2015 sewer revenue bonds (current principal outstanding of \$8,775,000) (the "2015 Bonds") which will be on parity with the proposed 2020 Bonds.

City staff working in conjunction with bond counsel has prepared resolutions of the City and the Financing Authority necessary to authorize issuing the 2020 Bonds. These resolutions approve the following documents:

- An Installment Purchase Agreement, that will set forth the principal and interest requirements for the City, necessary for the Authority to repay the 2020 Bonds, certain covenants of the City to set rates to provide net revenues after operating expenses of at least equal to 125% of debt service on the 2020 Bonds, and other covenants designed to ensure maintenance of the system
- A Trust Indenture between the Authority and the trustee for the 2020 Bonds providing, among other things, the security, payment and redemption terms for the 2020 Bonds
- A Bond Purchase Agreement among the Authority, the City and the underwriter
- A Preliminary Official Statement, providing material information to potential investors regarding the 2020 Bonds
- A Continuing Disclosure Certificate obligating the City to provide annual reports and notices of certain enumerated events to holders of the 2020 Bonds in accordance with federal requirements

The resolutions also contain parameters under which staff can take the actions necessary to issue the 2020 Bonds, including a maximum par amount of \$21,000,000, a maximum true interest cost of 3.50% and maximum underwriting discount of 0.35%, and a final maturity not to exceed June 1, 2050.

The Authority resolution also ratifies the engagement of Norton Rose Fulbright US LLP, as bond and disclosure counsel, and NHA Advisors, LLC as municipal advisor to the City and Authority, and Stifel, Nicolaus & Company, Incorporated, as the underwriter for the 2020 Bonds. NHA Advisors, at the City's request, managed an RFP process for the selection of the underwriter.

Financial Impact

The bond proceeds are a critical part of the City's overall expenditure plan for the projects listed above. The 2020 Bonds are anticipated to have an amortization structure that will minimize the combined debt service payments (including the 2015 Bonds) by reducing the principal repayment in the earlier years while the 2015 Bonds are outstanding. The 2015 Bonds have a decrease in payments starting in FY 2023-24 and then a final maturity in FY 2035-36. Both debt service step-downs have been taken into consideration for the 2020 Bonds.

This amortization structure will minimize the cash flow and coverage impact and reduce the potential need to increase sewer rates sooner than otherwise necessary.

The estimated cost of issuance for the 2020 Bonds is \$250,000 including fees for bond and disclosure counsel, underwriter, municipal advisor, rating agency and other related costs and expenses. All costs of issuance are payable from proceeds of the 2020 Bonds. All costs of issuance except for the rating fee are contingent on a successful

closing. If the 2020 Bonds are not issued, the Authority/City would be responsible for \$23,500.

Timetable

Upon City Council and Authority Board approval, City staff will work with the financing team to complete the credit rating process, finalize the preliminary official statement and price the bonds with the underwriter in early December with bond proceeds being delivered in late December.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the proposed sale and issuance of the 2020 Bonds for sewer project funding.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On June 17, 2020, the City Council adopted the FY 2020-21 through FY 2025-26 Capital Improvement Budget which identifies funding for the proposed sewer projects through bond proceeds.

FISCAL AND RESOURCE IMPACT:

The bond related financial impact is mentioned above in the narrative section. The anticipated annual debt service will be budgeted and paid from the Sewer Enterprise Fund(s) and will not impact the City's General Fund. The City's current adopted wastewater rates, adopted in May 2019, account for this anticipated bond issuance and related debt service payments.

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. Morgan Hill 2020 Sewer Bonds - Resolution of the City
2. Morgan Hill 2020 Sewer Bonds - Installment Purchase Agreement
3. Morgan Hill 2020 Sewer Bonds - Trust Indenture
4. Morgan Hill Sewer Revenue Bonds 2020 Continuing Disclosure Certificate
5. Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement
6. Bond Purchase Agreement

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Morgan Hill Financing Authority (the “Authority”) is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as the members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise of the City pursuant to an Installment Purchase Agreement (the “Installment Purchase Agreement”) under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, the City’s obligations under the Installment Purchase Agreement will be on a parity with the City’s obligation to make installment payments under an installment purchase agreement, dated as of June 1, 2015, by and between the Authority and the City, which secure the Authority’s outstanding Sewer Revenue Bonds, Series 2015; and

WHEREAS, the investment banking firm of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has proposed to underwrite the Bonds; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in furtherance of the issuance and sale of the Bonds by the Authority, there has been submitted to the City Council of the City (the “Council”), for its consideration and approval, a form of each of the following:

- (a) an Installment Purchase Agreement, by and between the City and the Authority;
- (b) a Bond Purchase Agreement, by and among the City, the Authority, and the Underwriter;
- (c) a Preliminary Official Statement; and
- (d) a Continuing Disclosure Certificate

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

Section 1. Findings. The above recitals are true and correct.

Section 2. Installment Purchase Agreement. The Installment Purchase Agreement, in substantially the form on file with the City Clerk is hereby approved, and the Mayor (or in his absence, the Mayor Pro Tem), the City Manager or the Finance Director and any of their respective designees (each, an “Authorized Officer”), acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Installment Purchase Agreement, with such changes therein, whether material or otherwise, as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 3. Bond Purchase Agreement. The Bond Purchase Agreement, in substantially the form on file with the City Clerk is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bond Purchase Agreement, with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve; provided, that the Bonds shall be issued in a principal amount not-to-exceed \$21,000,000, the true interest cost with respect to the Bonds shall not exceed 3.50% per annum, the final maturity of the Bonds shall not exceed 2050, and the underwriter’s discount shall not exceed 0.35%.

Section 4. Preliminary Official Statement. The Preliminary Official Statement related to the sale of the Bonds, in substantially the form on file with the City Clerk is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Preliminary Official Statement with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve. The Council hereby authorizes any Authorized Officer to deem the Preliminary Official Statement to be final within the meaning of U.S. Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), subject to completion of those items permitted by Rule 15c2-12. Any Authorized Officer is hereby authorized and directed to execute and delivery a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto as may be deemed necessary by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Continuing Disclosure Certificate. The City will execute and deliver a continuing disclosure certificate (the “Continuing Disclosure Certificate”) for the benefit of the owners of the Bonds, and in order to assist the Underwriter in complying with Rule 15c2-12. The Continuing Disclosure Certificate, in substantially the form on file with the City Clerk is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate, with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve.

Section 6. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 7. General Authorization. Any Authorized Officer is authorized and directed to execute and deliver any and all documents, certificates and other instruments and to do and cause to be done any and all acts necessary or proper for carrying out the issuance and sale of the Bonds, the transactions contemplated by this Resolution, and the documents herein approved; the funding of a reserve fund under the Trust Indenture with proceeds of the Bonds or a letter of credit, surety bond or insurance policy pursuant to the terms of the Trust Indenture if, upon the advice of the Underwriter, the funding of the reserve fund will be economically beneficial to the financing; the insuring of all or any portion of the Bonds through one or more municipal bond insurance companies if, upon the advice of the Underwriter, the insurance will result in a lower true interest cost; and the investment of the proceeds of the Bonds as permitted by the Trust Indenture.

Section 8. Ratification. All actions heretofore taken by the officers and employees of the City, with respect to the issuance and sale of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are approved, confirmed and ratified.

Section 9. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 18th day of November 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 November 18, 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from the Municipal Advisor with respect to the Bonds approved in the Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

1. *True Interest Cost of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.13%.

2. *Finance Charge of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is approximately \$250,000, as follows:

a)	Underwriter's Discount	\$ 53,415
b)	Credit Enhancement*	0
c)	Bond Counsel and Disbursements	59,800
d)	Disclosure Counsel	34,000
e)	Municipal Advisor and Disbursements	62,500
f)	Rating Agency	23,500
g)	Other Expenses	<u>15,200</u>
	Total	\$248,415

* A municipal bond insurance policy with respect to the Bonds will be obtained only if economically advantageous as determined by an Authorized Officer.

3. *Amount of Proceeds to be Received.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$20,000,000.

4. *Total Payment Amount.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$33,297,000.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the City's and the Authority's control. The City and the Authority have approved the issuance of the Bonds with a maximum true interest cost of 3.50%.

INSTALLMENT PURCHASE AGREEMENT

by and between

THE CITY OF MORGAN HILL

and the

MORGAN HILL FINANCING AUTHORITY

Dated as of December 1, 2020

relating to

[\$Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of December 1, 2020 (this “Agreement”), by and between THE CITY OF MORGAN HILL (the “City”), a municipal corporation organized and existing under the laws of the State of California, and the MORGAN HILL FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority, organized and existing under the laws of the State of California.

WITNESSETH:

WHEREAS, the City owns a wastewater system (the “Enterprise”) to provide for the collection, treatment and disposal of wastewater; and

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise (the “Project”) to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into this Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now authorized to execute and enter into this Agreement;

NOW, THEREFOR, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless otherwise defined herein, the capitalized terms used in this Agreement shall for all purposes hereof, and of any amendment hereof or supplement hereto, and of any report or other document mentioned herein or therein, have the meanings given such terms in the Trust Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the City. The City represents, warrants and certifies as follows:

(a) The City is a municipal corporation organized and existing under the laws of the State of California (the "State"). The City has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Agreement, and the City has complied with the provisions of all applicable law in all matters relating to such transactions. By proper action, the City has authorized the execution, delivery and due performance of this Agreement.

(b) The City will not take or permit any action to be taken which results in the interest component of the Installment Payments being included in the gross income for purposes of federal income taxation or not being exempt from personal income taxes of the State.

(c) The City has determined that it is necessary and proper for City uses and purposes within the terms of all applicable laws that the City finance the Project in the manner provided for in this Agreement.

(d) All acts, conditions and things required by the Constitution and statutes of the State to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Agreement, have been performed, have happened and do exist in regular and due time, form and manner as required by law.

Section 2.2. Representations and Warranties by the Authority. The Authority represents and warrants that the Authority is a joint exercise of powers entity organized and existing under

the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement, and by proper action has authorized the execution, delivery and due performance of this Agreement.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Sale and Purchase of Project. In consideration for the Authority's assistance in financing the Project through the execution and delivery of this Agreement and the Trust Indenture, the City hereby agrees to purchase from the Authority, and the Authority agrees to sell to the City, the Project at the Purchase Price specified in Section 4.1, and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.2. Title. All right, title and interest in each element and component of the Project shall vest in the City immediately upon execution and delivery of this Agreement or, if later, upon the acquisition, construction and acceptance of such element or component.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1. Purchase Price; Construction of the Capital Improvements; Capital Improvements Fund.

(a) The Purchase Price to be paid by the City to the Authority for the purchase of the Project is the sum of the principal components of the Installment Payments set forth in Exhibit B plus the interest components of the Installment Payments which consist of the sum of the interest to accrue on the unpaid balance of each such principal component from the date hereof over the term hereof at the interest rate set forth in Exhibit B, subject to prepayment as provided in Article VII.

(b) The interest component of the Installment Payments shall be paid by the City as and constitute interest paid on the principal components of the Installment Payments. The interest component shall be computed on the basis of a 360-day year of twelve 30 day months.

(c) Pursuant to Section 4.10 of the Trust Indenture, the Trustee has agreed to set aside and transfer or deposit funds received from the sale of the Bonds, including agreeing to transfer \$_____ to the City for deposit in the Capital Improvement Fund created pursuant to this Section.

(d) The Authority hereby agrees to cause the Capital Improvements to be constructed, acquired and installed by the City as its agent. The City shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the Capital Improvements. The City hereby agrees that it will cause the construction, acquisition and installation of the Capital Improvements to be diligently performed after the transfer of funds into the Capital Improvements Fund. It is expressly understood and agreed that the Authority shall be under no liability of any kind or character for the payment of any cost or expense of the Capital

Improvements and that all such costs and expenses shall be paid by the City, regardless of whether the funds transferred by the Trustee to the City pursuant to the Trust Indenture for deposit into the Capital Improvements Fund are sufficient to cover all such costs and expenses.

(e) The City shall establish and maintain a separate fund to be known as the Capital Improvements Fund of the Enterprise. To the extent that the City has an existing fund which satisfies the foregoing requirements, then such fund shall be deemed to be the "Capital Improvements Fund." ~~{confirm fund exists; create separate account within such fund}~~ The City shall deposit into the Capital Improvements Fund the amount transferred by the Trustee for such purpose pursuant to the Trust Indenture. The moneys in the Capital Improvements Fund shall be held by the City in trust and applied to the payment of the costs of acquisition and construction of the Capital Improvements and of costs incidental thereto.

(f) When the Capital Improvements have been constructed and acquired, in accordance with this Agreement, a Certificate of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such cost of acquisition and construction have been determined and paid shall be delivered to the Authority and the Trustee by the City. Concurrent with such statement, the City shall transfer any remaining balance in the Capital Improvements Fund to the Sewer Fund.

Section 4.2. Installment Payments and Additional Payments. The City shall, subject to the provisions of Section 10.1, and to any rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installments as follows: (i) each principal component of the Installment Payments is payable on the Installment Payment Date preceding the due date for such principal component, set forth in Exhibit B in the amount specified for such due date in Exhibit B; and (ii) the interest components of the Installment Payments are payable on the Installment Payment Date preceding each Interest Payment Date in the amount of accrued interest on the unpaid balance of the principal components of the Installment Payments to the next succeeding Interest Payment Date, at the respective interest rates per annum set forth in Exhibit B. The schedule of the principal and interest components as of the Delivery Date are set forth in Exhibit C. Amounts required to be paid by the City to the Authority pursuant to this Section 4.2 on any Installment Payment Date shall be reduced to the extent of amounts on deposit on such date in the Interest Account of the Debt Service Fund established under the Trust Indenture. The amounts shown in Exhibits B and C shall automatically be adjusted to account for any prepayment of Installment Payments made by the City pursuant to Article VII and any discharge of Installment Payments pursuant to Article IX.

Each Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under this Section, such payment shall continue as an obligation of the City until such amount shall have been fully paid; and the City agrees to pay the same with interest accruing thereon at the highest rate of interest then applicable to the remaining unpaid principal components of the Installment Payments.

The obligation of the City to make the Installment Payments is absolute and unconditional, and, until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any

Installment Payment required to be made by it under this Section, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part. This Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, and such payments shall be net payments and shall not be subject to deduction, abatement reduction or diminution, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

In addition to the Installment Payments, the City shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all fees and administrative costs of the Authority and the Trustee under the Trust Indenture or otherwise relating to the Bonds, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Authority and the Trustee payable by the City hereunder and under the Trust Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms hereof, of the Bonds or of the Trust Indenture.

ARTICLE V

SECURITY

Section 5.1. Pledge of Net Revenues; Parity Pledge. All Net Revenues are, pursuant to the Pledge Law, hereby irrevocably pledged to the payment of the Installment Payments as provided herein and shall not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with Section 9.1. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations, shall, subject to application as permitted herein, constitute a lien on Net Revenues.

Section 5.2. Allocation of Gross Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Gross Revenues shall be received by the City in trust hereunder and, except for Net Proceeds, shall be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has heretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1. The City may designate one or more existing funds to satisfy the foregoing requirements. Presently, the Sewer Fund consists of the Sewer Operating Fund and the Sewer Impact Fund, as accounted for by the City for budget purposes. The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund shall be used and applied by the City as provided in this Agreement.

The City shall, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section and, as to funds held under the Trust Indenture, the Trust Indenture.

(a) Installment Payments. Not later than each Installment Payment Date, the City shall, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City shall also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) Reserve Fund. On or before the first Business Day of each month, the City shall, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in Section 4.04 of the Trust Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Trust Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore: (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due hereunder or to pay installment payments pledged to the payment of other Participating Bonds; (ii) necessary to restore any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and (iii) necessary to restore the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained therein; provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Trust Indenture, transfers hereunder to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

(c) Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations herein, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and the City's "Sewer System Replacement Fund."

Section 5.3. Execution or Incurrence of Parity Obligations. The City may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under this Agreement; provided:

(a) The City is in compliance with all agreements, conditions, covenants and terms contained in this Agreement required to be observed or performed by it, and a Certificate of the City to that effect has been filed with the Trustee.

(b) (i) If the Parity Obligation Payments on such Parity Obligations will secure Parity Bonds, then the Parity Bonds Trust Indenture pursuant to which such Parity Bonds are issued shall specify: (A) whether the Parity Bonds of such Series are Participating Bonds and, if the Parity Bonds of such Series are Participating Bonds, (i) that the trustee under such Parity Bonds

Trust Indenture shall be the Trustee, and (ii) the amount to be deposited from the proceeds of the sale of such Series of Parity Bonds in the Bond Reserve Fund; provided, that the Bond Reserve Fund shall be increased at the time that such Series of Participating Bonds becomes Outstanding to an amount at least equal to the Required Reserve, and an amount at least equal to the Required Reserve shall thereafter be maintained in the Bond Reserve Fund; and (B) if the Parity Bonds Trust Indenture providing for the issuance of such Series of Parity Bonds requires either (1) the establishment of a Parity Bonds Series Reserve Fund to provide additional security for such Series of Parity Bonds, or (2) that the balance on deposit in an existing Parity Bonds Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series of Parity Bonds, to an amount at least equal to the Required Reserve with respect to such Series of Parity Bonds and all other Parity Bonds secured by such Parity Bonds Series Reserve Fund to be considered outstanding upon the issuance of such additional Series of Parity Bonds, then the Parity Bonds Trust Indenture providing for the issuance of such additional Series of Parity Bonds shall require deposit of the amount necessary; (ii) If the Parity Obligation Payments on such Parity Obligations will not secure Parity Bonds, then any debt service reserve fund established for such Parity Obligations shall satisfy the following criteria: (A) the debt service reserve fund must be held by an independent trustee (who may be other than the Trustee); (B) the required amount of the debt service reserve fund shall not exceed the lesser of the maximum annual debt service of such Parity Obligations (calculated on the basis of a year ending on the principal payment date of such Parity Obligations) or the maximum amount permitted under the Code, except that, if such Parity Obligations are in the form of a loan from a governmental agency, then a debt service reserve fund shall be established in the amount, if any, required or permitted by such governmental agency; and (C) the City is not required to replenish withdrawals from such debt service reserve fund on terms less favorable to the City than the terms for replenishing the Reserve Fund pursuant to Section 5.2(b) hereof.

(c) The Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

(i) The City may adjust the foregoing Net Revenues to reflect:

(A) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have

been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(B) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

Nothing contained in this Section shall limit the issuance of any revenue bonds, notes or other evidences of indebtedness or the entry into of any installment purchase agreement by the City payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, upon the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with Section 9.1.

Nothing contained in this Section shall limit the issuance or incurrence of any Subordinate Obligations.

Section 5.4. Rate Stabilization Fund. The City may, at any time, determine to deposit in the Rate Stabilization Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.1. Punctual Payment. The City will punctually pay the Installment Payments in strict conformity with the terms hereof and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms hereof.

Section 6.2. Legal Existence. The City will use all means legally available to maintain its existence.

Section 6.3. Against Encumbrances. The City will not hereafter mortgage or otherwise encumber, pledge or place any charge or lien upon Gross Revenues except as provided herein. The City will not hereafter mortgage or otherwise encumber, pledge or place any lien or charge upon any of the Net Revenues on a parity with the pledge securing the payment of the Installment Payments, except for Parity Obligations as provided herein. The City may at any time issue Subordinate Obligations.

Section 6.4. Against Sale or Other Disposition of the Enterprise. The City will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues, unless the Installment Payments have been

fully paid or provision has been made therefor in accordance with Section 9.1. The City will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the Installment Payments and all Parity Obligations, or which would otherwise impair the rights of the Owners with respect to the Net Revenues or the operation of the Enterprise.

Section 6.5. Maintenance and Operation of Enterprise. The City will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

Section 6.6. Insurance.

(a) To the extent such insurance is available for reasonable premiums from a reputable insurance company, the City will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program.

(b) The City shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

(c) If all or any part of the Enterprise shall be damaged or destroyed, the Net Proceeds realized by the City as a result thereof shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2; provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.7. Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2, provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.8. Amounts of Rates, Fees and Charges.

(a) The City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

(i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;

(ii) The Installment Payments, all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;

(iii) All payments required for compliance with the terms hereof or of any Parity Bonds Trust Indenture requiring restoration of the Reserve Fund to an amount equal to the Required Reserve; and

(iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

(b) In addition to the requirements of the foregoing subsection (a) of this Section, the City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year, equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.9. Enforcement of and Performance Under Contracts. The City shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the Enterprise. Further, the City will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the City is a party thereto. The City hereby approves the Trust Indenture and shall comply with the provisions thereunder applicable to it.

Section 6.10. Collection of Charges, Fees and Rates. The City will have in effect at all times rules and regulations requiring each user of the Enterprise to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City will enforce the collection procedures contained in such rules and regulations.

Section 6.11. No Free Service. The City will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State, and any city, county, public agency, political subdivision, public corporation or agency of any thereof), unless otherwise required by law or existing written agreements.

Section 6.12. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Enterprise or upon the Gross Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Installment Payments; except that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall

contest the validity of any such claims and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.13. Books of Record and Accounts; Financial Statements. The City will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Enterprise, the Sewer Fund and all other accounts or funds established pursuant hereto, and upon request will provide information concerning such books of record and accounts to the Trustee (who has no duty or obligation to make such request).

The City will annually cause to be prepared by a Certified Public Accountant, not later than 270 days after the close of each Fiscal Year, until all Installment Payments have been fully paid, or provision has been made therefor in accordance with Section 9.1, audited financial statements of the City containing schedules relating to the Sewer Fund. The City shall maintain accurate books and records for each Fiscal Year of all accounts or funds established pursuant hereto for the preceding Fiscal Year, showing the balances in each such account or fund as of the beginning of such Fiscal Year, all deposits in and withdrawals from each such account or fund during such Fiscal Year, and the balances in each such account or fund as of the end of such Fiscal Year.

Section 6.14. Payment of Taxes and Other Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any properties owned by the City, or upon the Gross Revenues, when the same shall become due; provided, that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

The City will duly comply with all applicable state, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.15. Tax Covenants and Matters.

(a) General. The City hereby covenants, for the benefit of the Authority and the Owners and Beneficial Owners of the Bonds that, notwithstanding any other provisions of this Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the City shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.15, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 6.16. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Agreement Event of Default; however, any Participating Underwriter or any Owner or Beneficial Owner of the Bonds may take such actions as described under the Continuing Disclosure Certificate to cause the City to comply with its obligations under this Section.

Section 6.17. Preservation of Authority. The City covenants to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

Section 6.18. Further Assurances. The City will adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The City may, from any available funds, prepay the Installment Payments, as a whole or in part, on any date on or after October 1, 20__, on a pro rata basis, or as otherwise directed by the City; provided that any prepayment of a principal component of the Installment Payments shall be an amount sufficient to provide for the redemption or defeasance of Bonds in Authorized Denominations and otherwise in accordance with the provisions of the Trust Indenture. The prepayment of the principal component of the Installment Payments shall be at a prepayment price equal to 100% of the principal amount of the Bonds to be prepaid or redeemed, plus accrued interest thereon to the next applicable optional redemption date for the Bonds as provided in the Trust Indenture, without penalty.

The Authority shall accept such prepayments when the same are tendered by the City. All prepayments of Installment Payments made by the City pursuant to this Section shall, upon receipt, be transferred to the Trustee for deposit into the Redemption Account of the Trust Indenture pursuant to Section 4.03(c) thereof.

Section 7.2. Method of Payment. With respect to prepayments of Installment Payments pursuant to Section 7.1, the City shall determine which Installment Payments are to be prepaid, including the principal component of the Installment Payment due on each Installment Payment Date to be paid or prepaid with such prepayments, and, subject to the provisions of Section 7.1, the date on which each such prepayment is to be made. Before making any prepayment pursuant to Section 7.1, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than 45 days from the date such notice is given; except that, notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under Article IV, until all Installment Payments shall have been fully paid, or provision for payment thereof shall have been made pursuant to Section 9.1.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. There shall be an Agreement Event of Default if one or more of the following shall happen:

(a) if default is made by the City in the due and punctual payment of any Installment Payment or any other Parity Obligations when and as the same shall become due and payable;

(b) if default is made by the City in the performance of any of the other agreements or covenants required herein to be performed by it, and such default has continued for

a period of 30 days after the City has been given notice in writing of such default by the Authority or the Trustee; except that such default will not constitute an Agreement Event of Default hereunder if the City commences to cure such default within such 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time, which period shall be no longer than 365 days after delivery of such notice of default;

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

then, and in each and every such case during the continuance of an Agreement Event of Default specified in clauses (c) and (d) above, the Authority shall, and for any other Agreement Event of Default the Authority may, by notice in writing to the City, declare all unpaid principal components of the Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This subsection however, is subject to the condition that if, at any time after all unpaid principal components of the Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal components and interest components of the Installment Payments then due and payable (other than the principal components of the Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration), with interest on such overdue Installment Payments at the highest rate applicable to the remaining unpaid principal component of the Installment Payments, and the reasonable expenses of the Authority and the Trustee shall have been paid or provision deemed by the Authority or the Trustee, as applicable, to be adequate shall have been made therefor, and any and all other Agreement Events of Default shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and the trustee for any other Parity Obligations,

then the Authority, including the costs, if any, in carrying out the provisions of this Article, including reasonable compensation to accountants and counsel and similar costs with respect to this Agreement and Parity Obligations;

Second, to the payment of Operation and Maintenance Costs;

Third, to the payment of all unpaid principal components of the Installment Payments and the accrued interest thereon and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue Installment Payments at the highest rate of interest applicable to the unpaid principal components of the Installment Payments and, with respect to such other Parity Obligations, as required by the terms of such other Parity Obligations; and

Fourth, to amounts due to any provider of credit enhancement for other Parity Obligations.

Section 8.3. Other Remedies of the Authority. In addition to remedies elsewhere provided in this Agreement, upon the continuance of an Agreement Event of Default, the Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or their duties under applicable law and the agreements and covenants required to be performed by it or them contained herein;

(b) by suit in equity, to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity, to require the City and its directors, officers and employees to account as the trustee of an express trust; or

(d) by mandamus or other action or proceeding or suit at law or in equity, to pursue any other remedy now or hereafter existing in law or in equity or by statute or otherwise to enforce the performance of the City's obligations hereunder and to otherwise protect the Authority's rights and interests in connection with this Agreement.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the Enterprise or other facilities of the City, or any other real property of the City, and no default hereunder shall result in the loss of the Project, the Enterprise or other facilities of the City or any other real property of the City.

Section 8.4. Non Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates from the Net Revenues, the Sewer Fund and the other funds pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Installment Payments. Notwithstanding any other provision of this Agreement, the City may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee, an escrow agent or other fiduciary, an amount of cash which is either (a) sufficient to pay all such Installment Payments in accordance with the Installment Payment schedule set forth in Exhibit C, or (b) invested in whole or in part in non-callable Defeasance Securities in such amount as will, together with interest to accrue thereon and together with any cash which is so deposited, in the written opinion of an Independent Certified Public Accountant, be fully sufficient to pay all such Installment Payments when due pursuant to Article IV, or when due on any optional prepayment date pursuant to Article VII, as the City shall instruct at the time of the deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the City under this Agreement, and all security provided by this Agreement for such obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the City to pay all required Additional Payments pursuant to Section 4.2. The security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Agreement.

Section 9.2. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Trust Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts

then on deposit in the funds and accounts established under the Trust Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Installment Payments and any other payments hereunder is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Successor Is Deemed Included in all References to Predecessor. Whenever either the City or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or the Authority, and all assignees of the City or the Authority permitted hereunder. All agreements and covenants required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.3. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Installment Payments or be subject to any personal liability by reason of the execution of this Agreement or the execution and delivery of the Bonds.

Section 10.4. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.5. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The

City and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.6. Assignment. The City acknowledges and agrees that the Installment Payments, and certain of the Authority's rights under this Agreement will be assigned to the Trustee and pledged under the Trust Indenture to the payment of the Bonds. The City consents to such assignment.

Section 10.7. California Law. This Agreement shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 10.8. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the provisions of Article IX have been satisfied.

Section 10.9. Execution in Counterparts; Electronic Signatures. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Each of the parties hereto agrees that the transaction consisting of this Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent that if such party signs this Agreement using an electronic signature it is signing, adopting, and accepting this Agreement and that signing this Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Agreement in usable format.

Section 10.10. Indemnification of Authority and Trustee. To the fullest extent permitted by law, the City agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the City with respect to the Enterprise, (e) the performance by the Trustee of its duties and obligations under the Trust Indenture, and in connection with this Installment Purchase Agreement and any document executed herewith or therewith, (f) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 10.10 or elsewhere in this Agreement for the negligence, willful misconduct, or breach of duty under the Trust Indenture by the Trustee, or its officers, employees, successors or assigns. The rights of the Trustee and the obligations of the City under this Section 10.10 shall survive the termination of this Agreement or the resignation or removal of the Trustee.

Section 10.11. Amendments. This Agreement may only be amended in accordance with the terms applicable to the Authority in Section 5.06 of the Trust Indenture and any other limitations to amendment of the Agreement in any Parity Bonds Trust Indenture.

(Signatures on next page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their officers thereunto duly authorized as of the day and year first written above.

THE CITY OF MORGAN HILL

By: _____
City Manager

Attest:

By: _____
City Clerk

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

EXHIBIT A
DESCRIPTION OF THE PROJECT

The Project consists of the following “Capital Improvements”:

Project Year	Project Description
--------------	---------------------

The Capital Improvements may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by a Favorable Opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds. The City may, from time to time, delay completion of a Capital Improvement or determine not to finance a particular Capital Improvement from the proceeds of the Bonds without substituting or adding an additional project provided that (i) the total amount of Capital Improvements to be financed with the proceeds of the Bonds is sufficient to absorb all of the proceeds of the Bonds, including investment earnings thereon, and (ii) the expenditure of proceeds of the Bonds on Capital Improvements will be made at such times and in such amounts as are consistent with applicable provisions of the Tax Certificate executed by the Authority and the City in connection with the issuance of the Bonds.

EXHIBIT B

PRINCIPAL COMPONENTS OF INSTALLMENT PAYMENTS

The principal components of the Installment Payments shall consist of the sum of the following amounts, with each such principal component being payable on the 15th day of the month preceding the date for such principal component set forth below and with each such principal component bearing interest at the interest rate per annum set forth below:

Due Date (October 1)	Principal Component
<u> </u>	<u> </u>

EXHIBIT C

SCHEDULE OF INSTALLMENT PAYMENTS AS OF DELIVERY DATE

As of the Delivery Date, the Installment Payments consist of the following amounts of principal and interest and are payable on Installment Payment Dates which are the 15th day of the month preceding each of the dates set forth below:

<u>Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Total</u>
-------------	---------------------------	----------------------------	--------------

TRUST INDENTURE

by and between

MORGAN HILL FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee

Dated as of December 1, 2020

relating to

[\$[Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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TRUST INDENTURE

THIS TRUST INDENTURE, made and entered into as of December 1, 2020 (this “Trust Indenture”), by and between the MORGAN HILL FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee” or “2015 Trustee”), a national banking association organized and existing under the laws of United States;

WITNESSETH:

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into the 2020 Installment Purchase Agreement (as defined herein); and

WHEREAS, the Authority hereby certifies that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Indenture;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH, that in consideration of the premises and the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Bonds by the Owners (as defined herein) thereof, and to secure the payment of the Bonds and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are to be issued, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall, for all purposes of this Trust Indenture, and of the Agreement, and any Bond, opinion, request or other document herein or therein mentioned, have the meanings herein specified and such definitions shall be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Act” means Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing at Section 6500 thereof.

“Additional Payments” means “Additional Payments” as defined in Section 4.2 of the Agreement.

“Agreement” or “2020 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of December 1, 2020, between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented.

“Agreement Event of Default” means an event of default described in Section 8.1 of the Agreement.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

- (a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be
 - (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or
 - (ii) with respect to Parity

Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the City);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the City under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

“Authority” means the Morgan Hill Financing Authority, a joint exercise of powers authority, organized and existing pursuant to the laws of the State of California.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations of states and political subdivisions, selected by the City and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code.

“Bond Reserve Fund” means the fund by that name established pursuant to Section 4.04 hereof.

“Bond Year” means “Bond Year” as defined in the Tax Certificate.

“Bond Register” means the books for the registration and transfer of the Bonds kept by the Trustee pursuant to Section 2.08 hereof.

“Bonds” means the bonds issued by the Authority under and pursuant hereto.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks located in the city where the Corporate Trust Office of the Trustee is located, are required or authorized to remain closed.

“Capital Improvements” shall mean that portion of the Project constituting capital improvements to the Enterprise as described in Exhibit A to the Agreement.

“Capital Improvements Fund” shall mean the Capital Improvements Fund to be held by the City and established pursuant to Section 4.1 of the Agreement.

“Certificate of an Independent Consultant” means an instrument in writing signed by an Independent Consultant.

“Certificate of the Authority” means an instrument in writing signed by the President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“City” means the City of Morgan Hill, a municipal corporation organized and existing under the laws of the State of California.

“City Council” means the City Council of the City, being the City’s legislative body.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provision of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by the City and the Trustee with respect to the Bonds.

“Corporate Trust Office” means, with respect to the Trustee, the principal Corporate Trust Office of the Trustee in San Francisco, California, or such other office designated by the Trustee from time to time; provided that, for purpose of payment, redemption, exchange, transfer, surrender and cancellation of Bonds, such term means the corporate trust operations or agency office designated by the Trustee.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the execution and delivery of the Agreement, this Trust Indenture and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other cost, charge or fee in connection with the issuance and sale of the Bonds.

“Cost of Issuance Fund” means the fund by that name established pursuant to Section 4.05 hereof.

“Debt Service Fund” means the fund by that name established pursuant to Section 4.02 hereof.

“Defeasance Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are fully and unconditionally pledged for the timely payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

“Delivery Date” means _____, 2020.

“Depository” means the Securities Depository acting as Depository pursuant to Section 2.11.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, in its capacity as the initial securities depository for the book-entry Bonds.

“Enterprise” means the entire wastewater system of the City (excluding any reclamation facilities) including without limitation all improvements, works or facilities owned, controlled or operated by the City to provide sewer service as such improvements, works or facilities now exist,

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together with all additions to or replacements of existing facilities to be acquired or constructed, together with all improvements, replacements or extensions to said wastewater system later acquired or constructed, including the Project.

“Event of Default” means an event described in Section 8.01 hereof.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Counsel from a Bond Counsel to the effect that such action, in and of itself is permitted hereunder and, will not adversely affect the tax-exempt status of interest on the Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on June 30 of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, which is independent of the City and the Authority pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Consultant” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to wastewater systems, or any other financial consultant or firm of financial consultants (including

an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to wastewater systems, appointed and paid by the City, and who or each of whom –

- (a) is in fact independent and not under the domination of the City;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (c) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

“Installment Payment Date” means the 15th day of the month prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

“Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the City pursuant to Section 4.2 of the Agreement.

“Interest Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Interest Payment Date” means April 1 and October 1 of each year commencing April 1, 2021.

“Investment Securities” means any of the following obligations if and to the extent then permitted by law:

- (1) Defeasance Securities;
- (2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve Enterprise and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody’s and by S&P; provided, that purchases of eligible bankers acceptances may not exceed 270 days’ maturity;
- (4) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody’s and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A1” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and by S&P; provided, that purchases of eligible

commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit (including those placed by a third party pursuant to an agreement between the Authority and the Trustee) issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than 365 days or deposit accounts with a state or national bank and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank are rated no lower than "A1" by Moody's and "A+" by S&P;

(6) Any repurchase or reverse repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "A1" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase or reverse repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately; and (e) the repurchase or reverse repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) Bank deposit products, demand or time deposits (including certificates of deposit), trust funds, trust accounts, interest bearing deposits, overnight bank deposits, interest bearing money market accounts or bankers' acceptances in a nationally or state-chartered bank, including the Trustee or any affiliate thereof, fully insured by the Federal Deposit Insurance Corporation or collateralized by Investment Securities described in clause (1);

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which such entities receive and retain a fee for services provided to the fund) and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) A guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest Rating Categories of any Rating Agency; and

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the Authority of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto to the extent deposits and withdrawals may be made by the Trustee directly.

"Letter of Representations" means the letter of representations to The Depository Trust Company, New York, New York, from the Authority.

"Maturity Date" means, with respect to each Bond, the applicable maturity date set forth in Section 2.03 hereof.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

"Net Proceeds" means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.11.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

“Opinion of Counsel” means a written opinion signed by an attorney or firm of attorneys selected by the City and duly admitted to practice law before the highest court of the State.

“Outstanding,” when used as of any particular time with respect to the Bonds, means (subject to the provisions of Section 7.02 hereof) all Bonds except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have been deposited with the Trustee, an escrow agent or other fiduciary (whether upon or prior to the maturity or prior redemption date of such Bonds) pursuant to Article IX hereof, provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 3.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been authenticated and delivered by the Trustee.

“Owner” or “Registered Owner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means the 2015 Bonds and any other bonds secured by Parity Obligations and issued pursuant to this Trust Indenture or any Parity Bonds Trust Indenture.

“Parity Bonds Series Reserve Fund” means any fund by that name established with respect to one or more Series of Parity Bonds other than Participating Bonds by a Parity Bonds Trust Indenture.

“Parity Bonds Trust Indenture” means the 2015 Trust Indenture and any other trust indenture pursuant to which a Series of Parity Bonds is issued.

“Parity Obligation Payments” means the payments scheduled to be paid by the City under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in the Agreement.

“Parity Obligations” means all obligations of the City issued or executed and entered into by the City, pursuant to and in accordance with the provisions of Section 5.3 of the Agreement, the Parity Obligation Payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, as provided herein.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“Participating Bonds” means any Series of Parity Bonds that, pursuant to the terms of the Parity Bonds Trust Indenture relating to such Series of Parity Bonds, is secured by the Bond Reserve Fund.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledge Law” means Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto.

“Principal Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Project” means the acquisition and construction of public capital improvements for the Enterprise, as described in Exhibit A to the Agreement.

“Purchase Price” means the principal components of the Installment Payments plus interest on the unpaid portion of such principal components owed by the City to the Authority under the terms of the Agreement as provided in Section 4.1 of the Agreement.

“Rate Stabilization Fund” means the fund by that name referred to in Section 5.4 of the Agreement.

“Rating Agencies” means, if then providing a rating with respect to the Bonds, any of the following: Fitch, Moody’s, S&P, and any other nationally recognized securities rating agency or agencies, including their respective successors or assigns.

“Rating Category” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to Section 4.06 of this Trust Indenture.

“Record Date” means the fifteenth day of the month prior to an Interest Payment Date whether or not a Business Day.

“Redemption Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.03 hereof.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Trust Indenture.

“Repayment Obligation” means the reimbursement obligation or any other payment obligation of the City under a written agreement between the City and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

“Required Reserve” means: (1) with respect to the Bond Reserve Fund, as of the Delivery Date, an amount equal to **[zero dollars (\$0)]**; provided, that with respect to the issuance of Participating Bonds, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to any Parity Bonds Series Reserve Fund, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

“Reserve Facility” means any insurance policy, letter of credit, or surety bond issued by a provider meeting the requirements set forth in Section 4.04(c), and delivered to the Trustee in satisfaction of all or a portion of the Required Reserve applicable to one or more Series of Parity Bonds.

“Reserve Fund” means the Bond Reserve Fund or a Parity Bonds Series Reserve Fund.

“Revenues” means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Trust Indenture pursuant to Section 4.08.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Series” means all Parity Bonds authorized and established pursuant hereto or to a Parity Bonds Trust Indenture as constituting a single Series and delivered on original issuance in a

simultaneous transaction, and any Parity Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor.

“Sewer Fund” means the fund by that name referred to in Section 5.2 of the Agreement.

“State” means the State of California.

“Subordinate Obligations” means the obligations of the City that are payable from Net Revenues on a basis that is subordinate to the payment of the Installment Payments and Parity Obligations. Any termination payment payable by the City under an interest rate swap agreement shall constitute a Subordinate Obligation.

“Supplemental Trust Indenture” means any trust indenture then in full force and effect which has been duly executed by the Authority and the Trustee amendatory hereof or supplemental hereto.

“Tax Certificate” means the tax certificate, dated the Delivery Date of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed and delivered by the Authority and the City on the Delivery Date of the Bonds, including any and all exhibits attached thereto.

“Treasury Regulations” means those regulations issued by the United States Department of the Treasury under the Code.

“Trust Indenture” means this Trust Indenture, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Written Request of the Authority” means an instrument in writing signed by President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Written Request of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“2015 Bonds” means the Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2015 issued and delivered under the 2015 Trust Indenture.

“2015 Trust Indenture” means the Trust Indenture, dated as of June 2015, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Section 1.02. Rules of Construction. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections,

subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization to Issue, Authenticate and Deliver the Bonds. The Bonds are authorized to be issued in the aggregate principal amount of \$[Par Amount].00 in the form and manner provided herein. The Bonds shall be designated “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020,” issued by the Authority under and pursuant to the Bond Law and this Trust Indenture, and secured by a pledge of, and payable from Revenues as provided herein.

The Trustee is hereby authorized to authenticate and deliver the Bonds to the original purchaser thereof upon the Written Request of the Authority and receipt of the proceeds of the sale thereof (to be wired to the Trustee).

Section 2.02. Denominations of the Bonds. The Bonds shall be issued in fully registered form, in Authorized Denominations, and numbered consecutively.

Section 2.03. Terms of the Bonds. The Bonds shall be dated the Delivery Date, and mature on October 1 in the years, in the respective principal amounts set forth opposite such years, and bear interest at the respective rates per annum set forth in the following table:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest shall be payable with respect to each Bond on each Interest Payment Date, commencing April 1, 2021 until the principal thereof has been paid; provided, however, that if at the Maturity Date of any Bond (or, if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with terms of this Trust Indenture, such Bond shall then cease to bear interest.

Section 2.04. Interest. The Bonds shall bear interest payable semiannually on their Interest Payment Dates. Each Bond which is authenticated and registered on or prior to the first Record Date shall bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond which is authenticated and registered after the first Record Date shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond shall bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid.

Section 2.05. Form of the Bonds. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved.

Section 2.06. Payment of the Bonds. The principal or Redemption Price of, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof at the close of business on the Record Date next preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at his address as it appears on such books; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds then Outstanding, upon written request of such Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the interest payment shall be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Owner.) Payment of the principal or Redemption Price of a Bond shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof, such principal and redemption premium, if any, to be paid only upon the surrender of the Bond at the Corporate Trust Office, where such Bonds are paid by the Trustee, at maturity or upon redemption prior to maturity. All such payments of interest on, or principal of, or redemption premium, if any, on any Bond shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

Section 2.07. Execution of the Bonds. The Bonds shall be signed on behalf of the Authority by the manual or facsimile signature of the President of the Authority and countersigned by the manual or facsimile signature of its Secretary. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall

have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the Authority as though such officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the Authority by any person who on the actual date of the execution of such Bond shall be the proper officer of the Authority, although on the nominal date of such Bond such person shall not have been such officer of the Authority. Only those Bonds that bear thereon a certificate of authentication manually executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, authenticated and delivered hereunder and are entitled to the benefits hereof.

Section 2.08. Registration, Transfer and Exchange of Bonds. The Trustee shall keep, at its Corporate Trust Office, sufficient books for the transfer and exchange of the Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form satisfactory to the Trustee. The cost of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Authority nor the Trustee shall be required (a) to transfer or exchange any Bonds during the 15-day period prior to the selection of any Bonds for redemption under Article III hereof, or (b) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III hereof.

The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary.

The information contained in the registration books with regard to the ownership of or security interests in the Bonds shall not be subject to inspection or copying by the public as provided in Section 5060(a) of Chapter 1.5 of Division 6 of Title 1 of the California Government Code; provided, that such books shall be open for inspection by the Authority during normal business hours, upon reasonable prior notice.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated or shall have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Corporate Trust Office, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in connection therewith, the Authority shall execute and the Trustee

shall authenticate and deliver at such office a new Bond or Bonds of the same Maturity Date for the same aggregate principal amount of authorized denominations of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost. If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Authority upon receipt of like proof, indemnity and payment of expenses. Any replacement Bonds issued pursuant to this Section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The Authority and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; instead, both the original and the replacement Bond shall be treated as one and the same.

Section 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be issued in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Each temporary Bond shall be executed by the Authority upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Corporate Trust Office, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Maturity Date or Dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

Section 2.11. Book Entry System.

(a) Original Delivery. The Bonds will be initially issued as book-entry Bonds, and each maturity of such Bonds will be in the form of a separate single fully registered Bond (which may be typewritten). The Depository Trust Company (“DTC”) will act as the initial Depository for book-entry Bonds. Upon initial execution and delivery, the ownership of each such book-entry Bond will be registered in the registration books maintained under Section 2.08 in the name of Cede & Co., as Nominee of DTC, the initial Depository for the Bonds.

With respect to book-entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to the owners of beneficial interests in book-entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the registration books maintained under Section 2.08 hereof, of any notice with respect to book-entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Authority redeems any book-entry Bonds in part or (iv) the payment of any Participant or any other person, other than an Owner as shown in the registration

books maintained under Section 2.08, of any amount with respect to the principal or Redemption Price of, and interest on book-entry Bonds.

The Authority and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the registration books maintained under Section 2.08 as the absolute Owner of such book-entry Bond for the purpose of payment of the principal or Redemption Price of, and interest on such book-entry Bond, for the purpose of giving notices of redemption and other matters with respect to such book-entry Bond, for the purpose of registering transfers with respect to such book-entry Bond and for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of, and interest on the book-entry Bonds only to or upon the order of the respective Owners, as shown in the registration books maintained under Section 2.08, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of the interest on and the principal or Redemption Price of the book-entry Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books maintained under Section 2.08 shall receive a Bond evidencing the obligation of the Authority to make payments of the principal or Redemption Price of, and interest on any book-entry Bond pursuant hereto. Upon delivery by the Depository to the Owner, the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the term Nominee herein shall refer to such new nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry Bonds for the Depository's book entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book entry Bonds other than the Owners, as shown on the registration books required to be kept pursuant to Section 2.08. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee shall take such other actions, not inconsistent herewith, as are reasonably necessary to qualify book entry Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Authority has advised the Depository that it does not wish the Depository to continue as securities depository, then the Authority will discontinue the book entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (d). If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such registration books required to be kept pursuant to Section 2.08 in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Section 2.08.

(d) Transfer of Bonds to Substitute Depository.

(i) Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.11(d) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository not objected to by the Trustee, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or Substitute Depository or its successor) from its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or its Nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds, which the Authority shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Written Request of the Authority, subject to the limitations of Sections 2.02 and 2.03, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such Written Request of the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such depository’s failure to make such notations or errors in making such notations.

Section 2.12. Validity of the Bonds. From and after the issuance of the Bonds, the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority and the City for the financing of the Project, or by any contracts made by the Authority and the City in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance. Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the original purchaser thereof and the purchase price thereof received.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source, upon 45 day notice to the Trustee (or such shorter period agreed to by the Trustee) and mailed notice as provided herein, at a Redemption Price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(b) Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the Redemption Price thereof, plus accrued interest to the date of purchase. All Bonds so purchased shall be delivered to the Trustee for cancellation.

Section 3.02. Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be redeemed at any one time, the Authority shall, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions thereof of the same Maturity Date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in integral multiples of \$5,000. Within each maturity, Bonds shall be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions thereof for redemption shall be conclusive in the absence of fraud.

Section 3.03. Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee shall mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee shall also provide

notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal shall be an action by the holders of the Bonds for specific performance. Each such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all of the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the redemption date, and shall require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Section 9.01 or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys shall not have been so received the notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Section 3.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof at the expense of the Authority a new Bond or Bonds of the same Maturity Date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 3.05. Effect of Redemption of Bonds. If notice of redemption has been duly given pursuant to Section 3.03, and money for the payment of the Redemption Price of the Bonds or portions thereof so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, and the interest accrued thereon to the redemption date.

ARTICLE IV

ASSIGNMENT AND PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Pledge and Assignment of Revenues.

(a) All Revenues and any other amounts held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund) are hereby irrevocably pledged to the payment of the interest on and principal or Redemption Price of the Bonds, as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; except that, out of the Revenues and other moneys, there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund) for the payment of the principal or Redemption Price of, and interest on the Bonds in accordance with the terms hereof and thereof.

(b) The Authority hereby transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all of the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee.

The Trustee hereby accepts such assignment. Subject to Article VI, the Trustee shall take all steps, actions and proceedings required to be taken as provided in any opinion of Bond Counsel delivered to it necessary to maintain in force, for the benefit of the Owners, the Trustee's rights in and priority to the following security granted to it for the payment of the Bonds: the Trustee's rights as assignee of the Installment Payments and other Revenues, interest and other income, and all other rights to security for the Bonds which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out in this Section 4.01(b), rely and shall be protected in acting or refraining from acting upon an opinion of Bond Counsel furnished by the Authority.

Section 4.02. Receipt and Deposit of Revenues in the Debt Service Fund. In order to carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants

that all Revenues when and as received shall be received by the Authority in trust hereunder for the benefit of the Owners and shall be transferred to the Trustee for deposit by the Trustee in the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Debt Service Fund” (the “Debt Service Fund”), which fund the Trustee agrees to establish, maintain and hold in trust, for so long as any Bonds shall be Outstanding hereunder.

All Revenues shall be accounted for through and held in trust in the Debt Service Fund, and the Authority shall have no beneficial right or interest in any of the Revenues, except as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Debt Service Fund. Subject to the provisions of Sections 4.06 and 5.03, and by the Tax Certificate, all money in the Debt Service Fund shall be set aside by the Trustee in the following respective special accounts within the Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Redemption Account.

All money in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Trust Indenture.

The Trustee shall transfer from the Debt Service Fund the following amounts at the times and in the manner hereinafter provided, and shall deposit such amounts in one or more of the following respective funds or accounts, and each of which shall be disbursed and applied only as hereinafter authorized. Such amounts shall be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

(a) Interest Account. On each Interest Payment Date, commencing on April 1, 2021, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date.

No deposit need be made to the Interest Account on any date if the amount contained therein is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Except as otherwise provided herein, all money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest as it shall become due and payable (including accrued interest on Bonds purchased or redeemed prior to their respective Maturity Dates).

(b) Principal Account. On each Maturity Date, the Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the Outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date.

No deposit needs to be made to the Principal Account on any date if the amount contained therein is at least equal to the aggregate principal amount of Outstanding Bonds maturing on such date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal amount of Bonds as they mature.

(c) Redemption Account. All prepayments of Installment Payments made by the City, pursuant to Section 7.1 of the Agreement, shall be deposited in the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of Outstanding Bonds as directed in a Certificate of the City.

Section 4.04. Reserve Funds.

(a) At such time as the Reserve Requirement shall be more than zero dollars (\$0), the Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds Bond Reserve Fund” (the “Bond Reserve Fund”). Moneys in the Bond Reserve Fund shall be applied in accordance with this Section and, with respect to other Series of Participating Bonds, in accordance with the provisions of the Parity Bonds Trust Indentures pursuant to which such Participating Bonds are issued.

(b) Upon establishment of the Bond Reserve Fund, the Trustee hereby agrees and covenants to maintain the Bond Reserve Fund so long as any Participating Bonds remain Outstanding hereunder or outstanding under the Parity Bonds Trust Indenture under which they were issued.

(c) (i) The Trustee shall transfer to and deposit in each Reserve Fund maintained under a Parity Bonds Trust Indenture (on a pro rata basis calculated by reference to the Required Reserve for each such Reserve Fund) such amount of money as shall be required to restore each Reserve Fund to the applicable Required Reserve (including amounts necessary to reinstate the amount available under any Reserve Facility); and for this purpose all investments in any Reserve Fund shall be valued semiannually before each Interest Payment Date. No deposit need be made into any Reserve Fund if the value of the money and investments contained therein is at least equal to the applicable Required Reserve.

(ii) In lieu of making the Required Reserve deposit applicable to one or more Series of Parity Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund, or in substitution of any Reserve Facility that is part of the Required Reserve relating to one or more Series of Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories by at least one of the Rating Agencies, in an amount, that, together with cash, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, will equal the applicable Required Reserve. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section 4.04(c). At least one year prior to the stated expiration of such letter of credit, the Authority shall deliver one of the following to the Trustee: (1) a replacement letter of credit; (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of Section 4.04(c)(iii). Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement letter of credit, extension or replacement Reserve Facility with the Trustee, the Authority shall commence to make deposits with the Trustee so that an amount equal to the applicable Required Reserve will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Required Reserve as of the date following the expiration of the letter of credit is not on deposit in the applicable Reserve Fund one week prior to the expiration date of the letter of credit (excluding the letter of credit from such determination), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

(iii) In lieu of making a Required Reserve deposit in cash or in replacement of moneys then on deposit in a Reserve Fund or in substitution of any Reserve Facility that is part of a Required Reserve for any Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount that, together with moneys, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, is no less than the applicable Required Reserve. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories by at least one of the Rating Agencies. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Parity Bonds in connection with which such surety bond or insurance policy is obtained and shall be non-cancellable. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority shall immediately implement clause (1) or (3) in Section 4.04(c)(ii) or make deposits to the related Reserve Fund so that such Reserve Fund is replenished to the required level as soon as practicable.

(iv) Subject to Section 4.04(c)(v) and Section 4.04(c)(vi), all money in a Reserve Fund (including all amounts that may be obtained from a Reserve Facility on

deposit in the Reserve Fund) shall be used by the Trustee solely for the purpose of (1) paying the interest on or principal of the Parity Bonds secured by that Reserve Fund in the event there is insufficient money available in the Debt Service Fund, in such order, for this purpose, (2) making payments to the provider of any Reserve Facility that is part of the Required Reserve for such Reserve Fund for the purpose of reinstating the amount available under such Reserve Facility, or (3) for the retirement, defeasance or redemption of all or a portion of the Outstanding Parity Bonds secured by that Reserve Fund; provided, however, that if funds on deposit in that Reserve Fund are applied to the retirement, defeasance or redemption of only a portion of the Parity Bonds secured by that Reserve Fund, the amount on deposit in the Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption shall equal the Required Reserve applicable to all Parity Bonds secured by that Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption.

(v) Unless otherwise directed in a Parity Bonds Trust Indenture establishing the terms and provisions of a Series of Parity Bonds, the Trustee shall apply amounts held in cash or investments in a Reserve Fund prior to applying amounts held in the form of Reserve Facilities in that Reserve Fund and the Trustee shall apply all deposits of cash into such Reserve Fund for the purposes of satisfying any deficiency in the Reserve Fund to reinstate the portion of the Reserve Fund held in the form of Reserve Facilities (on a pro rata basis calculated by reference to the maximum amount of each Reserve Facility if more than one Reserve Facility has been drawn upon) prior to reinstating the portion of the Reserve Fund held in cash or investments. If the Trustee has applied all cash and investments and more than one Reserve Facility is being held on deposit in a Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the interest on or principal of the Parity Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has received written notice that any payment of principal of or interest on a Parity Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Parity Bonds of such Series, shall so notify the Authority thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(vi) If as a result of any valuation of a Reserve Fund it is determined that the amount of money in such Reserve Fund exceeds the Required Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such money in the Interest Account of the Debt Service Fund established and maintained under the Parity Bonds Trust Indenture pursuant to which such Reserve Fund was established.

Section 4.05. Cost of Issuance Fund.

(a) The Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Cost of Issuance Fund” (the “Cost of Issuance Fund”). Moneys in the Cost of Issuance Fund shall be expended for Costs of Issuance in accordance with this Section.

(b) There shall be credited to the Cost of Issuance Fund the following amounts:

(i) the proceeds of sale of the Bonds required to be deposited therein pursuant to Section 4.10 hereof; and

(ii) any other funds from time to time deposited by the City with the Trustee to pay Costs of Issuance.

(c) The Trustee shall disburse moneys in the Cost of Issuance Fund from time to time to pay for Costs of Issuance directly or to reimburse the City for payment thereof upon receipt by the Trustee of a Written Request of the City substantially in the form of Exhibit B. The Trustee shall be absolutely protected in making any disbursement from the Cost of Issuance Fund in reliance upon a Written Request of the City.

(d) Upon the earlier of March 1, 2021 or the Trustee’s receipt of a Certificate of the City certifying that all Costs of Issuance have been paid, the Trustee shall withdraw all remaining moneys in the Cost of Issuance Fund (other than any moneys retained therein to pay Costs of Issuance not then due and payable as set forth in the Certificate of the City), transfer such moneys to the Debt Service Fund, and close the Cost of Issuance Fund.

Section 4.06. Rebate Fund. The Trustee shall establish when needed, and maintain, so long as any Bonds remain Outstanding, a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien under this Trust Indenture and shall be governed by this Section 4.06 and Section 5.03, and by the Tax Certificate. The Trustee shall not be deemed to have any knowledge of the provisions of the Tax Certificate, and shall be deemed conclusively to have complied with the Rebate Requirement and its obligations under this Section 4.06 if it follows the directions of the Authority, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the Rebate Requirement and the Tax Certificate.

(a) Within 45 days of the end of each Bond Year, (i) the Authority shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (ii) upon the Authority’s

written direction, the Trustee shall deposit to the Rebate Fund from amounts received from the Authority as Additional Payments by the City pursuant to Section 4.2 of the Agreement, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this paragraph (a) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under paragraph (b) of this Section.

The Authority shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the Authority under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Authority shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a).

(b) Any funds remaining in the Rebate Fund after payment of all the Bonds hereunder and any amounts described in clause (ii) of paragraph (c) of this Section, or provision made therefor, including accrued interest and payment of any applicable fees of the Trustee, shall be transferred by the Trustee to the City pursuant to Section 4.09.

(c) Subject to the exceptions contained in paragraph (a) of this Section to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall, upon the Authority’s written direction, pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Bond Year, and (B) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(d) Each payment required to be made pursuant to paragraph (c) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or other address as may be designated by the Internal Revenue Service) on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 (or other approved form), which shall be completed by or on behalf of the Authority and provided to the Trustee.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Authority as Additional Payments made by the City pursuant to Section 4.2 of the Agreement, equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) In the event that immediately following the calculation required by paragraph (a) of this Section, but prior to any deposit made under that paragraph, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with that paragraph, upon written instructions from the Authority, the Trustee shall transfer the excess from the Rebate Fund to the Sewer Fund.

(g) The Authority shall retain records of all determinations made hereunder until six years after the final payment or discharge of all Bonds.

(h) Notwithstanding anything in this Trust Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

Section 4.07. Additional Payments. In the event the Trustee receives Additional Payments pursuant to Section 4.2 of the Agreement, such Additional Payments shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Payments were received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Agreement or this Trust Indenture.

Section 4.08. Deposit and Investments of Money in Accounts and Funds.

(a) All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Investment Securities at the Written Request of the Authority filed with the Trustee which shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder; provided that, money in the Reserve Fund shall not be invested in any investment with a maturity extending beyond five years from the time of such investment. If no such Written Request of the Authority is received by the Trustee, then, the monies shall be held uninvested. Except as otherwise provided herein, all interest or profits received on any money in any fund or account held hereunder (other than the Rebate Fund) so invested shall be deposited in the Interest Account in the Debt Service Fund.

(b) The Trustee or any of its affiliates may act as principal or agent, sponsor, advisor, principal, agent or manager in connection with any investments made by the Trustee hereunder. For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but shall maintain separate records relating to the investments for fund or account.

(c) The Trustee shall not be liable for any loss from any Investment Securities acquired, held or disposed of in compliance with this Section 4.08.

(d) The Trustee may rely on the investment instructions from the Authority that the instructed investment is an Investment Security for the funds to be invested.

Section 4.09. Repayment to City. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Trustee have been paid or provided for, and all expenses of the Authority relating to this Trust Indenture have been paid or provided for, and all other amounts payable hereunder, including without limitation any Rebate Requirement, and under the Agreement have been paid, and this Trust Indenture has been discharged and satisfied, the Trustee shall pay to the City any amounts remaining in any fund established and held hereunder.

Section 4.10. Application of Bond Proceeds and Other Funds. Upon receipt of the net proceeds of the sale of the Bonds from the purchaser thereof in the amount of \$_____ (representing an aggregate principal amount of \$[Par Amount].00, plus a [net] original issue [premium] of \$_____, less an underwriter's discount of \$_____), the Trustee shall set aside and transfer or deposit such proceeds in the following respective accounts or funds:

(a) The Trustee shall transfer the sum of \$_____ from the proceeds of the sale of the Bonds to the City for deposit in the Capital Improvements Fund established pursuant to Section 4.1 of the Agreement for the construction, acquisition and installation of the Capital Improvements;

(b) The Trustee shall deposit the sum of \$_____ from the proceeds of the sale of the Bonds in the Cost of Issuance Fund; and

(c) The Trustee shall (1) deposit in the Bond Reserve Fund a sum which is equal to the Required Reserve as of the date of issuance of the Bonds, (2) pay or cause to be paid the costs of a Reserve Facility in such amount for the credit of the Bond Reserve Fund or (3) pay or cause to be paid the costs of a Reserve Facility, together with a deposit in the Bond Reserve Fund of an amount that will, in combination, equal the Required Reserve as of the date of issuance of the Bonds, in each case as specified in a Certificate of the City dated the date of issuance of the Bonds; provided, that the Required Reserve may be zero.

ARTICLE V

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01. Compliance with Trust Indenture and the Agreement. The Authority will not suffer or permit any default by it to occur hereunder or under the Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein, in the Agreement and in the Bonds.

Section 5.02. Observance of Laws and Regulations. The Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State,

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or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Tax Covenants.

(a) General. The Authority hereby covenants with the Owners that, notwithstanding any other provisions of this Trust Indenture, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Authority shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the Authority, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The Authority shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The Authority shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the Authority shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The Authority shall not make any use of the proceeds of the Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 5.04. Accounting Records and Reports.

(a) The Trustee will keep proper accounting records in accordance with the Trustee's standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Revenues and the proceeds of the Bonds, and such accounting records shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. Not later than the 15th day of each calendar month, commencing on January 15, 2021, and continuing so long as any Bonds are Outstanding, the Trustee will furnish or cause to be furnished to the Authority a complete statement covering the receipts, investments, deposits, application and disbursements of the Revenues for the immediately preceding calendar month.

Such complete statement shall consist of cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statement will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(b) In accordance with Section 6599.1 of the Government Code, until the October 30 following the final maturity of the Bonds, the Authority shall, not later than October 30 of each year, commencing October 30, 2021, supply the California Debt and Investment Advisory Commission ("CDIAC"), by mail, postage prepaid, with the following information:

- (i) The principal amount of Bonds outstanding.
- (ii) The balance in the Reserve Fund.
- (iii) The costs of issuance, including any ongoing fees.
- (iv) The total amount of administrative fees collected.
- (v) The amount of administrative fees charged to each Member Agency.
- (vi) The interest earnings and terms of all guaranteed investment contracts.
- (vii) Commissions and fees paid on guaranteed investment contracts.
- (viii) Failure by the City to timely pay any Installment Payment or other payment required to be paid under the Agreement.

(c) In accordance with Section 6599.1(c) of the Act, until final maturity of the Bonds, the Authority shall notify CDIAC by mail, postage prepaid, within 10 days if any of the following events occur:

(i) The Authority or the Trustee fails to pay principal and interest due on any scheduled payment date due to insufficient funds.

(ii) Funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds or any Bonds acquired by the Authority.

(d) Neither the Authority, the City, their officers, agents or employees, nor CDIAC shall be liable for any inadvertent error in reporting the information required by Section 5.04(b) or (c).

(e) The failure of the Authority to comply with the provisions of Section 5.04(b) or (c) shall not be an Event of Default hereunder.

Section 5.05. Reserved.

Section 5.06. Amendments to Agreement. The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Agreement except: (a) to the extent such amendment, alteration or modification will cure an ambiguity, supply an omission; or cure or correct a defect or inconsistent provision therein; (b) to the extent such amendment, alteration or modification will insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with this Trust Indenture; (c) if, in the Opinion of Counsel, delivered to the Trustee such amendment, alteration or modification does not materially adversely affect the rights of the Owners; or (d) with the written consent of the Owners of a majority in aggregate principal of the Bonds then Outstanding. Any such written consent shall be obtained in the manner provided herein for amendments to this Trust Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an Opinion of Counsel stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Trust Indenture, and is valid and binding upon the parties thereto in accordance with its terms and, if applicable, containing the opinion described in the above subclause (c). For purposes of this Trust Indenture, no change or revision of Exhibit A to the Agreement, made pursuant to the terms thereof, shall constitute an amendment, alteration or modification of the Agreement.

Section 5.07. Recording and Filing. The Authority shall, at the expense of the Authority, cause the filing, recording, registering, renewing, refilling and rerecording of all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law, in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee.

Section 5.08. Against Encumbrances. So long as any Bonds are Outstanding, the Authority will not create or suffer to be created any pledge of or lien on the Revenues other than the pledge and lien hereof, and will not issue any bonds, notes or obligations payable from the Revenues, or secured by a pledge of or charge or lien upon the Revenues, except the Bonds. Subject to this limitation, the Authority reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other bonds or other obligations for such purposes.

Section 5.09. Notices to Rating Agencies. The Authority shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (a) the resignation or removal of the Trustee; or (b) the acceptance of appointment by a successor trustee hereunder promptly upon its becoming aware of such resignation, removal or acceptance.

Section 5.10. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee (who has no obligation or duty to make such request) or any Owner, the Authority will promptly authenticate and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VI

THE TRUSTEE

Section 6.01. The Trustee.

(a) The Bank of New York Mellon Trust Company, N.A., as the Trustee, shall receive all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the principal or Redemption Price of, and interest on the Bonds presented for payment, and for the purpose of canceling all paid or redeemed Bonds as provided herein. Except during the continuance of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Trust Indenture, and no implied covenants, duties or obligations shall be read into this Trust Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee. The Authority agrees that it will at all times maintain a Trustee having a Corporate Trust Office in California.

(b) The Authority may, upon thirty (30) days' prior written notice, (unless there exists any Event of Default as defined in Section 8.01 hereof), remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a banking association or corporation or trust company doing business in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or State agency. If such banking corporation or trust company publishes a report of condition at least

annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then, for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby. The Trustee under this Trust Indenture shall also be the trustee under each Parity Bonds Trust Indenture.

Section 6.02. Liability of Trustee.

(a) The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same and makes no representation as to the sufficiency or validity hereof or of the Bonds, and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of duty.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or redemption premium, if any, on the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

(e) The Trustee shall not be deemed to have knowledge of any default hereunder or default under the Agreement unless and until it shall have actual knowledge thereof or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly

provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of a default hereunder.

(f) The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at-law or certified public accountant was selected by the Trustee with due care.

(g) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of the proceeds of the Bonds and any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(h) Whether or not therein expressly so provided, every provision hereof, or of the Agreement, or any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee, shall be subject to the provisions of this Article.

(i) The Trustee shall be fully protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(j) Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which Certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(k) No provision of this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

(l) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Bonds.

(m) All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

(n) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to

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which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

(o) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

(p) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall not be answerable for the conduct of the same if appointed with due care hereunder. The permissive right of the Trustee to do things enumerated in this Trust Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(q) In acting or omitting to act pursuant to the Installment Purchase Agreement and any other document executed in connection therewith or herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Indenture and the Installment Purchase Agreement, including, but not limited to, this Article VI. Notwithstanding the effective date of this Trust Indenture or anything to the contrary in this Trust Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Trust Indenture which occurs prior to the date the Trustee formally executes this Trust Indenture and commences acting as Trustee hereunder.

(r) Subject to any additional limitations in this Trust Indenture, the Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Trust Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder). The Authority and/or City may provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the City whenever a person is to be added or deleted from the listing. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit

Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 6.03. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability, suit, claim, cause of action, judgment or expense incurred without negligence, default or willful misconduct on the part of the Trustee arising out of or in connection with (i) the acceptance or administration of the trusts created hereby, or the exercise or performance of any of its powers or duties hereunder, the Installment Purchase Agreement or any other document created in connection herewith or therewith, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including reasonable attorneys' fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder the Installment Purchase Agreement or any other document created in connection herewith or therewith. The rights of the Trustee and the obligations of the Authority under this section shall survive the discharge of the Bonds and this Trust Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Section 6.04. Notices to Rating Agencies. The Trustee shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (i) the discharge of liability on any Bonds pursuant to Section 9.01; (ii) the redemption or purchase of all Bonds; or (iii) an amendment to this Trust Indenture or the Agreement, upon its receipt of written notice of any such amendments. The Trustee shall also notify any Rating Agency of any amendments to any of the

documents to which the Trustee is a party, upon its receipt of written notification of any such changes.

ARTICLE VII

AMENDMENT OF THE TRUST INDENTURE

Section 7.01. Amendment of the Trust Indenture.

(a) Except as provided in subsection (b) and (c) of this Section 7.01, this Trust Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02 hereof, are filed with the Trustee; provided, that, before executing any such Supplemental Trust Indenture under this Section 7.01, the Trustee may first obtain, at the Authority's expense, an Opinion of Counsel that such Supplemental Trust Indenture is authorized or permitted hereunder, and complies with the provisions of this Trust Indenture, on which opinion the Trustee may conclusively rely.

(b) No amendment to this Trust Indenture shall (i) extend the stated maturity of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of any Bond, without the express written consent of the Owner of such Bond, or (ii) reduce the percentage of Bonds required for the written consent to any such amendment without the express written consent of the Owners of all Outstanding Bonds, or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(c) The Trust Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Indenture which shall become binding upon adoption without the consent of any Owners, and only to the extent permitted by law, for any one or more of the following purposes:

(i) to add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith;

(iii) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify this Trust Indenture under the Trust Indenture Act of 1939;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, or the exemption of interest on the Bonds from State of California personal income taxes;

- (v) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Bonds by any of the Rating Agencies;
- (vi) to add to the rights of the Trustee; or
- (vii) for any purpose that will not materially adversely affect the interests of the Owners, as evidenced by the opinion of counsel delivered pursuant to Section 7.01(a) hereof.

Section 7.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article; except that in determining whether the Trustee shall be protected in relying upon any such consent, action or calculation of Outstanding Bonds, only Bonds which the Trustee actually knows to be so owned or held by the Authority or the City shall not be deemed Outstanding, unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Upon the request of the Trustee, the Authority shall specify to the Trustee those Bonds disqualified pursuant to this Section.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bonds and presentation of such Owner's Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bond or Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute a default and an Event of Default:

- (a) Failure to make due and punctual payment of any installment of interest upon any Bond when the same shall have become due and payable;

(b) Failure to make due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration;

(c) Any representation or warranty made by the Authority in this Trust Indenture or the Bonds shall be determined by the Trustee to have been untrue in any material respect when made or any failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed and performed under this Trust Indenture or the Bonds, other than as referred to in subsections (a) or (b) of this Section, for a period of 60 days after written notice specifying such breach or failure and requesting that it be remedied, given to the Authority and the Owners by the Trustee, unless the breach or failure is such that it cannot be corrected within the applicable period, corrective action is instituted by the Authority within the applicable period and is being diligently pursued, provided that such breach or failure must be cured within a period of 365 days after written notice of such breach or failure is given to the Authority;

(d) An Agreement Event of Default shall have occurred under Section 8.1 of the Agreement; and

(e) If the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States or America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial parts of its property.

Section 8.02. Acceleration of Maturities. Upon the occurrence of an Event of Default (other than an Event of Default described in subsection (c) of Section 8.01), the Trustee shall, or in the case of an Event of Default described in subsection (c) of Section 8.01, the Trustee may declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in this Trust Indenture or in the Bonds to the contrary notwithstanding.

Upon such acceleration, the Trustee shall provide the Owners with a notice of acceleration; and the Trustee shall take whatever additional action at law or in equity may appear necessary or desirable to the Trustee to collect the money necessary to pay the acceleration price of the Bonds. Thereafter, the Trustee shall take such action as is necessary to pay the Bonds out of such moneys at the earliest possible date after providing the Owners with a notice of redemption as provided in Section 3.03 hereof.

Section 8.03. Application of Proceeds Upon an Event of Default. All amounts received by the Trustee pursuant to an Event of Default under the provisions of this Article and amounts previously held by the Trustee under this Trust Indenture shall be applied by the Trustee in the

following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees and expenses of the Trustee, including costs and expenses of the Trustee in declaring such Event of Default and carrying out the provisions of this Trust Indenture including reasonable compensation of its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts, shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(b) to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Whenever all principal or Redemption Price of, and interest on all Bonds have been paid and all expenses and charges of the Trustee have been paid, and the final calculation of rebate has been made and the appropriate amount transferred to the Rebate Fund, any balance remaining in all funds and accounts created under this Trust Indenture, except amounts on deposit in the Rebate Fund, shall be paid to the City pursuant to Section 4.09.

Section 8.04. Notice of Event of Default. In the event the Trustee has actual knowledge that the Authority is in default, the Trustee shall give notice of such default to the Owners of the Bonds. Such notice shall state that the Authority is in default and shall provide a brief description of such default. The notice provided for in this Section shall be given by mail to the Owners within 30 days of such occurrence of default.

Section 8.05. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and shall, at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, proceed to protect and enforce its rights or the rights of the Owners of Bonds under this Trust Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 8.06. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Trust Indenture and the Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give notice other than such notice as may be required in this Article VIII or by law.

Section 8.07. No Additional Waiver Implied by One Waiver. In the event any provision contained in this Trust Indenture should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.08. Action by Owners. In the event the Trustee fails to take any action to eliminate an Agreement Event of Default, under Section 8.1 of the Agreement, or an Event of Default hereunder, the Owners of a majority in aggregate principal amount of Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Agreement or this Trust Indenture, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within 60 days.

Section 8.09. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Trust Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision of the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds, in respect of which such judgment has been recovered.

Section 8.10. Waivers of Events of Default. Provided that all payments of interest and principal due and owing on the Bonds have been paid, prior to acceleration of the Bonds the Trustee shall, and thereafter the Trustee in its discretion may or, upon the written demand of the Owners of not less than a majority in aggregate principal amount of all Bonds Outstanding shall, waive any Event of Default hereunder and rescind its consequences; provided, however, that the

Trustee may not waive any Events of Default which constitute a breach of a covenant with respect to the tax exempt status of the Bonds. In the case of any such waiver and rescission, the Authority, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Trust Indenture shall be in writing and a copy thereof shall be delivered to the Authority and to the City.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Trust Indenture. When the obligations of the City under the Agreement shall cease pursuant to Section 9.1 of the Agreement (except for the right of the Trustee and the obligation of the City to have the cash and Defeasance Securities mentioned therein applied to the payment of Installment Payments as therein set forth, and the obligation to apply amounts on deposit in the Rebate Fund as provided in Section 4.06), then and in that case the obligations created by this Trust Indenture shall thereupon cease, terminate and become void except for the obligation of the Authority to direct the Trustee to apply amounts on deposit in the Rebate Fund as provided herein which shall continue until such amounts are so applied, the obligation of the Authority to pay the Trustee the amounts due pursuant to Section 6.03, and the right of the Owners to have applied and the obligation of the Trustee to apply such cash and Defeasance Securities to the payment of the Bonds as herein set forth, and subject to application of amounts on deposit in the Rebate Fund as provided in Section 4.06, the Trustee shall pay to the City pursuant to Section 4.09, after provision for payment of amounts due the Trustee hereunder, as an overpayment of Installment Payments, any surplus in the Debt Service Fund and all balances remaining in any other funds or accounts other than cash and Defeasance Securities held for the payment of the Bonds at maturity or upon redemption, which cash and Defeasance Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal or Redemption Price of, and interest on the Bonds, and, after such payment, this Trust Indenture shall, subject to Section 6.03, become void; provided, however, that this Trust Indenture shall not be discharged so long as any Participating Bonds remain outstanding under a Parity Bonds Trust Indenture.

If cash or non-callable Defeasance Securities are deposited with and held by the Trustee, an escrow agent or other fiduciary as hereinabove provided, the Trustee shall within 30 days after such cash or Defeasance Securities shall have been so deposited, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08, setting forth (a) the date fixed for redemption of the Bonds, (b) a description of the cash or Defeasance Securities so held, and that (c) this Trust Indenture has been released in accordance with the provisions of this Section.

Section 9.02. Deposit of Cash or Defeasance Securities with Trustee. Whenever in this Trust Indenture or the Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee, an escrow agent or other fiduciary, cash or non-callable Defeasance Securities (certified to be sufficient by a report of an Independent Certified Public Accountant delivered to the Trustee) in the necessary amount to pay or redeem any Bonds, the cash or non-callable Defeasance Securities to be so deposited or held may include cash or Defeasance

Securities held in the funds and accounts established pursuant to this Trust Indenture, and shall be in an amount equal to the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given pursuant to Section 3.03, or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Redemption Price, and all unpaid interest to such date of redemption on such Bonds; provided that the Trustee shall have been instructed (by the terms of this Trust Indenture or the Agreement, or by Written Request of the Authority) to apply such cash or Defeasance Securities to the payment of such principal or Redemption Price of, and interest on such Bonds.

Section 9.03. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal or Redemption Price of, and interest on any of the Bonds which remain unclaimed for 2 years after the date when the principal or Redemption Price of, and interest on such Bonds have become payable, shall, at the written request of the Authority, be repaid by the Trustee (without liability for interest) to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal or Redemption Price of, and interest on such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the Written Request of the Authority, and at the expense of the Authority, mail a notice to the Owners of the Bonds so payable that such moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

Section 9.04. Surviving Provisions. Notwithstanding the satisfaction and discharge hereof, the Trustee shall retain such rights, powers and privileges hereunder as may be necessary or convenient for the payment of the principal or Redemption Price of, and interest on the Bonds, and for the registration, transfer and exchange of the Bonds.

ARTICLE X

[RESERVED]

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or Redemption Price of the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are special, limited obligations of the Authority and are payable, as to the principal or Redemption Price thereof, and interest thereon upon the redemption thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay the Bonds except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of, and interest on the Bonds as provided herein. Neither the full faith and credit of the Authority or its members (including the City) is pledged for the payment of the interest on or principal or Redemption Price of the Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal or Redemption Price of the Bonds. Neither the payment of the interest on or principal or Redemption Price of the Bonds constitutes a debt, liability or obligation on the Authority or any member of the Authority (including the City) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

Section 11.02. Benefits of this Trust Indenture. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the City and the Owners.

Section 11.03. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, Maturity Date, number and date of holding the same may be proved by the Bond Register. Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price of, and interest on the Bonds by reason of their delivery, but nothing herein contained shall

relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

Section 11.06. Cancellation of Bonds. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation. Whenever in this Trust Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and upon the Authority's request, shall deliver a certificate of such destruction to the Authority.

Section 11.07. Reserved.

Section 11.08. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with this Trust Indenture and customary corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.09. Notices. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the City, the Authority, the Trustee, and the Rating Agencies, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage redeemed, addressed to the appropriate address provided pursuant to this Section, six Business Days after deposit in the United States mail, the initial address for notices, counterparts and other communications hereunder is as follows:

If to the Authority:	Morgan Hill Financing Authority 175755 Peak Avenue Morgan Hill, California 95307 Attention: Chief Administrative Officer
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If to the City:	City of Morgan Hill 175755 Peak Avenue Morgan Hill, California 95307 Attention: City Manager
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If to the Trustee:	The Bank of New York Mellon Trust Company, N. A. 400 South Hope Street, Suite 400 Los Angeles, California 90071 Attention: Corporate Trust
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If to S&P, to:

S&P Global Ratings
55 Water Street, 38th Floor
New York, New York 10041
Attention: Municipal Structured Group

The City, the Trustee, the Authority and the Rating Agencies may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the City, the Trustee, the Authority or the Rating Agencies, any notice required to be given hereunder in writing may be given by any form of electronic notice capable of making a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic notice.

Section 11.10. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto. The Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers.

Section 11.11. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority hereby declares that it would have entered into this Trust Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.12. California Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 11.13. Execution in Several Counterparts. This Trust Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

(Signatures on next page.)

IN WITNESS WHEREOF, the Morgan Hill Financing Authority has caused this Trust Indenture to be executed in its name by the Chief Administrative Officer and attested by its Secretary, and The Bank of New York Mellon Trust Company N.A., as Trustee, has caused this Trust Indenture to be executed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE CITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED NUMBER
No. R-_____

DOLLARS
\$_____

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Interest Rate	Maturity Date	Dated Date	CUSIP No.
%	October 1, ____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The Morgan Hill Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), for value received hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to the Registered Owner set forth above on the Maturity Date set forth above (subject to any right of prior redemption as provided for in the Trust Indenture herein defined) the Principal Amount set forth above, together with interest thereon (computed on a 360-day year, 30-day month basis) from the date of this Bond if this Bond is authenticated and registered on or prior to the first Record Date (defined in the Trust Indenture referenced below as the fifteenth calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day), or if this Bond is authenticated and registered after the first Record Date, it shall bear interest from the Interest Payment Date (as defined in the Trust Indenture) next preceding the date on which this

94864037.3

Bond is authenticated and registered, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date, until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021. The principal or Redemption Price of, and interest on this Bond are payable in lawful money of the United States of America at the Corporate Trust Office of The Bank of New York Mellon Trust Company, N.A., in San Francisco, California, or such other place as it, or its successor, may designate, as trustee for the Bonds (the "Trustee"), as set forth in the Trust Indenture. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the Registered Owner hereof at the close of business on the Record Date next preceding the applicable Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Registered Owner at his address as it appears on such books, provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds then outstanding, upon written request of such Registered Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the Interest Payment will be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Registered Owner.) The principal or Redemption Price of this Bond shall be payable only to the person whose name appears in such registration books as the Registered Owner hereof, such principal or Redemption Price to be paid only upon the surrender of this Bond, at the office of the Trustee where the Bonds are paid by the Trustee, at maturity or prior redemption.

This Bond is one of the duly authorized series of bonds of the Authority designated as "Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020" (the "Bonds") in the aggregate principal amount of \$[Par Amount], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), issued under and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code (together, the "Bond Law"), and the provisions of a trust indenture (the "Trust Indenture"), dated as of December 1, 2020, between the Authority and the Trustee. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Trust Indenture.

All of the Bonds are equally and ratably secured by a pledge of the Revenues in accordance with the terms and conditions of the Trust Indenture, and reference is hereby made to the Bond Law and the Trust Indenture for a description of the terms on which the Bonds are issued, for the provisions with regard to the nature and extent of the security provided for the Bonds and of the nature, extent and manner of enforcement of such security, and for a statement of the rights of the Registered Owners of the Bonds; and all the terms of the Trust Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner from time to time of this Bond, and to all the provisions thereof the Registered Owner of this Bond, by his or her acceptance hereof, consents and agrees; and each Registered Owner hereof shall have recourse to

all the provisions of the Bond Law and the Trust Indenture and shall be bound by all the terms and conditions thereof.

The Revenues consist of Installment Payments and other payments to be made by the City of Morgan Hill (the “City”) and received by the Authority pursuant to an installment purchase agreement (the “Agreement”) between the Authority and the City, as well as interest and other income from any investment of moneys in certain funds and accounts (other than the Rebate Fund) held by the Trustee under the Trust Indenture. Under the Agreement, the City has agreed to purchase the Project from the Authority, and to make Installment Payments and other payments pursuant to the Agreement from the Net Revenues. The obligation of the City to make the Installment Payments is a special obligation of the City payable solely from Net Revenues of the City’s wastewater collection system as provided in the Agreement. The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the Installment Payments under the Agreement.

The City may, as provided in the Agreement, incur additional obligations, payable from the Net Revenues on a parity with the Installment Payments. Copies of the Agreement and the Trust Indenture are on file at the Corporate Trust Office of the Trustee in San Francisco, or such other place as it or its successor may designate.

The Bonds are subject to redemption as provided in the Trust Indenture.

This Bond is transferable or exchangeable for other Authorized Denominations by the Registered Owner hereof, in person or by its duly authorized attorney at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Indenture, and upon surrender and cancellation of this Bond. Upon such transfer or exchange a new fully registered Bond or Bonds, of Authorized Denomination or Denominations, of the same series, tenor, Maturity Date and interest rate for the same aggregate principal amount will be issued to the Registered Owner in exchange hereof.

The rights and obligations of the Authority and of the Registered Owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Trust Indenture, but no such amendment shall: (a) extend the stated maturities of the Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of this Bond, without the express written consent of the Registered Owner of this Bond; (b) reduce the percentage of Bonds required for the written consent to an amendment of the Trust Indenture; or (c) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Trust Indenture.

The Trust Indenture prescribes the manner in which it may be discharged and after which the Bonds will no longer be secured by or entitled to the benefits of the Trust Indenture.

The Bonds do not constitute an indebtedness of the Authority or any member thereof, including the City, within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Authority nor any member thereof, including the City or any officer or employee thereof, shall be liable for the payment of the interest on or principal of or redemption

premiums, if any, on the Bonds otherwise than from the proceeds of the Revenues and certain other funds as provided in the Trust Indenture.

This Bond shall not be entitled to any benefits under the Trust Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually authenticated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law and other laws of the State of California, and that the amount of this Bond, together with all other obligations of the Authority, does not exceed any limit prescribed by the Bond Law or any other laws of the State of California, and is not in excess of the principal amount of the Bonds permitted to be issued under the Trust Indenture.

The Morgan Hill Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary, and has caused this Bond to be dated the Bond Date set forth above.

MORGAN HILL FINANCING AUTHORITY

By: _____
President

Attest:

By: _____
Secretary

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

 (Print or type name, address and social security or other tax identification number of assignee)
 this within-registered bond and all rights thereunder, and hereby irrevocably constitute(s) and
 appoint(s) _____, attorney, to transfer the same on the
 registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

 Signature must be guaranteed by an
 institution which is a participant in the
 Securities Transfer Agent Medallion
 Program (STAMP) or similar
 program.

 Notice: The signature(s) on this
 assignment must correspond
 with the name(s) as it appears
 on the face of the within
 Bond in every particular,
 without alteration,
 enlargement, or any change
 whatsoever.

 Authorized Officer

EXHIBIT B
FORM OF COST OF ISSUANCE FUND REQUISITION

TO: The Bank of New York Mellon, N.A., as Trustee
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

RE: Disbursement from the Cost of Issuance Fund pursuant to Section 4.05 of the Trust Indenture (the "Trust Indenture"), dated as of December 1, 2020, by and between The Bank of New York Mellon, N.A., as trustee (the "Trustee") and the Morgan Hill Financing Authority (the "Authority")

REQUISITION NO. _____

You are hereby instructed to pay, from the Cost of Issuance Fund established pursuant to the Trust Indenture, the amounts set forth in the attachment hereto, to the persons or entities designated therein as Payee. These costs have been properly incurred, are a proper charge against the Cost of Issuance Fund, and have not been the basis of any previous disbursements.

All payments shall be made by check or wire transfer in accordance with the payment instructions set forth in the attachment hereto or the invoice delivered in connection therewith, and the Trustee shall rely on such payment instructions as though given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

Dated: _____, 20__

MORGAN HILL FINANCING AUTHORITY

By: _____
City ManagerPresident

ATTACHMENT 1

Upon presentation of an invoice from the Payees listed below, the Trustee is instructed to pay such invoices up to the following amounts and all such payments shall be made by check or wire transfer in accordance with the payment instructions set forth below or in the invoices submitted hereunder and the Trustee may rely on such payment instructions given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein:

Payee	Description	Amount
-------	-------------	--------

NRF DRAFT
10/30/20

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the City of Morgan Hill (the “City”) in connection with the issuance by the Morgan Hill Financing Authority (the “Authority”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued under a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, (the “Trustee”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” each March 31 after the end of the City’s fiscal year.

“*Dissemination Agent*” means initially the City, or any successor Dissemination Agent designated in writing by the City, and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding statements and tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) The information for the most recently completed fiscal year in the form of the following tables in the Official Statement (in each case based on actual results for the most recently-completed fiscal year only; no projections for future years is required):

- (A) Table 3, Customer Accounts and Percentage of Sewer Service Charge Revenues.
- (B) Table 4, Ten Largest Sewer Accounts.
- (C) Table 7, Delinquency Rates for Collection of Payment for Sewer Services.
- (D) Table 10, Historical Summary Statement of Revenues, Expenses and Debt Service Coverage.

(iii) A summary of any changes in the City's sewer service charges for the Enterprise since the date of the previous Annual Report.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

- (vii) Modifications to rights of Bond holders, if material.
- (viii) Bond calls, if material, and tender offers.
- (ix) Defeasances.

- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the City.

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any successor Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (with the prior written consent of the Dissemination Agent, if such amendment affects its rights or duties hereunder), and any provision of this Disclosure Certificate may be waived, provided that the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any

loss, expense, suit, claim, judgment, damages and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall have the same rights, protections and immunities hereunder as afforded to it as Trustee (to the extent that the Dissemination Agent is the Trustee). It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the City.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2020

CITY OF MORGAN HILL

By : _____
Christina Turner,
City Manager

EXHIBIT A**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Morgan Hill Financing Authority (the “Authority”)

Name of Issue: Morgan Hill Financing Authority Sewer Revenue Bonds Series 2020

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the City of Morgan Hill (the “City”) has not provided an Annual Report with respect to the above-captioned Bonds as required by the Continuing Disclosure Certificate dated as of _____, 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER ___, 2020

NEW ISSUE - FULL BOOK-ENTRY**RATING: S&P: “_”**
See “RATING herein.”

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS.”

[Add City Logo]

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Dated: Date of Delivery**Due: October 1, as shown on inside cover**

The bonds captioned above (the “Bonds”) are being issued by the Morgan Hill Financing Authority (the “Authority”) pursuant to resolutions adopted by the Authority Commission of the Authority and City Council of the City of Morgan Hill (the “City”) on November 18, 2020; an Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”); and a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are being issued to provide funds to the City to (i) finance certain public capital improvements to the City’s wastewater collection system (the “Enterprise”); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in this Official Statement). Net Revenues consist of certain revenues of the Enterprise as more fully described in this Official Statement. See “SECURITY FOR THE BONDS” in this Official Statement. No debt service reserve fund will be established for the Bonds.

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption.”

The Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on April 1, 2021, and will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. With respect to any Interest Payment Date, the Record Date is the 15th calendar day of the preceding month, whether or not that day is a Business Day (as defined in the Indenture). The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS.”

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

This cover page contains certain information for quick reference only and is not a summary of information about the Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision relating to the purchase of any Bonds.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Norton Rose Fulbright US LLP, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter’s Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about December ___, 2020.

STIFEL

December ___, 2020

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

\$ _____ * **Serial Bonds**
(Base CUSIP: 61739S)

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†]
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\$ _____ * _____ % Term Bonds due October 1, _____; Yield _____ %; Price _____ CUSIP[†] No. _____

* Preliminary, subject to change.

† Copyright 2020, American Bankers Association. CUSIP data in this Official Statement are provided for convenience of reference only. None of the City, Authority or Underwriter assumes any responsibility for the accuracy of these CUSIP data. The CUSIP number for a specific maturity is subject to being changed after delivery of the Bonds as a result of various subsequent actions, including a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF MORGAN HILL
COUNTY OF SANTA CLARA, CALIFORNIA**

City Council

Rich Constantine, *Mayor*
Yvonne Martínez Beltrán, *Mayor Pro Tempore*
Larry Carr, *Councilmember*
Rene Spring, *Councilmember*
John K. McKay, *Councilmember*

City Officials and Staff

Christina Turner, *City Manager*
Harjot Sangha, *Assistant to the City Manager*
Dat Nguyen, *Director of Finance*
Chris Ghione, *Public Services Director*
Donald Larkin, *City Attorney*
Irma Torrez CMC, *City Clerk*

MORGAN HILL FINANCING AUTHORITY

Authority Commission

Rich Constantine, *President*
Yvonne Martínez Beltrán, *Vice President*
Larry Carr, *Member*
Rene Spring, *Member*
John K. McKay, *Member*

SPECIAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Bond and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

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OFFICIAL STATEMENT

\$ _____^{*} MORGAN HILL FINANCING AUTHORITY SEWER REVENUE BONDS, SERIES 2020

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of \$ _____^{} Morgan Hill Finance Authority Sewer Revenue Bonds, Series 2020 (the “Bonds”) that are being issued by the City of Morgan Hill, California (the “City”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. Capitalized terms used, but not defined, in this Official Statement have the meanings given to them in the Indenture (as defined below).*

Authority for Issuance and Application of Proceeds

The Bonds are being issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”), resolutions adopted by the Authority Commission and City Council of the City on November 18, 2020, and an Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”). The Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain public capital improvements for the Enterprise (as defined below); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The City and the Enterprise

The City of Morgan Hill (the “City”) is located in Santa Clara County, California (the “County”), against the foothills of the Coastal Ranges near the southern end of the Santa Clara Valley. The City lies about 70 miles south of San Francisco and 20 miles south of San Jose, and sits cradled in a long narrow valley floor between the Santa Cruz Mountains on the west and Mount Hamilton Range on the east. As of January 1, 2020, the City had a population of approximately 46,454. See APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA.”

The Enterprise is administered by the Utilities Division of the City’s Department of Engineering and Utilities and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The City’s wastewater collection system (the “Enterprise”) collects, pumps and transports wastewater, but does not treat or dispose of it.

^{*} Preliminary, subject to change.

The City outsources the treatment of all the wastewater it collects to a wastewater treatment plant (the “SCRWA Treatment Plant”) located in the City of Gilroy (“Gilroy”), which is owned and operated by South County Regional Wastewater Authority (“SCRWA”), a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, entered into and effective on June 1, 1992, by and between the City and Gilroy (the “SCRWA JPA Agreement”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. See “THE ENTERPRISE.”

The Authority

The Morgan Hill Finance Authority (the “Authority”) was established pursuant to (i) Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and (ii) an Amended and Restated Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “JPA Agreement”), by and between the City, and the Parking Authority of the City of Morgan Hill (the “Parking Authority”), which was established pursuant to the Parking Law of 1949 as codified in Streets and Highways Code Section 32500, *et seq.* See “THE AUTHORITY.”

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on April 1 and October 1, commencing April 1, 2021 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued and delivered in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to their maturity, as described herein. See “THE BONDS – Redemption.”

Security for the Bonds

General. The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in “SECURITY FOR THE BONDS – Pledge of Net Revenues; Sewer Fund”). Net Revenues consist of certain revenues of the Enterprise, as more fully described under the heading “SECURITY FOR THE BONDS.” In the Installment Purchase Agreement, the City is also obligated under a rate covenant to fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year as described under the heading “SECURITY FOR THE BONDS – Rate Covenant.”

No debt service reserve fund will be established for the Bonds. The Indenture establishes a Bond Reserve Fund and provides that future issuances of Parity Bonds (defined below) may be secured by the Bond Reserve Fund (the “Participating Bonds”). The Bonds are not Participating Bonds, and the Bond

Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any other reserve fund established in connection with any other series of Parity Bonds (a “Parity Bonds Series Reserve Fund”).

Limited Obligations. The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

Parity Debt

The Authority may at any time issue bonds, secured by obligations of the City that are secured by a pledge of Net Revenues on a parity with the Installment Payments (“Parity Obligations”), that are issued pursuant to the Indenture or another indenture (“Parity Bonds”). On the delivery date of the Bonds, the Authority’s \$15,690,000 Sewer Revenue Bonds, Series 2015 (the “Series 2015 Bonds”), currently outstanding in the aggregate principal amount of \$8,775,000 are the only Parity Bonds.

Subject to certain conditions contained in the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations on a parity (“Parity Obligations”) with the Installment Payments, the payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, in addition to the obligations under the Installment Purchase Agreement. On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Obligations Payable From Net Revenues.”

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” [assumes FY 2020 audit is included in the OS]

Further Information

The summaries and references of the Indenture, the Installment Purchase Agreement and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

THE BONDS

General

The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement. Principal of the Bonds will be payable in accordance with the maturity schedule shown on the inside of the front cover of this Official Statement, subject to any optional redemptions prior to maturity. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021 (each an “Interest Payment Date”). The Bonds will initially be delivered as one fully registered certificate for each maturity and will be delivered by means of the book-entry system of DTC, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Each Bond that is authenticated and registered on or prior to the first Record Date (defined below) will bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond that is authenticated and registered after the first Record Date will bear interest from the Interest Payment Date next preceding its date of authentication and registration, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it will bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond will bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid. “Record Date” means, with respect to any interest payment date, the 15th day of the month preceding the Interest Payment Date.

Redemption*

Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the redemption price, plus accrued interest to the date of purchase. All Bonds so purchased will be delivered to the Trustee for cancellation.

Selection of Bonds for Redemption. If less than all the outstanding Bonds are to be redeemed at any one time, the Authority will, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions of Bonds of the same maturity date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in

* Preliminary, subject to change.

integral multiples of \$5,000. Within each maturity, Bonds will be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions of Bonds for redemption shall be conclusive in the absence of fraud.

Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee will mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee will also provide notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal will be an action by the holders of the Bonds for specific performance. Each such notice will state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed, and will give notice that further interest on such Bonds or the portions of the Bonds to be redeemed will not accrue from and after the redemption date, and will require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any related redemption notice, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption is not redeemable in whole, such notice will also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds are deemed to have been paid in accordance with the Indenture or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys has not been so received the notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner of such Bond at the expense of the Authority a new Bond or Bonds of the same maturity date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, and money for the payment of the redemption price of the Bonds or portions of Bonds so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the Bonds or such portions of Bonds so called for redemption will cease to accrue and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price of such Bonds, and the interest accrued on such Bonds to the redemption date.

DEBT SERVICE REQUIREMENTS

The principal of and interest payable on the Bonds and the Series 2015 Bonds is set forth on the following table.

Fiscal Year Ending June 30	Series 2015 Bonds			Bonds			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$1,520,000.00	\$419,500.00	\$1,939,500.00	\$	\$	\$	\$
2022	1,600,000.00	341,500.00	1,941,500.00				
2023	1,520,000.00	263,500.00	1,783,500.00				
2024	335,000.00	217,125.00	552,125.00				
2025	350,000.00	201,750.00	551,750.00				
2026	365,000.00	185,625.00	550,625.00				
2027	380,000.00	167,000.00	547,000.00				
2028	400,000.00	147,500.00	547,500.00				
2029	420,000.00	129,100.00	549,100.00				
2030	440,000.00	113,550.00	553,550.00				
2031	450,000.00	98,525.00	548,525.00				
2032	470,000.00	82,425.00	552,425.00				
2033	485,000.00	65,712.50	550,712.50				
2034	500,000.00	48,162.50	548,162.50				
2035	520,000.00	29,675.00	549,675.00				
2036	540,000.00	10,125.00	550,125.00				
2037	--	--	--				
2038	--	--	--				
2039	--	--	--				
2040	--	--	--				
2041	--	--	--				
2042	--	--	--				
2043	--	--	--				
2044	--	--	--				
2045	--	--	--				
2046	--	--	--				
2047	--	--	--				
2048	--	--	--				
2049	--	--	--				
2050	--	--	--				
Total	\$10,295,000.00	\$2,520,775.00	\$12,815,775.00	\$	\$	\$	\$

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of Bonds	\$
Plus/Less Premium/Discount	
Total	\$ _____

Uses:

Deposit to Project Fund	\$
Deposit to Cost of Issuance Fund ⁽¹⁾	
Total	\$ _____

⁽¹⁾ Costs of issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee, printing expenses, rating fee, underwriter's discount and other miscellaneous costs.

FINANCING PLAN

The Bonds are being issued to provide funds to (i) finance the acquisition and construction of public capital improvements for the Enterprise (the "Wastewater Projects"); and (ii) pay the costs of issuing the Bonds. The Wastewater Projects include repair and replacement of pipes, sewer main upgrades, SCRWA plant expansion and improvements, sewer trunk repair and replacement, and new sewer mains and trunk line.

The Wastewater Projects may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by an opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds.

SECURITY FOR THE BONDS

Pledge of Revenues under Indenture

The Bonds are payable from, and secured by, a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. "Revenues" means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Installment Purchase Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Indenture.

Under the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Installment Purchase Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee.

Pledge of Net Revenues; Sewer Fund

Pursuant to the Installment Purchase Agreement, all Net Revenues (defined below) are, pursuant to Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto, irrevocably pledged to the payment of the Installment Payments and will not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations (defined below under the heading “- Additional Obligations from Net Revenues”), will, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues.

Under the Installment Purchase Agreement, the City covenants that all Gross Revenues will be received by the City in trust and, except for the proceeds of any casualty insurance or condemnation award after the payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds (the “Net Proceeds”), will be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has theretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Installment Purchase Agreement. The City may designate one or more existing funds to satisfy the foregoing requirements. As of the date of this Official Statement, the Sewer Fund consists of the Sewer Operating Fund and Sewer Impact Fund, as accounted for by the City for budget purposes. See “THE ENTERPRISE - Enterprise Funds.” The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund are required to be used and applied by the City in accordance with the Installment Purchase Agreement.

Certain Definitions. The terms “Net Revenues,” “Gross Revenues” and “Operation and Maintenance Costs” are defined in the Installment Purchase Agreement as follows:

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year. Amounts transferred from the Rate Stabilization Fund and System Replacement Fund may also be included in Net Revenues as described under the heading “- Rate Stabilization Fund.”

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Installment Purchase Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than

Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

Special Obligations

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

No Debt Service Reserve Fund

No debt service reserve fund will be established for the Bonds.

The Indenture establishes a Bond Reserve Fund and provides that Participating Bonds may be secured by the Bond Reserve Fund. The Bonds are not Participating Bonds, and the Bond Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any Parity Bonds Series Reserve Fund.

Allocation of Gross Revenues

Under the Installment Purchase Agreement, the City covenants to, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund will be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes provided in the Installment Purchase Agreement and, as to funds held under the Indenture, the Indenture.

Installment Payments. Not later than each Installment Payment Date, the City will, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City will also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

Reserve Fund. If Parity Bonds are issued in the future, on or before the first Business Day of each month, the City will, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in the Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore:

- (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due under the Installment Purchase Agreement or to pay installment payments pledged to the payment of other Participating Bonds;

- (ii) any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and
- (iii) the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained in the Bond Reserve Fund;

provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Indenture, transfers under the Installment Purchase Agreement to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

Under the Indenture, “Required Reserve” means \$0; provided that, (1) with respect to any issuance of Participating Bonds in the future, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to the issuance of any Parity Bonds Series Reserve Fund in the future, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations contained in the Installment Purchase Agreement, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and Sewer System Replacement Fund. See “THE ENTERPRISE - Enterprise Funds.”

Application of Revenues under Indenture

Except as provided in the Indenture, all money in the Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the Debt Service Fund to be maintained by the Trustee, in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Redemption Account.

All money in each of such accounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Indenture and described below. The Trustee will transfer from the Debt Service Fund the following amounts at the times and in the manner provided below, and will deposit such amounts in one or more of the following respective funds or accounts, and each of which will be disbursed and applied only as authorized in the Indenture and described below. Such amounts will be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

Interest Account. On each Interest Payment Date, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee will set aside from the Debt Service Fund and deposit into the Interest Account the amount of money that is equal

to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date. No deposit need be made to the Interest Account on any date if the amount contained in the Interest Account is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Principal Account. On each Bond maturity date, the Trustee will set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date. No deposit need be made to the Principal Account on any date if the amount contained in the Principal Account is at least equal to the aggregate principal amount of outstanding Bonds maturing on such date.

Redemption Account. All prepayments of Installment Payments made by the City under the Installment Purchase Agreement will be deposited into the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of outstanding Bonds as directed by the City.

Rate Stabilization Fund and System Replacement Fund

The Installment Purchase Agreement provides that the City may, at any time, determine to deposit into the Rate Stabilization Fund and System Replacement Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund and System Replacement Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund and System Replacement Fund must be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund and System Replacement Fund will be included as Net Revenues. See “THE ENTERPRISE – Enterprise Funds - Sewer Rate Stabilization Fund and System Replacement Fund.”

Rate Covenant

The City covenants under the Installment Purchase Agreement that it will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

- (i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- (ii) The Installment Payments, all other Parity Obligation Payments (defined below under the heading “- Additional Obligations Payable from Net Revenues”), and all Subordinate Obligation Payments as they become due and payable;
- (iii) All payments, if any, required for compliance with the terms of the Installment Purchase Agreement or of any Parity Bonds Trust Indenture requiring restoration of the Bond Reserve Fund to an amount equal to the Required Reserve; and
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

In addition to the requirements described above, the City will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but will not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described above.

Insurance

Coverage Requirement. Under the Installment Purchase Agreement, the City covenants to procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise, to the extent insurance is available for reasonable premiums from a reputable insurance company; provided, that such insurance coverage may be satisfied under a self-insurance program.

The City also covenants to procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its City Council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance will afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

Use of Net Proceeds. If all or any part of the Enterprise is damaged or destroyed, the Net Proceeds realized by the City as a result of such damage or destruction will be deposited by the City with the Trustee in a special fund that the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited into the Sewer Fund and applied as provided in the Installment Purchase Agreement; provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments will be subject to any similar provisions for Parity Obligations on a pro rata basis. If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Eminent Domain

Under the Installment Purchase Agreement, if all or any part of the Enterprise is taken by eminent domain proceedings, the Net Proceeds realized by the City from such proceedings will be deposited by the City with the Trustee in a special fund which the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited in the Sewer Fund and applied as provided in the Installment Purchase Agreement, provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings will be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City will deposit such proceeds into the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Parity Bonds

The Authority may from time to time issue Parity Bonds. On the delivery date of the Bonds, the Series 2015 Bonds are the only Parity Bonds outstanding.

Additional Obligations Payable from Net Revenues

Under the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations, the payments under which ("Parity Obligation Payments") are Parity Obligations, in addition to the obligations under the Installment Purchase Agreement, so long as certain conditions are met, including that the Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued will be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations. *On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding.*

The City may adjust the foregoing Net Revenues to reflect:

- An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise that was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but that, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;
- An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

THE AUTHORITY

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and the JPA Agreement. The governing board of the Authority is the Authority Commission and is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the financing of certain public improvements and to issue the Bonds under the Bond Law. The Authority has no taxing power.

The Authority and City are each separate and distinct legal entities, and their respective debts and obligations are not debts or obligations of the other entity. The JPA Agreement provides that the members of the Authority are the City and Parking Authority. The City has covenanted in the Installment Purchase Agreement to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

THE ENTERPRISE

General

The Enterprise is administered by the Sewer Division of the City's Department of Utilities and Engineering and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The Enterprise collects, pumps and transports wastewater, but does not treat or dispose of it. The City outsources the treatment of all the wastewater it collects to the SCRWA Treatment Plant located in Gilroy, as described below under the heading "– Treatment of Wastewater by SCRWA."

The average daily flow, peak day flow and treatment capacity of the Enterprise, each as measured in million gallons per day (“mgd”), are shown in the table below for calendar years 2015 through 2019.

Table 1
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL OPERATING STATISTICS
CALENDAR YEARS 2015 THROUGH 2019⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Daily Flow	2.36	2.39	2.68	2.29	2.5
Peak Day Flow	3.77	3.77	6.39	3.22	4.09
Treatment Capacity ⁽²⁾	3.56	3.56	3.56	3.56	3.56

⁽¹⁾ Amounts shown are in mgd.

⁽²⁾ 41.9% of 8.5mgd plant capacity.

Source: City of Morgan Hill.

COVID-19 Pandemic Impact

The impact of the COVID-19 on projected income and expenses for the Enterprise are currently expected to be [within range of management expectations for _____ that were developed prior to the COVID-19 pandemic]. The California Governor’s Executive Order suspending the public water system’s ability to disconnect water service to residences and small business is having some impact on delinquencies for the Enterprise. The number of delinquent accounts increased to about 500 accounts as of _____ compared to [a [monthly] average of approximately] 200 accounts in prior years. The delinquent accounts represent approximately \$300,000 or 2% of current year budgeted sewer service fees. See, “Table 7 – City of Morgan Hill Enterprise Delinquency Rates for Collection of Payment for Sewer Services for Fiscal Years 2015-16 through 2019-20” for delinquency rates in recent years.

Management

Set forth below are biographies of members of senior staff of the City with responsibility for the Enterprise. Operations of the Enterprise are carried out under the general supervision of the City’s Public Services Director.

Christina Turner, City Manager.

Chris Ghione, Public Services Director.

Harjot Sangha, Assistant to the City Manager.

Dat Nguyen, Director of Finance.

Existing Facilities

The Enterprise’s facilities consist of a wastewater collection system that includes approximately 170 miles of sewer lines and 14 lift stations that are used to transport wastewater to the SCRWA Treatment Plant.

Treatment of Wastewater by SCRWA

General. All wastewater collected by the City is conveyed to and treated by SCRWA, a joint exercise of powers authority formed by the SCRWA JPA Agreement, whose members are the City and Gilroy (each, a “Member Agency”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. The City has 42% capacity rights in the SCRWA Treatment Plant.

SCRWA Governance. SCRWA is governed by a Board of Directors (the “Board”) consisting of five board members (each, a “Director”). Of the five board members, two are City Council members of the City and three are City Council members of Gilroy. Each Director is entitled to cast one vote on any measure, and a majority of votes present and qualified to vote (comprised of at least one Director from each Member Agency) is required to pass the measure.

SCRWA Annual Budget Process. The SCRWA JPA Agreement requires a budget to be prepared at or prior to each May meeting of the Board for the ensuing fiscal year (being each July 1st to and including the following June 30th); be submitted, immediately after preliminary approval by the Board, to the city councils of the Member Agencies for incorporating into their respective annual budgets; and receive final approval by the Board by July 1st of such fiscal year.

Expenses Relating to SCRWA. SCRWA’s revenues and expenses are shared among the Member Agencies based on a formula or formulas determined by the Board, as expressed in SCRWA’s budget. In the two-year budgets for fiscal years 2017-18 and 2018-19 (the “2017-18 and 2018-19 Budget”), adopted by the Board on June 7, 2017, and fiscal years 2019-20 and 2020-21 (the “2019-20 and 2020-21 Budget”), adopted by the Board on June 5, 2019, the cost allocations are as follows:

	FY 2017-18 Cost Allocation		FY 2018-19 Cost Allocation		FY 2019-20 Cost Allocation		FY 2020-21 Cost Allocation	
	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>
Operational Costs:	61.0%	39.0%	59.0%	41.0%	62.0%	38.0%	60.0%	40.0%
Capital Costs:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%
Contributions for SCRWA Reserve:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%

Source: City of Morgan Hill.

The City treats the “Operational Costs” and “Contributions for the SCRWA Reserve” that it pays to SCRWA as operations and maintenance expenses for accounting purposes. It also treats “capital costs” that it pays to SCRWA as capital expenditures that, if paid from Net Revenues, would be payable on a subordinate basis to debt service for the Bonds under the Indenture.

A five-year history of the City's costs is shown in the table below.

<u>Fiscal Year</u>	<u>Operational Costs⁽¹⁾</u>	<u>Capital Costs</u>	<u>Total</u>
2015-16	\$3,790,244	\$5,569,952	\$9,360,196
2016-17	3,786,134	2,982,386	6,768,520
2017-18	3,860,578	1,163,995	5,024,573
2018-19	3,699,152	2,376,089	6,075,241
2019-20	4,078,112	1,072,394	5,150,506

⁽¹⁾ Includes annual contributions to SCRWA reserve of \$104,750, \$104,750, \$41,900, \$104,750 and \$125,700 for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, respectively.

Source: City of Morgan Hill.

The SCRWA JPA Agreement provides that the amounts a Member Agency is required to pay to SCRWA are due and payable 30 days after receipt of monthly billing from the Board. It also provides that SCRWA may determine to bill in advance of expenditures based on the approved budget. Any surplus moneys (reflecting the difference between budgeted amounts and actual costs) must be returned in cash or by way of a credit to that Member Agency in proportion to the funds provided. Amounts billed are due and payable, and become delinquent, 30 days after a bill is rendered and, thereafter, incur a delinquency penalty or interest charge until paid. The delinquency charge or interest rate charge is set by written policy of the Board. The City has never incurred a delinquency penalty or interest charge.

SCRWA Power to Issue Indebtedness. The SCRWA is empowered by the SCRWA JPA Agreement to issue bonds for the purpose of raising funds necessary to accomplish its purposes under the SCRWA JPA Agreement and to enter into appropriate agreements or leases to secure such bonds, or issue any other forms of indebtedness in accordance with the provisions of the Bond Law or other State law, but only with the consent of the Member Agencies. Any obligations of the City in connection with such bonds or other forms of indebtedness would be Parity Obligations.

SCRWA Financial Documents. As of the date of this Official Statement, the 2019-20 and 2020-21 SCRWA Budget may be obtained on the Internet at the following address: <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

For SCRWA's financial statements for the fiscal year ended June 30, 2019, see <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

Enterprise Capital Improvement Program

The City expects to fund the CIP from amounts on deposit in the Sewer Impact Fund and Sewer System Replacement Fund (the amount in which will include proceeds of the Bonds). The CIP budget for the Enterprise for the fiscal years shown is summarized below.

Table 2
CITY OF MORGAN HILL ENTERPRISE
RECOMMENDED CAPITAL IMPROVEMENT PROGRAM
(Dollars in Thousands)

Project	FY 20-21 Recommended	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected	Total
Sanitary Sewer Rehabilitation	\$9,500,000	\$4,396,786	\$2,393,700	\$2,393,700	\$2,393,700	\$21,077,886
Sewer Plant Expansion Project	3,937,500	7,875,000	7,875,000	7,875,000	3,937,500	31,500,000
Sewer Plant Improvement	2,400,000	1,060,000	-	-	-	3,460,000
Lift Station Rehabilitation	2,080,000	-	-	-	-	2,080,000
New Trunk Line	50,000	100,000	14,500,000	14,500,000	-	29,150,000
New Sewer Mains	859,099	-	2,474,622	-	-	3,333,721
Total	\$18,826,599	\$13,431,786	\$27,243,322	\$24,768,700	\$6,331,200	\$90,601,607

Source: City of Morgan Hill.

SCRWA Capital Improvement Budget

In the [2019-20 and 2020-21 Budget,] SCRWA's capital improvement budget ("CIB") provides a six-year window of projects to be completed within the CIB horizon. Capital costs are allocated between the cities of Gilroy and Morgan Hill at 58.1% and 41.9%, respectively. In May 2015, the Board reviewed and approved the major capital improvements program consistent with the timeline recommendations of a 2014 flow projection report based in part on planned land use reflected by the City's and Gilroy's respective General Plans. The findings indicated that the anticipated increase in the treatment capacity is not needed until 2021.] The City and Gilroy are currently reviewing and updating their respective General Plans.

The most up-to-date CIB is reflected in the Enterprise's capital improvement plan, which is discussed under the heading "– Capital Improvement Program."

Regulatory Issues [under review]

Enterprise Operations. The regulatory requirements applicable to the Enterprise are contained in or imposed by regulation pursuant to the following statutes, which are administered through the Regional Water Quality Control Board:

- Federal Water Pollution Control Act, as amended (33 U.S.C. §1311 et seq.);
- Resource Conservation and Recovery Act (42 U.S.C. §6901 et. seq.); and
- State of California Porter-Cologne Water Quality Control Act of 1969, as amended.

The Enterprise is also subject to the following regulations, which contain no stated expiration date:

- Order No. 2006-0003-DWQ, which is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2006/wqo/wqo2006_0003.pdf.
- State Board Monitoring and Reporting Requirements Order No. WQ 2008-0002-EXEC, entitled “Adopting Amended Monitoring and Reporting Requirements for Statewide General Discharge Requirements for Sanitary Sewer Systems” (amending Order No. 2006-0003-DWQ), promulgated by the State Water Resources Control Board (“SWRCB”). Order No. WQ 2008-0003-EXEC is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2008/wqo/wqo2008_0002_exec.pdf.

The references to the Internet websites made above are for convenience only. The information contained within the websites may not be current, has not been reviewed by the City and is not incorporated by reference in this Official Statement.

Other Enterprise Permitting Requirements. The City is not itself subject to any permitting requirements because it does not treat or dispose of wastewater. Unlike a treatment plant, the City operates under the overall SWRCB Order No. 2006-0003-DWQ as an enrollee; it is not regulated under individual “operating permit” such as a National Pollutant Discharge Elimination System (“NPDES”) permit. However, on an ongoing basis, pump station generators must annually obtain a Permit to Operate permit from the Bay Area Air Quality Management District, and the fuel storage for large fuel tanks is periodically inspected under the Santa Clara County Certified Unified Program Agency. For construction projects, the City must require its contractor to obtain a General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities (Order No. 2009-0009-DWQ) for all categories of construction storm water discharges. This is done through the State of California Storm Water Multiple Application and Report Tracking System (or SMARTS) program. In addition, construction requires permits from other agencies depending on the nature of the work; this includes, but is not limited to, the California Department of Fish and Wildlife, U.S. Army Corps of Engineers, the Regional Water Quality Control Board (relating to the 401 Certification), and local road agency encroachment permits.

Regulation Relating to SCRWA. [under review]

Recycled Water - General. SCRWA’s recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code and regulations promulgated by the California Department of Health Services. On February 3, 2009, the SWRCB adopted a statewide Policy for Water Quality Control for Recycled Water to support increased sustainable local water supplies by increased production and use of recycled water.

SCRWA NPDES Permits. SCRWA operates its treatment plant pursuant to the following NPDES permits:

- (i) On March 18, 2010, the Central Coast Control Board adopted the Waste Discharge Requirements for SCRWA’s treatment plant. This permit expired on March 18, 2015, but has been extended until the Central Coast Water Board adopts a new permit.
- (ii) For discharges of storm water from the site of the SCRWA Treatment Plant, SCRWA is required to seek authorization to discharge under and meet the requirements of the

SWRCB's Water Quality Order 97-3-DWQ, NPDES General Permit No. CAS000001, Waste Discharge Requirements for Dischargers of Storm Water Associated with Industrial Activities Excluding Construction Activities (the "Storm Water Discharge Requirements"). The permit essentially prohibits any non-storm water discharges from entering the storm drain system. Failure to comply with any of the provisions written in the Storm Water Discharge Requirements permit would subject SCRWA to notices of violation and fines. The City does not expect the Discharge Requirements permit to impact SCRWA (or the Enterprise) because the facility is operated in compliance with the conditions and requirements of the established NPDES permits.

No Adverse Impact Anticipated. The City is not aware of any environmental or regulatory issues that would adversely impact its ability to collect wastewater in the City, or SCRWA's ability to treat wastewater, and pay debt service on the Bonds.

ENTERPRISE REVENUES AND DEBT SERVICE COVERAGE

Customer Base

The following table shows the historical number of residential customers and combined commercial and industrial customers, as well as the approximate percentages of service charge revenues derived from the residential (single family and multifamily) use and combined commercial and industrial use for the five fiscal years ended June 30, 2016, through June 30, 2020.

Table 3
CITY OF MORGAN HILL ENTERPRISE
CUSTOMER ACCOUNTS AND PERCENTAGE OF
SEWER SERVICE CHARGE REVENUES FOR
FISCAL YEARS ENDED JUNE 30, 2016, THROUGH 2020

Fiscal Year Ended June 30	Residential		Commercial/Industrial	
	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues
2016	11,487	75%	758	25%
2017	11,682	73	762	27
2018	11,787	72	766	28
2019	12,528	74	777	26
2020	12,704	77	787	23

Source: City of Morgan Hill.

Ten Largest Accounts. The City's 10 largest customer sewer accounts for the fiscal year ended June 30, 2020, are shown below. These accounts represented an aggregate of 6.48% of total sewer service charge revenues for fiscal year 2019-20. **[Please confirm account names and amounts]**

Table 4
CITY OF MORGAN HILL ENTERPRISE
TEN LARGEST SEWER ACCOUNTS FOR FISCAL YEAR ENDED JUNE 30, 2020

<u>Name of Account</u>	<u>Type of Business</u>	<u>Sewer Service Charge Revenue</u>	<u>% of Total Sewer Service Charge Revenue</u>
Woodland Estates	Mobile Home	\$ 209,071	1.43%
Madrone Mobile Estates	Mobile Home	167,846	1.15
Village Avante	Apartments	124,954	0.86
Safeway	Grocery	74,766	0.51
Sun Basket	Food Distribution	68,363	0.47
Hacienda Valley Mobile Estates	Mobile Home	63,968	0.44
Morgan Hill Retirement Residence	Retirement Residence	62,087	0.43
Santa Clara County	County	60,833	0.42
The Ford Store	Auto Sales	59,332	0.41
		55,169	0.38
Total Top Ten		\$ 946,389	6.48
Total Sewer Service Charge Revenue		\$14,600,504	6.48%

Source: City of Morgan Hill.

Rates and Charges

Rate-Making Authority. The City Council of the City establishes the rates for the Enterprise, and the rates prescribed by the City Council are not subject to approval or regulation by any other governmental entity. The City's Department of Public Works administers and executes the policies and rates established by the City Council. The Public Works Director oversees the Department of Public Works and serves at the direction of the City Manager.

The City adopts its rates and charges on an annual basis in accordance with Articles XIIC and XIID of the California Constitution. This process is usually done each year during the budget review process. See "BOND OWNERS' RISKS - Articles XIIC and XIID of the California Constitution."

Sewer Service Charges. The City adopted its current rate schedule for sewer service charges pursuant to Ordinance No. 1345 N.S., which the City Council enacted on July 16, 1997 (the "Rate Ordinance"). The Rate Ordinance provides a schedule of sewer charge rates and was revised by Resolution No. [19-024] (the "Rate Resolution"), which the City Council adopted on May 1, 2019, in accordance with the requirements of Articles XIIC and XIID of the California Constitution.

[According to the rate schedule, all residential accounts pay a monthly sewer service charge consisting of a base fee of \$21.44 and usage fee of \$4.55 per hundred cubic feet ("HCF") as of July 1, 2019, and a base fee of \$23.37 and usage fee of \$4.95 per HCF as of July 1, 2020.]

The Rate Ordinance provides that the residential sewer usage fee is based on the average measured volume of water usage for the three consecutive low water usage months between the months of November 1st and April 30th, with a minimum of two HCF per dwelling unit and a maximum of 13 HCF per dwelling unit. The three low water usage months are annually determined by the City's Finance Director based on the total water consumed by all customers. See "BOND OWNERS' RISKS - Demand and Usage; Drought."

The charge for commercial users consists of a base rate plus a usage fee per HCF based on the measure volume of water usage per HCF. Commercial and industrial users pay a pre-treatment fee that is used by the City to pay for inspection, administration and enforcement costs.

Commercial base rates as of July 1, 2019, and July 1, 2020, are shown below and determined based on meter size:

<u>Meter Size</u>	<u>Base Rate as of July 1, 2019</u>	<u>Base Rate as of July 1, 2020</u>
5/8" & 3/4"	\$ 21.44	\$ 23.37
1"	21.44	23.37
1½"	80.26	87.48
2"	127.78	139.28
3"	278.38	303.43
4"	500.02	545.02
6"	1,109.82	1,209.70
8"	1,714.46	1,868.76
10"	2,143.08	2,335.96

[Commercial usage fees are determined based on commercial or industrial categorizations and range between \$4.35 and \$13.92 per HCF as of July 1, 2019, and \$4.74 and \$15.17 per HCF as of July 1, 2020. The Rate Ordinance provides that the sewer volume charge for commercial and industrial users is based on actual monthly water usage.]

Impact Fees. New users who are connected to the sewer system are charged an impact fee. See Table 9 for a five-year history of receipts in the Sewer Impact Fund, which receives impact fee revenues. The fee schedule as of January 15, 2020, is shown below:

<u>Classification</u>	<u>Fee Amount</u>
Single-Family Residential (Subdivision)	\$15,315
Single-Family Residential (No Subdivision)	15,315
Multifamily Residential (Subdivision)	12,962
Multifamily Residential (No Subdivision)	12,962
Senior/Downtown/Secondary Unit (Subdivision)	12,962
Senior/Downtown/Secondary Unit (No Subdivision)	12,962
Commercial	52.44
Industrial	50.43
Office	50.43

Historical Rates. The following table shows a 10-year history of the City's sewer rate (including base fee and usage fee, but excluding impact fee) increases.

Table 5
CITY OF MORGAN HILL ENTERPRISE
TEN-YEAR HISTORY OF SEWER SERVICE CHARGES

<u>As of January 1,</u>	<u>Percentage Change</u>
2011	6.0%
2012	10.0
2013	3.5
2014	3.5
2015	3.5
2016	0.0
2017	2.0
2018 ⁽¹⁾	2.0
2019	9.0
2020	9.0

⁽¹⁾ As of July 1, 2018.

Source: City of Morgan Hill.

The Rate Resolution provides for a further 9% increase in sewer service charges as of July 1, 2020, over the prior year.

Future Revisions to Rates. In April 2019, the City Council received a Final Wastewater Rate Study Report ("2019 Rate Study") from NBS, Temecula, California. The Rate Resolution is based on the 2019 Rate Study and sets rates through the five-year period beginning July 1, 2019, as reflected in the discussion under the heading "- Sewer Service Charges" above.

Comparative Rates. The following table sets forth the monthly sewer service charges charged to single family residential customers within the City and the comparable charges charged to such customers in certain other regional municipalities as of the dates shown below.

Table 6
CITY OF MORGAN HILL ENTERPRISE
MONTHLY SINGLE-FAMILY RESIDENTIAL SEWER SERVICE CHARGES FOR THE
CITY AND CERTAIN OTHER CITIES

<u>Local Agency</u>	<u>Effective Date</u>	<u>Monthly Sewer Service Charges</u>
City of Morgan Hill⁽²⁾	7/1/2020	\$63.00
City of Milpitas ⁽¹⁾	7/1/2020	55.54
West Valley Sanitation District	7/1/2020	51.63
City of Gilroy	7/1/2019	46.64
City of Santa Clara	6/23/2020	44.53
City of San José	7/1/2020	41.64

⁽¹⁾ Extrapolated from bi-monthly charge of \$111.07.

⁽²⁾ Estimated monthly sewer service charge for the average single-family residence (having 8 HCF of contributed flow). Sewer service charges consist of a fixed charge of \$23.37 per month and a usage fee of \$4.95 per HCF as of July 1, 2020.

Source: Respective websites of the cities listed above.

Billing and Collection Procedures. The City sends out sewer and water usage billings in a consolidated bill in four cycles on the first, second, third, and fourth Fridays of each month, so that each customer receives a billing once a month. Payment is due from each customer within 25 days after the billings are mailed. A delinquent notice, including a delinquent charge, is mailed out if a payment is not paid by the due date. If payment is not paid within two weeks following mailing of the delinquent notice, a shut-off notice, along with an additional delinquent fee (which is retained by the City's Water Fund), is mailed to the customer. The customer has an additional 10 days to pay the past-due amount. If not paid, water services are disconnected four days later. Past-due water and sewer charges must be paid before services are restored.

The delinquency rates for collection of payment for sewer services of the City (expressed as a percentage of annual total revenues received by the City for the use of sewer services) for the five fiscal years ended June 30, 2016, through June 30, 2020, are set forth in the following table. The City averages approximately 55 customer accounts being shut off each month.

Table 7
CITY OF MORGAN HILL ENTERPRISE
DELINQUENCY RATES FOR
COLLECTION OF PAYMENT FOR SEWER SERVICES
FOR FISCAL YEARS 2015-16 THROUGH 2019-20

<u>Fiscal Year</u>	<u>Delinquency Rate for Sewer Services</u>
2015-16	4.6%
2016-17	2.5
2017-18	2.7
2018-19	1.0
2019-20	1.0

Source: City of Morgan Hill.

Employee Costs

General. The Enterprise pays a portion of certain City employee costs (“Employee Costs”). The Employee Costs are: (i) labor costs of employees of the Enterprise; and (ii) costs allocated to the Enterprise for services provided to the Enterprise by other departments in the City (e.g., accounting, legal, payroll, human resources, *et al.*). The costs allocated to the Enterprise include a variety of benefit costs, the largest of which are costs relating to the City’s retirement plans consisting of a defined benefit pension plan and other post-employment benefits (“OPEB”). See “– Employee Retirement Plans” for information about the City’s employee retirement plans.

The following table shows the number of Enterprise full-time employees and the employee costs (including a variety of benefits that include costs relating to the City’s employee retirement plans) for the past five fiscal years:

<u>Fiscal Year</u>	<u>Enterprise Employees (FTEs)</u>	<u>Employee Costs</u>
2015-16	14.48	\$ 997,264
2016-17	14.48	1,560,448
2017-18	14.48	1,674,372
2018-19	14.26	1,907,193
2019-20	14.30	1,922,993

Source: City of Morgan Hill.

Labor Relations. The employees of the Enterprise (excluding management employees) are members of American Federation of State, County and Municipal Employees. The City is subject to a two-year collective bargaining agreement with American Federation of State, County and Municipal Employees, which extends through December 31, 2021, but would remain in effect until replaced. Under the agreement, the City provides a contribution towards health, dental and vision insurance, depending on coverage level. The City also pays for life insurance, long-term disability, short-term disability, worker’s compensation, and a defined benefit plan contribution.

Employee Retirement Plans. All permanent City employees, including those assigned to the Enterprise, are eligible to participate in the Public Employee’s Retirement Fund of the California Public Employees Retirement System (“PERS”). The Enterprise’s total contributions to PERS as of June 30, 2020, 2019 and 2018 were \$253,715 \$197,277 and \$155,523, respectively.

The City contracts with PERS to provide OPEB consisting of integrated medical/prescription drug coverage under the Public Employees’ Medical and Hospital Care Act. The Enterprise’s total contributions to OPEB as of June 30, 2020, 2019 and 2018 were \$68,684, \$30,097 and \$7,974, respectively.

For information about the City’s employee retirement plans, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 - Note __.” and APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA – Employee Retirement Plans.”

Enterprise Funds

For internal accounting purposes, the City maintains four separate funds for the Enterprise. For purposes of the City’s Comprehensive Annual Financial Report, three of these funds – the Sewer Operations Fund, Sewer Rate Stabilization Fund and Sewer Replacement Fund – are consolidated into a single fund and shown as the Sewer Operations Fund. The four funds are described below.

Sewer Operations Fund. The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance and debt service are charged to the Sewer Operations Fund.

Sewer Rate Stabilization Fund. The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund. The balance on deposit in the Rate Stabilization Fund was \$2,700,000 as of June 30, 2020. See “SECURITY FOR THE BONDS – Rate Stabilization Fund.”

Sewer System Replacement Fund. This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. The fund was initially funded with one-time revenues. The initial contribution to the Sewer System Replacement Fund was \$3,500,000 from the Sewer Operations Fund. The balance on deposit in the Sewer System Replacement Fund was \$9,200,000 as of June 30, 2020. Future funding will come from transfers from the Sewer Operations Fund when available.

Sewer Impact Fund. The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. Fund is subject to the restrictions of AB 1600.

Enterprise Reserves

The City’s current wastewater reserve policies are to make every effort to maintain a minimum reserve level of 25% of the appropriated operating budget for the Sewer Operations Fund in that fund, and to keep a minimum reserve level of 20% of the annual estimated utility usage revenue accounted for in the Enterprise’s operating budget in the Sewer Rate Stabilization Fund and 3% of net depreciable capital assets in the Sewer System Replacement Fund. The City is currently in compliance with these policies. The City’s reserve policies are subject to change. The City can provide no assurance that its financial policies will not change in the future or that it will continue to maintain reserves at existing levels.

Balance Sheets

The following tables show the comparative statements of net assets for the Enterprise for periods ending June 30, 2019, and June 20, 2020:

Table 8
CITY OF MORGAN HILL ENTERPRISE
STATEMENT OF NET POSITION

	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
ASSETS				
Current assets:				
Pooled cash and investment	\$11,419,845	\$18,877,841		
Restricted pooled cash and investments	2,885,398	--		
Cash with fiscal agents	--	--		
Receivables:	--	--		
Accrued interest	59,501	62,362		
Other accounts receivable	1,633,587	4,437		
Notes receivable-current	--	228,994		
Total current assets	15,998,331	19,173,634		
Non-current assets:				
Capital assets, net	--	--		
Non-Depreciable	2,476,292	2,998,173		
Depreciable and Sewer capacity rights	24,011,911	28,937,955		
Total non-current assets	26,488,203	31,936,128		
Total assets	42,486,534	51,109,762		
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	572,696	--		
Total Deferred Outflows	572,696			
LIABILITIES				
Current liabilities:				
Accounts payable	46,725	885,097		
Accrued liabilities	286,404	6,763		
Customer deposits	1,330	31,764		
Unearned revenue	--	4,752		
Interest payable	6,622	125,816		
Current obligations for:				
Bonds payable (Note 7)	1,445,000	--		
Capacity rights payable	--	--		
Total current liabilities	1,786,081	1,054,192		
Non-current liabilities:				
Long-term liabilities for:				
Bonds payable (Note 7)	11,613,474	--		
Net pension liability (Note 8)	2,463,827	--		
OPEB payable	--	--		
Net OPEB obligation (Note 9)	446,519	--		
Capacity rights payable	--	--		
Total noncurrent liabilities	14,523,820	--		
Total liabilities	16,309,901	1,054,192		
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 8)	78,801	--		
Total Deferred Inflows	78,801			
Net position:				
Net investment in capital assets	17,760,127	31,936,128		
Restricted net position-debt service	--	--		
Restricted net position-capital expansion		18,119,442		
Unrestricted	8,910,401	--		
Total net position	\$26,670,528	\$50,055,570	\$	\$

Source: City of Morgan Hill Comprehensive Annual Financial Statements Fiscal Years Ended June 30, 2019, and June 30, 2020.

Historical Financial Results

The following table presents a summary of the operating results of the Enterprise for the five fiscal years ended June 30, 2016, through June 30, 2020.

For additional information on the financial results of the Enterprise, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020.”

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Table 9
CITY OF MORGAN HILL ENTERPRISE

	FY 15-16 Sewer Operations	FY 15-16 Sewer Impact	FY 16-17 Sewer Operations	FY 16-17 Sewer Impact	FY 17-18 Sewer Operations	FY 17-18 Sewer Impact	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
Operating Revenues:										
Charges for services ⁽¹⁾	\$ 10,471,572	\$ 35,125	\$ 10,755,87	\$ -	\$ 10,829,471	\$ -	\$ 11,998,859	\$ -	\$	\$
Other Operating Income					23,486	4,172,476	-	4,876,920		
Developer Contributions		4,808,865		1,756,909						
Total Operating Revenues	10,471,572	4,843,990	10,755,875	1,756,909	10,852,957	4,172,476	11,998,859	4,876,920		
Operating Expenses:										
Salaries and benefits	997,264		1,560,448		1,674,372		1,907,193			
Utilities and taxes	39,537		51,965		53,143		57,291			
Operations and maintenance	4,627,661	16,084	4,406,723	8,920	4,570,583	15,534	4,790,293	16,709		
Depreciation	1,513,886	1,119,377	1,565,861	1,248,154	1,619,067	1,308,480	1,220,184	1,328,079		
Amortization of sewer capacity rights	944,917		944,917		944,917		944,917			
Administrative charges	201,485	12,652	211,572	13,284	222,132	13,944	266,436	54,468		
Total Operating Expenses	8,324,750	1,148,113	8,741,486	1,270,358	9,084,214	1,337,958	9,186,314	1,399,256		
Operating Income (Loss)	2,146,822	3,695,877	2,014,389	486,551	1,768,743	2,834,518	2,812,545	3,477,664		
Non-Operating Revenues/(Expenses):										
Investment earnings	100,576	123,697	121,818	153,397	207,814	229,257	318,041	344,622		
Interest (expense)	(625,940)		(440,495)	(145,648)	(343,116)	(190,976)	(485,708)	16,328		
Total nonoperating revenues (expenses)	(525,364)	123,697	(318,677)	7,749	(135,302)	38,281	(167,667)	360,950		
Income (loss) before operating transfers	1,621,458	3,819,574	1,695,712	494,300	1,633,441	2,872,799	2,644,878	3,838,614		
Capital Contributions										
Transfers in	63,368				232,776		232,692			
Transfers (Out)	(652,935)	(66,182)	(870,268)	(7,704)	(891,912)	(240,480)	(845,172)	(240,396)		
Change in net position	1,031,891	3,753,392	825,444	486,596	974,305	2,632,319	2,032,398	3,598,218		
Total Net Position-Beginning	22,076,830	39,585,045	23,108,721	43,338,437	23,663,825	43,825,033	24,638,130	46,457,352		
Restatement										
Total Net Position-Beginning, Restated										
Total Net Position-Ending	\$23,108,721	\$43,338,437	\$23,934,165	\$43,825,033	\$24,638,130	\$46,457,352	\$26,670,528	\$50,055,570	\$	\$

⁽¹⁾ In addition to sewer service charge revenues, includes investment earnings, reimbursement of expenses (such as property damage, cost sharing), penalties, lift station charges, and front footage fees.

Source: City of Morgan Hill Comprehensive Annual Financial Statement Fiscal Years Ended June 30, 2016, through June 30, 2020.

The following table presents a summary of the operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ended June 30, 2016, through June 30, 2020, calculated in accordance with the provisions of the Indenture.

Table 10
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2016, THROUGH JUNE 30, 2020

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Gross Revenues:					
Charges for current services	\$10,506,697	\$10,755,875	\$10,852,957	\$11,998,859	\$
Impact Fees	4,808,865	1,756,909	4,172,476	4,876,920	
Investment earnings	224,273	275,215	437,071	318,041	
Total Revenues	\$15,539,835	\$12,787,999	\$15,462,504	\$17,193,820	\$
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$ 997,264	\$1,560,448	\$1,674,372	\$1,907,193	\$
Operations and maintenance ⁽²⁾	4,643,745	4,415,643	4,586,117	4,790,293	
Administrative charges	214,137	224,856	236,076	266,436	
Total Operating Expenses	\$5,855,146	\$6,200,947	\$6,496,565	\$6,963,922	\$
Net Revenues ⁽³⁾	\$9,684,689	\$6,587,052	\$8,965,939	\$10,229,898	\$
Series 2015 Bonds Debt Service ⁽⁴⁾	\$528,074	\$1,936,300	\$1,939,800	\$1,939,125	\$1,938,625
Debt Service Coverage ⁽⁵⁾	18.34	3.40	4.62	5.28%	%
Net Revenues Less Impact Fees	\$4,875,824	\$4,830,143	\$4,793,463	\$5,352,978	\$
Coverage Without Impact Fees	9.23	2.49	2.47	2.76%	%

⁽¹⁾ Excludes depreciation, amortization and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁴⁾ Excludes earnings on the reserve fund for the 2002 SCRWA bonds.

⁽⁵⁾ Equals Net Revenues divided by Series 2015 Bonds Debt Service.

Source: City of Morgan Hill.

Projected Financial Results

The following table presents a summary of the projected operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ending June 30, 2020, through June 30, 2024, calculated in accordance with the provisions of the Indenture. The following table represents the City's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. The obligation of the City to pay debt service on the Bonds is limited to Net Revenues and the City is not obligated to apply any other revenues to pay debt service on the Bonds.

The projections assume a final rate adjustment of 5% in [2021 through 2023] and no rate adjustments thereafter, and a 2% annual growth in the number of sewer accounts and no change in flow and strength by non-residential users. The impact fees shown in the projections are based on a projected increase in development activities. The projections also assume annual Operation and Maintenance Costs of the Enterprise will increase at an average of 2% annually, primarily as a result of inflation, increased pension

costs and increased costs for operation and maintenance. In addition, the projections assume annual interest earnings on Enterprise funds of 1.5%.

Table 11
CITY OF MORGAN HILL ENTERPRISE
PROJECTED SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2020, THROUGH JUNE 30, 2024

	Projected <u>2020-21</u>	Projected <u>2021-22</u>	Projected <u>2022-23</u>	Projected <u>2023-24</u>	Projected <u>2024-25</u>
Gross Revenues:					
Charges for current services	\$13,394,453	\$14,238,146	\$15,141,760	\$16,104,201	
Impact Fees	6,225,545	6,845,919	4,890,147	5,014,637	
Investment earnings	370,194	377,598	385,150	392,853	
Total Revenues	\$19,990,192	\$21,461,663	\$20,417,057	\$21,511,691	
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$2,184,238	\$2,265,081	\$2,327,774	\$2,388,481	
Operations and maintenance ⁽²⁾	5,585,062	5,758,591	5,873,773	5,991,258	
Administrative charges	347,058	355,734	362,849	370,106	
Total Operating Expenses	\$8,116,357	\$8,379,406	\$8,564,395	\$8,749,845	
Net Revenues ⁽³⁾	\$11,873,835	\$13,082,257	\$11,852,662	\$12,761,846	
Series 2015 Bonds Debt Service					
Total Debt Service	\$1,939,500	\$1,941,500	\$1,783,500	\$552,125	
Total Debt Service Coverage ⁽⁵⁾	6.12	6.74	6.65	23.11	
Net Revenues Less Impact Fees	\$5,648,290	\$6,236,338	\$6,962,515	\$7,747,209	
Coverage Without Impact Fees	2.91	3.21	3.90	14.03	

⁽¹⁾ Excludes depreciation and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁵⁾ Equals Net Revenues divided by Total Debt Service.

Source: City of Morgan Hill.

RISK FACTORS

This section describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider these special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal of and interest on the Bonds.

Demand and Usage; Drought

There can be no assurance that the local demand for services provided by the Enterprise will continue according to historical levels. In addition, drought conditions and voluntary or mandatory water conservation measures could decrease usage of the services of the Enterprise. However, the impact of the potential drought on the Enterprise is expected to nominal because sewer service charges to residential consumers are established by measuring water consumption based on the three lowest months of water consumption in a year. As explained under the heading “THE ENTERPRISE – Rates and Charges – Sewer Service Charges,” the three-month usage is averaged together for each customer to determine the average volume of wastewater discharge. The calculated average is applied to each month of the 12-month period and represents consistent, essential internal usage. Historically, the discharge volume does not vary greatly. Of the \$63.00 that makes up the Average Monthly Single Family Residential Bill (“AMSFB”), 61% is the variable charge that is based on the average volume of wastewater discharge. The remaining 39% of the AMSFB consists of a fixed monthly charge scaled to the water meter size. On July 1, 2021, a 5.0% rate adjustment will increase the AMSFB to \$66.15.] See “THE ENTERPRISE – Rates and Charges.”

Any reduction in the level of demand or usage could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City’s rate covenants. Such rate increases could increase the likelihood of nonpayment.

Enterprise Operation and Maintenance Expenses and Net Revenues

There can be no assurance that the City’s operation and maintenance expenses for the Enterprise will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs passed on to the City by SCRWA, could reduce the City’s Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the City has covenanted to prescribe, revise and collect rates and charges for the Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Bonds.

The ability of the City to comply with its covenants under the Installment Purchase Agreement and generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “- Articles XIIIIC and XIID of the California Constitution.” The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Environmental Laws and Regulations

Wastewater collection treatment disposal and re-use facilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Bonds. See “THE ENTERPRISE – Regulatory Issues.”

Natural Disasters

Seismic. The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. There are a number of active and potentially active faults that are located within the vicinity of the City. These include the Calaveras Fault, which is a major branch of the San Andreas Fault located about three miles east of the City. There are also smaller faults, which appear to be connected to the Calaveras Fault, including the Silver Creek Fault, the Coyote Creek Thrust Fault and the Range Front Fault, which are all located from one half mile to one mile east of the City.

Flood Zone Mapping. Approximately 26 percent of the City’s redevelopment project area has been designated by Federal Emergency Management Agency (“FEMA”) as a Special Flood Hazard Area. According to FEMA, a home in such a floodplain has a 26 percent chance of suffering damage during a 30-year period. Any new residential construction in this area must have the lowest floor flood-proofed or raised at least one foot above the base flood elevation. Any substantial improvement to an existing structure in this area must be constructed to the same standard as new construction.

Wildfire Risks. In recent years, wildfires have become an increasing risk for communities throughout the State, led in part due to drought conditions in the State and in part to other climactic conditions. A wildfire impacting the City could have a material adverse impact on property values, sales tax revenue and otherwise within the City. The City contains wildland-urban-interface (WUI) areas as well as CAL FIRE-recommended Local Responsibility Area very high fire hazard severity zones (FHSZs). In addition, some of the unincorporated area surrounding the City is also designated a high FHSZ. Fires with the highest rates of spread and intensity usually occur in areas of high and very high FHSZ. A major wildfire occurred in September 2007 in Henry W. Coe State Park, several miles outside of the City. It began on September 3 and was fully contained by September 11. The burnt areas were entirely outside of the City limits, mostly in uninhabited territory. Other wildfires have also occurred in the County since 2007. Additionally, a portion of the easternmost area of the City was under an evacuation warning due to a the nearby SCU Lightning Complex wildfire which originated in mid-August 2020, however no actual evacuation occurred.

Anderson Dam and Reservoir Flooding Risks. Anderson Dam and Reservoir is a major water supply facility located approximately one mile east of the City that is owned and operated by the Santa Clara Valley Water District (the “District”). In 2011, the District announced the results of a seismic study of the Anderson Dam, which concluded that the dam could be affected if a major earthquake were to occur on the Calaveras Fault, which is located within two kilometers of the dam. Anderson Dam, which also sits atop the Coyote Creek-Range Front Fault Zone, is an earth and rockfill structure constructed in 1950 creating the Anderson Reservoir, the largest surface water reservoir in the County of Santa Clara. The study stated that the analysis found loosely compacted layers of liquefiable materials in the foundation of the dam that are susceptible to a reduction in strength when subjected to severe earthquake shaking. If the foundation were damaged, part of the dam could experience 15 to 25 feet of vertical deformation, with an additional 15 feet of potential cracking. The study stated that if the reservoir were full at the time, there could be an

uncontrolled release of water downstream from the dam. Anderson Dam Inundation Maps of the District show probable maximum flood depths of 25 to 35 feet on either side of US Highway 101.

Given the seismic concerns related to the Anderson Dam, the water level in the Anderson Reservoir is currently limited to about 58% of its capacity and the District is undertaking a Seismic Retrofit Project. The project will make improvements necessary to stabilize the dam embankment for the maximum credible earthquake on the Calaveras and Coyote Creek Faults, repair or replace the outlet works to protect against potential fault rupture risk from these faults and incorporate other measures to address safety deficiencies. The project has been ongoing for many years, and the estimated costs have increased significantly during that time. The District estimates construction of the Retrofit Project will cost approximately \$550 million, with the design and engineering phase currently underway and the construction phase projected to commence in 2022 and end by 2027.

Anderson Dam is regulated by the State of California Division of Safety of Dams, which performs yearly reviews and requires maintenance and safety standards to be enforced by the dam owners and operators, as well as the Federal Energy Regulatory Commission (“FERC”), which has dam safety jurisdiction at Anderson Dam. In February 2020, FERC issued a dam safety directive requiring that the District begin a full drawdown of the Anderson Reservoir by October 1, 2020. The dam safety directive indicated that, based on documents that had been recently submitted by the District to FERC, the seismic risk to the Anderson Dam was greater than previously understood and the risk of a dam failure to downstream life and property was extreme. The directive indicated that risk remained to the downstream population even with a fully drained reservoir, but a full drawdown reduced the risk as much as possible given the current condition of the Anderson Dam. The City cannot predict the success of the Retrofit Project being undertaken by the District or the implications of FERC’s demand that all water in the Anderson Reservoir be drawn-down.

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease which was first reported in China in late 2019, has since spread to other countries, including the United States, and is considered a pandemic by the World Health Organization. The United States State Department and the Center for Disease Control and Prevention (“CDC”), as well as other governmental authorities, have issued restrictions and warnings for the United States and a number of countries in Asia, Europe, South American and Africa, and similar restrictions and warnings may be extended to other countries in the future. The outbreak has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The outbreak has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the County. Unemployment in the United States has dramatically increased as a result of the outbreak. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the outbreak.

[discuss before posting] [The City does not presently anticipate a material impact to the operations or financial position of the Enterprise as a result of COVID-19, in part because revenues have remained steady and there is no presently expected material increase in expenses or operational challenges.] Nonetheless, the City cannot predict (i) the severity, duration or extent of the COVID-19 outbreak; (ii) the duration or expansion of governmental restrictions imposed by governmental entities other than the City that affect the City; (iii) what effect any such COVID-19 related restrictions or warnings may have on the finances or operations of the City or the Enterprise; (iv) the extent to which the COVID-19 outbreak may result in changes in demand for the services or products of the Enterprise or the ability of the Enterprise’s customers to pay for such services or products; or (v) whether or to what extent the City may provide

deferrals, forbearances, adjustment or other changes to the Enterprise's arrangements with its customers in the future but any of the foregoing factors alone or in combination with others could result in material adverse impacts to the finances or operations of the City and the Enterprise.

Cybersecurity

The City, like many other public and private entities, rely on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that their efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of any entity, including with respect to the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Limitations on Remedies; Bankruptcy

The City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the owners of the Bonds.

If the Net Revenues are "special revenues" under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Indenture. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The owners of the Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the owners of the Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the City may be able to use Net Revenues to pay necessary operating expenses of the Enterprise that are greater than or different from the Operation and Maintenance Costs defined in the Indenture before the remaining Net Revenues are made available to the Trustee to pay amounts owed to the owners of the Bonds. It is not clear which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, then the City's creditors (including the Trustee on behalf of owners of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the owners of the Bonds from funds in the Trustee's possession. The rate covenant (see "SECURITY FOR THE BONDS – Rate Covenant") may not be enforceable in bankruptcy by the Trustee or the owners of the Bonds.

The provisions of the Installment Purchase Agreement that provide that the commencement of a bankruptcy case by the City is an event of default and that certain other insolvency-related events with

respect to the City are also events of default may be unenforceable. This may limit the ability of the Trustee to require the City to turn over to the Trustee Net Revenues and may allow the City to continue to spend Net Revenues for any purpose permitted by law as provided in the Installment Purchase Agreement, free and clear of the lien of the Installment Purchase Agreement, notwithstanding that the City is in bankruptcy.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Net Revenues), which lien could have priority over the lien of the Installment Purchase Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected. The City may be able to cause some of the Net Revenues to be released to it, free and clear of the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the owners of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Bonds, while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Articles XIIC and XIID

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other

than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before they take effect and is distinct from the Article XIID protest procedures described above and the legal process for initiative measures discussed below.

In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds

voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The City believes its Enterprise rates and charges are not taxes under Proposition 26. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the user charges of the Enterprise imposed by the City do not exceed the costs the City reasonably bears in providing the wastewater service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Enterprise’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

Loss of Tax-Exemption

As highlighted under the heading “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Installment Purchase Agreement and the Indenture.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City and the Authority with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and assuming compliance with covenants and representations regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not included in the gross income of the owners of the Bonds for federal income tax purposes. Failure by the City or the Authority to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Bond Counsel’s opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no

right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a Bond at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a Bond purchaser of purchasing a Bond with bond premium. Persons considering the purchase of Bonds with bond premium should consult with their own tax advisors with respect to the determination of bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of Bonds of a particular maturity over the initial offering price to the public of the Bonds of that maturity at which a substantial amount of the Bonds of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Bond. Original issue discount on a Bond or a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Bond accruing during each period is added to the adjusted basis of such Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Bonds other than at the initial offering price.

Bond Counsel is not opining on the accounting for or consequence to a Bond purchaser of bond premium or original issue discount. Accordingly, persons considering the purchase of Bonds with bond premium or original issue discount should consult with their own tax advisors with respect to the determination of bond premium or original issue discount on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Information Reporting and Backup Withholding

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to

be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Bonds of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or of the exemption of interest on the Bonds from State of California personal income taxation. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as APPENDIX E.

FINANCIAL STATEMENTS OF THE CITY

Included in this Official Statement, as APPENDIX B, are the audited financial statements of the City for the fiscal year ended June 30, 2020, together with the report dated _____ of Maze and Associates Accountancy Corporation, certified public accountants (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

CERTAIN LEGAL MATTERS

Norton Rose Fulbright US LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will also be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter's Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. The fees paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds.

ABSENCE OF MATERIAL LITIGATION

In connection with issuance of the Bonds, each of the City and Authority will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to its knowledge after reasonable investigation, threatened against or affecting it or its assets, properties or operations that, if determined adversely to it or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Purchase Agreement or the Indenture, or upon its financial condition, assets, properties or operations.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise (the "Annual Report") by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of certain listed events is set forth in APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The initial Dissemination Agent will be the City.

The City has entered into prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with its undertakings. The City is aware of the following instances of non-compliance by itself, with the requirements of its continuing disclosure undertakings during the past five years:

[to come]

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority and City under which the Underwriter has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____)), plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Authority Commission and the City Council of the City.

MORGAN HILL FINANCING AUTHORITY

By : _____
Christina Turner
Chief Administrative Officer

CITY OF MORGAN HILL

By : _____
Christina Turner
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY FOR FISCAL YEAR ENDING JUNE 30, 2020**

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA

The following information concerning Santa Clara County (the “County”) and the City of Morgan Hill (the “City”) is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the City, the State of California (the “State”) or any of its political subdivisions, and none of the County, the City or the State or any of its political subdivisions is liable therefor.

The economic and demographic data contained in this appendix are the latest available, but, unless otherwise noted, are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the City, the County or the region. See “RISK FACTORS – COVID-19 Pandemic” in the forepart of this Official Statement.

General

The City. The City is approximately 24 miles south of downtown San Jose, 13 miles north of Gilroy, and 15 miles inland from the Pacific coast. Lying in a roughly 4-mile wide southern extension of the Santa Clara Valley, it is bounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Due to the moderating influence of the Pacific Ocean, the City enjoys a mild, Mediterranean climate. Summer months are characterized by coastal fog which arrives from the ocean around 10 p.m. and dissipates the next morning by 10 a.m. Winter months have many sunny and partly cloudy days, with frequent breaks between rainstorms.

The County. The County covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, 20 miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley". Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

Population

The following table shows population estimates for the City, the County and the State for the last five calendar years.

**CITY OF MORGAN HILL, COUNTY OF SANTA CLARA
AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2016 through 2020**

As of Each January 1	City of Morgan Hill	County of Santa Clara	State of California
2016	43,592	1,925,306	39,214,803
2017	43,934	1,936,052	39,504,609
2018	44,653	1,947,798	39,740,508
2019	45,742	1,954,286	39,927,315
2020	46,454	1,961,969	39,782,870

Source: State Department of Finance estimates.

Principal Employers

The following table lists the principal employers within the City for fiscal year 2018-19.

[Update to fiscal year 2019-20 when available].

**CITY OF MORGAN HILL
Principal Employers
Fiscal Year 2018-19**

Employer Name	No. of Employees
Morgan Hill Unified School District	900
Velodyne Lidar, Inc	453
Anritsu Company	403
Paramit Corporation	381
Mission Bell Mfg, Inc.	314
Lusamerica Foods, Inc.	293
Specialized Bicycle Components	280
Toray Advanced Composites USA	216
Cree, Inc.	203
City of Morgan Hill	196

Source: City of Morgan Hill Comprehensive Annual Financial Report Year Ending June 30, 2019.

The following tables list the largest manufacturing and non-manufacturing employers within the County as of September 2020.

COUNTY OF SANTA CLARA
Largest Employers
September 2020
(In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adobe Inc	San Jose	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
Ebay Inc	San Jose	E-Commerce
Flextronics International	Milpitas	Semiconductor Devices (mfrs)
Fujitsu Laboratories of Amer	Sunnyvale	Laboratories-Research & Development
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Physicians & Surgeons Equip & Supls-Mfrs
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Maxim Integrated Products Inc.	San Jose	Printed & Etched Circuits-Mfrs
NASA	Mountain View	Federal Government-Space Research/Tech
Netapp Inc	Sunnyvale	Computer Storage Devices (mfrs)
Palo Alto Ctr	Palo Alto	Surgical Centers
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Industry and Employment

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 7.1 percent in September 2020, down from 7.3 percent in August 2020, and above the year-ago estimate of 2.6 percent. This compares with an unadjusted unemployment rate of 10.8 percent for California and 7.9 percent for the nation during the same period. The unemployment rate was 8.7 percent in San Benito County, and 7.0 percent in Santa Clara County.

SAN JOSE-SUNNYVALE-SANTA CLARA MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2015 through 2019
Annual Averages
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	1,042,000	1,058,200	1,069,300	1,074,900	1,085,200
Employment	997,700	1,017,400	1,034,100	1,045,600	1,057,400
Unemployment	44,200	40,800	35,200	29,300	27,800
Unemployment Rate	4.2%	3.9%	3.3%	2.7%	2.6%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	5,500	6,100	5,800	5,800	5,500
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing, Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Finance and Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate and Rental and Leasing	13,500	14,200	14,500	15,200	15,800
Professional and Business Services	223,700	232,600	236,600	237,000	242,900
Educational and Health Services	156,600	162,900	169,200	173,400	175,500
Leisure and Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300
Total all Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State of California and the United States for the period 2016 through 2020.

CITY OF MORGAN HILL AND SANTA CLARA COUNTY Effective Buying Income As of January 1, 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	City of Morgan Hill	\$1,584,853	\$79,263
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Morgan Hill	\$1,575,789	\$78,745
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Morgan Hill	\$1,742,509	\$83,518
	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Morgan Hill	\$1,844,216	\$87,755
	Santa Clara County	91,332,099	92,773
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Morgan Hill	\$2,012,351	\$93,818
	Santa Clara County	97,710,060	98,882
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the first quarter of calendar year 2020 in the City were reported to be \$166,649,903 a 17.13% decrease in total taxable sales of \$201,087,074 reported during the first quarter of calendar year 2019. Annual figures are not yet available for calendar year 2020.

CITY OF MORGAN HILL
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	733	\$598,582	1,332	\$736,476
2016	801	615,625	1,375	772,485
2017	817	649,256	1,417	828,316
2018	842	697,280	1,498	873,551
2019	820	678,396	1,479	854,656

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	20,057	\$23,700,907	50,573	\$41,231,759
2016	30,146	24,158,590	50,519	41,831,669
2017	30,263	24,862,883	50,812	42,805,399
2018	30,266	26,885,138	52,994	45,353,074
2019	30,266	26,885,138	53,312	46,887,483

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables.

**CITY OF MORGAN HILL
Building Permit Valuation
For Calendar Years 2015 through 2019
(Dollars in Thousands)⁽¹⁾**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$85,439.8	\$47,410.1	\$45,126.7	\$ 66,764.3	\$48,485.1
New Multi-family	33,568.0	22,069.9	8,598.7	48,388.6	14,930.1
Res. Alterations/Additions	<u>4,801.4</u>	<u>4,675.1</u>	<u>6,178.3</u>	<u>7,668.9</u>	<u>4,684.7</u>
Total Residential	\$123,809.2	\$74,155.1	\$59,903.7	\$122,821.8	\$68,099.9
 New Commercial	 \$11,010.9	 \$14,849.8	 \$13,301.1	 \$20,505.1	 \$29,825.4
New Industrial	520.0	0.0	0.0	0.0	0.0
New Other	15,047.7	6,008.9	14,659.1	14,242.9	5,291.1
Com Alterations/Additions	<u>6,322.5</u>	<u>9,654.1</u>	<u>9,713.3</u>	<u>8,914.2</u>	<u>8,388.5</u>
Total Nonresidential	32,901.1	\$30,512.8	\$37,673.5	\$43,662.2	\$43,508.6
 <u>New Dwelling Units</u>					
Single Family	296	168	164	202	179
Multiple Family	<u>234</u>	<u>105</u>	<u>47</u>	<u>317</u>	<u>62</u>
TOTAL	530	273	211	519	241

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY
Building Permit Valuation
For Calendar Years 2016 through 2020
(Dollars in Thousands)⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$ 653,970.2	\$ 660,301.6	\$ 732,652.1	\$ 728,590.6	\$ 693,032.6
New Multi-family	706,781.1	564,761.0	1,760,303.9	1,098,643.3	567,726.7
Res. Alterations/Additions	<u>505,844.7</u>	<u>484,820.1</u>	<u>547,991.7</u>	<u>558,024.6</u>	<u>555,483.0</u>
Total Residential	\$1,866,596.0	\$1,709,882.7	\$3,040,947.7	\$2,385,258.0	\$1,816,242.3
 New Commercial	 \$1,258,808.7	 \$2,327,643.2	 \$1,150,170.4	 \$1,962,366.5	 \$2,664,298.3
New Industrial	100,301.2	44,268.9	118,567.1	32,080.0	41,875.8
New Other	533,644.5	282,966.1	303,729.1	120,557.4	273,529.1
Com Alterations/Additions	<u>1,697,046.2</u>	<u>2,072,862.8</u>	<u>1,786,849.8</u>	<u>2,017,142.3</u>	<u>2,467,939.0</u>
Total Nonresidential	\$3,589,800.6	\$4,727,741.0	\$3,359,316.3	\$4,132,146.2	\$5,447,644.9
 <u>New Dwelling Units</u>					
Single Family	1,710	1,608	2,022	2,011	1,814
Multiple Family	<u>3,906</u>	<u>3,297</u>	<u>6,629</u>	<u>6,342</u>	<u>3,216</u>
TOTAL	5,616	4,905	8,651	8,353	5,030

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E
FORM OF BOND COUNSEL OPINION

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

BOND PURCHASE AGREEMENT

December 8, 2020

Morgan Hill Financing Authority
 17575 Peak Avenue
 Morgan Hill, CA 95037

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

Ladies and Gentlemen:

The undersigned, an authorized representative of Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), hereby offers to enter into this bond purchase agreement (the "Bond Purchase Agreement") with the Morgan Hill Financing Authority (the "Authority") and the City of Morgan Hill (the "City"). Upon the acceptance hereof by the Authority and the City, this offer will be binding upon the Authority, the City and the Underwriter. This offer is made subject to (a) the written acceptance hereof by the Authority and the City, and (b) withdrawal by the Underwriter upon written notice (given electronically or otherwise) delivered to the Authority and the City at any time prior to the acceptance hereof by each of the Authority and the City.

The Authority and City acknowledge that the Underwriters have made the statements in the following clauses (i) through (ii) and acknowledge and agree with respect to clauses (iii) and (iv): (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the Authority and City and the Underwriter and the Underwriter has financial and other interests that differ from those of the Authority and City; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisors or fiduciary to the Authority or City and has not assumed any advisory or fiduciary responsibility to the Authority or City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations the Underwriter has to the Authority and City with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement and as otherwise required by law; and (iv) each of the Authority and City has consulted with its own financial and/or municipal, legal,

accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

The Authority and the City hereby acknowledge receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning a complex municipal securities financing, if any.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase on the Closing Date (as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter on the Closing Date, the \$_____ aggregate principal amount of Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 (the "Bonds").

The Bonds shall be dated their date of delivery, and shall have the maturities, bear interest at the rates, have reoffering yields, and be subject to the redemption terms as shown on Exhibit A hereto.

The aggregate purchase price to be paid by the Underwriter for the Bonds is hereby agreed to be \$_____, which amount represents the principal amount of the Bonds of \$_____, less \$_____, representing the Underwriter's discount, plus \$_____, representing an original issue premium. Such payment and delivery of the Bonds and the other actions contemplated hereby to take place at the time of such payment and delivery are herein sometimes called the "Closing" or "Closing Date."

The Bonds are being issued pursuant to Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "Marks-Roos Act"), a resolution of the Authority authorizing the issuance of the Bonds, adopted on November 18, 2020 (the "Authority Resolution"), and a Trust Indenture, dated as of December 1, 2020 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Section 1.01 of the Indenture.

The Bonds are being issued by the Authority to (a) finance the acquisition and construction of additions, betterments, extensions and improvements to the City's municipal sewer system (the "Sewer System"), and (b) pay costs of issuance of the Bonds.

The Bonds are special obligations of the Authority payable from revenues (the "Revenues"), consisting primarily of installment payments (the "Installment Payments") payable by the City under an installment purchase agreement, dated as of December 1, 2020, between the Authority, as seller, and the City, as purchaser (the "Installment Purchase Agreement"). The City's obligation to make the Installment Payments will be on a parity with its obligation to make installment payments under an installment purchase agreement, dated as of June 1, 2015 (the "2015 Installment Purchase Agreement"), by and between the Authority and the City, which secure the Authority's outstanding Sewer Revenue Bonds, Series 2015.

The City is legally required under the Installment Purchase Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Sewer System. "Net Revenues" with respect to the Sewer System as, for any period of computation, the amount of the Gross Revenues during such period, less the amount of Operation and Maintenance Costs of

the Sewer System during such period. The Installment Payments are scheduled in an amount sufficient to pay, when due, the principal of and interest on the Bonds. In addition to the Installment Payments, Net Revenues are pledged, ~~as a first and prior lien thereon,~~ to payments with respect to payments with respect to any parity obligations hereafter issued or incurred by the City. The City has covenanted under the Installment Purchase Agreement to prescribe, revise and collect such charges from the services and facilities of the Sewer System which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times the aggregate of the payments with respect to the Installment Payments and payments with respect to any parity obligations heretofore or hereafter issued or incurred by the City in such Fiscal Year. The Installment Payments are not subject to abatement.

All of the Authority's right, title and interest in and to the Installment Purchase Agreement (except for the right to receive Additional Payments to the extent payable to the Authority and certain rights to indemnification), including the right to receive Installment Payments under the Installment Purchase Agreement, are assigned to the Trustee for the benefit of the Owners of the Bonds.

A preliminary official statement of the Authority and the City, dated November 25, 2020 (together with the Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"), has been prepared for use in marketing the Bonds, and a final Official Statement of the Authority and the City to be dated the date hereof, as amended to conform to the terms of this Bond Purchase Agreement, and with such changes and amendments as are mutually agreed to by the Authority, the City and the Underwriter, including the cover page, the appendices and all information incorporated therein by reference, is herein collectively referred to as the "Official Statement," will be prepared which shall be in substantially the form of the Preliminary Official Statement, with such changes and amendments thereto as may be mutually agreed upon by the Underwriter, the Authority and the City.

It shall be a condition to the Authority's obligation to sell and to deliver the Bonds to the Underwriter and to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds that the entire \$_____ aggregate principal amount of the Bonds as authorized by the Indenture shall be sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter may change the offering prices (or yields) of the Bonds from time to time at any time. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The obligation of the Authority to sell and deliver the Bonds to the Underwriter shall also be conditioned upon the delivery by Norton Rose Fulbright LLP, Bond Counsel ("Bond Counsel"), of its approving legal opinions with respect to the Bonds.

The Authority and the City hereby authorize the Underwriter to use and distribute the Installment Purchase Agreement, the Indenture, the Preliminary Official Statement and the Official Statement and the information contained in such documents in connection with the public offering and sale of the Bonds. The Authority and the City have authorized the use of the Preliminary Official Statement in connection with the public offering of the Bonds by the Underwriter prior to the date hereof.

2. Bona Fide Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement (defined below) and in accordance with the priority of order instructions from the City or Authority, if any, or as otherwise applicable in accordance with the rules of the MSRB. The Underwriters shall take all required steps to ensure that orders

submitted during any retail order period meet the requirements of the City or the Authority, if any, and the requirements of the MSRB rules. Subject to Section 3(c), the Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices; provided, however, that the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to resell the Bonds to the public on terms consistent with this Bond Purchase Agreement, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriters to the Authority for the Bonds.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority and the City in establishing the issue price of the Bonds and shall execute and deliver to the Authority and the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority and the City under this Section 3 to establish the issue price of the Bonds may be taken on behalf of the Authority and the City by the City's municipal advisor identified herein and any notice or report to be provided to the Authority and the City may be provided to the City's municipal advisor.

(b) The Authority and the City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority and the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority and the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) The Underwriter confirms that any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority and the City acknowledge that, in making the representation set forth in this subsection, the Underwriter

will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Authority and the City further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(d) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section 3. Further, for purposes of this Section 3:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority and the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

4. The Bonds. The Bonds will be issued, executed and delivered pursuant to the Indenture. The City Council of the City adopted a resolution on November 18, 2020, relating to the Bonds (the “City Resolution”). This Bond Purchase Agreement, the Installment Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined), are collectively referred to as the “City Documents.” This Bond Purchase Agreement, the Indenture and the Installment Purchase Agreement are collectively referred to as the “Authority Documents.”

5. Official Statement, Continuing Disclosure.

(a) The Authority and the City represent that they have deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount,

principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

(b) The Underwriter agrees that, prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent electronically or by first class mail (or other equally prompt means) not later than the second business day following the date upon which each such request is received.

(c) The Authority agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the final Official Statement relating to the Bonds as the Underwriter shall reasonably request as necessary for the Underwriter to comply with paragraph (b)(4) of the Rule and with Rule G-32, Rule G-36 and all other applicable rules of the MSRB. The Authority agrees to deliver such Official Statements within seven business days after the execution hereof. The Underwriter agrees to give notice to the Authority on the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule, which date shall be no earlier than 25 days after the "end of the underwriting period," as determined in accordance with subsection (e) herein.

(d) Prior to the earlier of (i) receipt of notice from the Underwriter that no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule or (ii) 25 days after the date of the Closing, the Authority and the City shall provide the Underwriter with such information regarding the Authority and the City, each of their current financial conditions and ongoing operations as the Underwriter may reasonably request.

(e) The Authority and the City agree that, for a period of 25 days after the "end of the underwriting period" (as defined in the Rule), if any event of which it has actual knowledge occurs as a result of which the information in the Official Statement as then in existence would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Authority and the City shall promptly prepare, or cooperate in the preparation of, an amendment or supplement to the Official Statement which will correct such statement or omission. The Authority and the City shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. The Authority and the City shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. Unless the Underwriter otherwise advises the Authority and the City that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date. If such notification shall be subsequent to the Closing, the Authority and the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The Authority and the City hereby covenant and agree that it is a condition precedent to the Underwriter's obligation to purchase the Bonds that, on or prior to the Closing Date, it will enter into an agreement or contract for the benefit of the owners of the Bonds in which the

Authority and the City will undertake to provide financial information, operating data and notices of material events as required by paragraph (d)(2)(ii) of the Rule substantially in the applicable form in Appendix C to the Official Statement (the "Continuing Disclosure Certificate").

(g) The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system or as otherwise provided by the Securities Exchange Commission or MSRB within one business day after receipt thereof from the Authority, but in no event later than the Closing Date.

6. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees as follows:

(a) The City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority (i) to enter into, execute and deliver the City Documents; and (ii) to carry out and consummate the transactions on its part contemplated by the City Documents and the Official Statement.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents, and the consummation by it of all other transactions contemplated by the City Documents, all pursuant to the City Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the members of the City Council of the City was continuously present. The City Resolution has not been modified, amended or rescinded since the date of its adoption. When executed and delivered by the City, the City Documents will constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the City Documents) or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as provided by the City Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents or the consummation by it of all other transactions contemplated by the City Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Bond Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the City the validity or enforceability of the Bonds or the City Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the City to cause the execution and delivery by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the City of the City Documents.

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(h) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (k) of this Section 6) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the City executing this Bond Purchase Agreement has knowledge shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(l) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the City Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(m) So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the City will not issue or sell, or cause to be issued or sold, any bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from Installment Payments.

(n) The City shall honor all other covenants on its part contained in the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

(o) Except as described in the Preliminary Official Statement and Official Statement, the City has never failed to comply in all material respects with any undertaking of the City pursuant to the Rule.

(p) The audited financial statements of the City appended to the Official Statement for the year ended June 30, 2020, and any unaudited financial information presented in the body thereof, fairly present the financial position and results of the City as of the dates and for the periods set forth. Prior to the Closing Date, there will have been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City. The City is not a party to any litigation or other proceeding pending, or to its knowledge, threatened, which if, decided adversely to the City, would have a materially adverse effect on the financial condition of the City.

7. Representations, Warranties and Agreements of the Authority. The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to a Joint Exercise of Powers Agreement between the City and the Parking Authority of the City of Morgan Hill, dated as of May 1, 2015 (the "JPA Agreement").

(b) The Authority has full legal right, power and authority (i) to enter into, execute and deliver the Authority Documents and to sell and deliver the Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the issuance of the Bonds and the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the execution and delivery of the Bonds on its part contained in the Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the execution and delivery of the Bonds, all pursuant to the Authority Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the board members of the Authority was continuously present. The Authority Resolution has not been modified, amended or rescinded since the date of its adoption and each Authority Document is the valid and binding obligation of the Authority. When executed and delivered by the Authority, the Authority Documents will constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or the JPA Agreement, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Authority Documents) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Bonds or the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, Bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Authority Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of

the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the execution and delivery of the Bonds under the Authority Documents or the consummation by it of all other transactions contemplated by the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Bonds and the Authority Documents have been duly obtained.

(f) The Bonds, when executed, issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly executed and outstanding obligations, entitled to the benefits of the Indenture, and upon such execution and delivery, the Indenture will provide, for the benefit of the Owners from time to time of the Bonds, the legally valid and binding security interest it purports to create.

(g) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bonds or the Authority Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority to cause the execution and delivery of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the Authority of the Bonds or the Authority Documents.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(i) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (l) of this Section 7) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended pursuant to paragraph (l) of this Section 7, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the Authority executing this Bond Purchase Agreement has knowledge shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(m) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(n) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any Bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from the Revenues.

(o) The Authority shall honor all other covenants on its part contained in the Indenture and the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

8. Closing. At 8:00 A.M., Pacific Standard time, on December 22, 2020, or on such other date time, as may be mutually agreed upon by the Authority, the City and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC"), or at such other place as the Authority, the City and the Underwriter may mutually agree, the Bonds in definitive, fully registered form (one Bond for each maturity), duly executed and registered in the name of Cede & Co. as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter shall wire to the Trustee Federal Reserve Bank funds in the amount of the purchase price of the Bonds.

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements the officers and other officials of the Authority and of the City, authorized Representative of Bond Counsel, the Trustee, counsel to the Authority and counsel to the City made in any certification or other documents furnished pursuant to the provisions hereof, and shall also be subject to the following additional conditions:

(a) The respective representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) All necessary official action of the Authority, the City and of the other parties thereto relating to the City Documents and the Authority Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the City or the Bonds, as the foregoing are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds; and

(e) At or prior to the Closing Date, the Underwriter shall have received copies of each of the following documents:

- (i) the Bonds;
- (ii) the Official Statement and each supplement or amendment, if any, thereto, executed by authorized officers of the Authority and the City;
- (iii) a copy of the Indenture, executed by the parties thereto;
- (iv) a copy of the Installment Purchase Agreement, executed by the parties thereto;
- (v) a copy of the Continuing Disclosure Certificate, executed by the City;
- (vi) a certified copy of the JPA Agreement;
- (vii) receipts for Bonds and the Bond proceeds;

that: (viii) a certificate or certificates of the City, dated the Closing Date, to the effect

(A) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the City has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the City at or prior to the Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the City Resolution, or (iii) the execution and delivery of the City Documents and performance of its obligations thereunder, has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2020, and prior to Closing, there have been no material adverse changes in the financial position of the City;

(D) no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(E) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(F) no consent is required for the inclusion of the City's audited financial statements for the Fiscal Year ended June 30, 2020, in the Official Statement;

(G) The City has the power and authority to operate the Sewer System and has complied, and is in compliance in all material respects, with the terms of the Act and the City Documents;

(H) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE 2020 BONDS" and the proceeds of sale of the Bonds will be applied as described in the Official Statement under the caption "FINANCING PLAN—Wastewater Projects;" and

(I) Except as described in the Preliminary Official Statement and Official Statement, there is no lawsuit, regulatory or other action now pending, or, to the best knowledge of the City, threatened, to attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting revenues, including Net Revenues, and other income, or the anticipated receipt of Net Revenues;

(ix) a certificate or certificates of the Authority, dated the Closing Date, to the effect that:

(A) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the Authority has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the Authority at or prior to Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the Authority Resolution, or (iii) the execution and delivery of the Authority Documents, has been repealed, modified, amended, revoked or rescinded;

(C) no event affecting the Authority has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and

(D) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(x) an opinion, dated the Closing Date and addressed to the Underwriter and the Authority, of the City Attorney, to the effect that:

(A) the City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the City Documents have been duly approved by resolutions of the City adopted at meetings duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at

which a quorum of the members of the City Council of the City was continuously present and such resolutions have not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the City Council of the City or officer of the City to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the City Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the City of, or the performance by the City of its legal obligations under, the City Documents or in which a final adverse decision could materially adversely affect the operations of the City; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the City of, and the performance by the City of its obligations under, the City Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the City is a party or by which it is bound and of which such counsel has knowledge;

(E) the City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery of the City Documents by the parties thereto other than the City, the City Documents constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency within the State having jurisdiction over the City required for the issuance of the Bonds or the consummation by the City of the other financial transactions contemplated by the Official Statement and the City Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the City, (ii) the representations and warranties contained in each closing certificate of the City, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the City.

(xi) an opinion or opinions, dated the Closing Date and addressed to the Underwriter, of counsel for the Authority, to the effect that:

(A) the Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to the JPA Agreement;

(B) the Authority Documents have been duly approved by a resolution of the Authority adopted at a meeting duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at which a quorum of the members of the Board of Directors of the Authority was continuously present and such resolution has not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the Board of Directors of the Authority or officer of the Authority to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the Authority Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the Authority of, or the performance by the Authority of its legal obligations under, the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the Authority of, and the performance by the Authority of its obligations under, the Authority Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Authority is a party or by which it is bound and of which such counsel has knowledge;

(E) the Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Authority Documents by the parties thereto other than the Authority, the Authority Documents constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency having jurisdiction over the Authority required for the issuance of the Bonds or the consummation by the Authority of the other financial transactions contemplated by the Official Statement and the Authority Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the Authority, (ii) the representations and warranties contained in each closing certificate of the Authority, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the Authority.

(xii) an opinion, dated the Closing Date and addressed to the Authority, of Bond Counsel, substantially in the form set forth in Appendix E to the Official Statement,

together with a letter from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(xiii) a supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that:

(A) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(B) the Bond Purchase Agreement has been duly executed and delivered by the Authority and the City and is a valid and binding agreement of the Authority and the City; and

(C) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS" and "TAX MATTERS," in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" and in APPENDIX E—"FORM OF OPINION OF BOND COUNSEL," insofar as such statements expressly summarize certain provisions of the Indenture, the Installment Purchase Agreement, certain tax matters relating to the Bonds and the final opinion of Bond Counsel, are accurate in all material respects;

(xiv) a letter, dated the Closing Date and addressed to the Authority and the Underwriter of Nixon Rose Fulbright LLP, as disclosure counsel ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement, and except to the extent set forth in their supplemental opinions such counsel advises that during the course of such representation of the Authority as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement and the Official Statement as of its respective date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion (except opinions of Bond Counsel), the information in Appendices B or F to the Preliminary Official Statement and the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xv) the opinion of Quint & Thimmig LLP, as Underwriter's counsel, satisfactory to Underwriter;

(xvi) a certificate of an authorized officer of the Trustee satisfactory to the Underwriter, certifying substantially as follows:

(A) the Trustee is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into the Indenture and to perform its duties under the Indenture;

(B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture and, when executed by the other parties thereto, the Indenture will constitute a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms;

(C) the Bonds have been duly authenticated and delivered to the Underwriter pursuant to direction from the Authority;

(D) the Trustee is not in breach of or default under any law or administrative rule or regulation of the State of California or of any department, division, agency or instrumentality thereof, of any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Indenture;

(E) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the execution, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds or the Indenture;

(F) the execution and delivery of the Indenture will not conflict with or constitute a breach of or default under the Trustee's duties under such documents, or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(G) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication and delivery of the Bonds, the execution and delivery of the Indenture, the performance of the Trustee's duties under the Indenture or the consummation by the Trustee of the other transactions contemplated by the Indenture, except as such may be required under the state securities or blue sky laws in connection with the distribution of the Bonds by the Underwriter;

(xvii) an opinion of counsel to the Trustee in form and substance acceptable to the Underwriter and Disclosure Counsel;

(xviii) 15c2-12 certificates of the City and the Authority;

(xix) certified copies of the City Resolution and the Authority Resolution;

(xx) evidence that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, has assigned the rating of "___" to the Bonds;

(xxi) evidence required filings with the California Debt and Investment Advisory Commission;

(xxii) an Arbitrage Certificate relating to the Bonds in a form satisfactory to Bond Counsel;

(xxiii) an issue price certificate substantially in the form attached to this Bond Purchase Agreement as Exhibit B;

(xxiv) a certificate or certificates of the City, dated the Closing Date, evidencing satisfaction of the requirements of the 2015 Installment Purchase Agreement for the incurrence of the Installment Purchase Agreement as a Parity Obligation (as defined in the 2015 Installment Purchase Agreement);

(xxv) transcripts of all proceedings relating to the authorization, issuance, execution and delivery of the Bonds; and

(xxvi) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's and the Authority's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City and the Authority on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by each of them.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel, Disclosure Counsel and the Underwriter.

If the Authority and the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter, the Authority or the City shall be under any further obligation hereunder.

10. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City in writing, of its election to do so, if, after the execution hereof and prior to the Closing:

(a) the United States has become engaged in, or there has been an escalation of, hostilities which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(c) an event shall have occurred, or been discovered as described in paragraph (k) of Section 6 or paragraph (l) of Section 7 hereof, which in the opinion of the Underwriter requires

the preparation and publication of disclosure material or a supplement or amendment to the Official Statement;

(d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the Authority's or the City's obligations;

(f) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the execution, issuance, delivery, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement;

(g) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(h) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers;

(i) trading in securities on the New York Stock Exchange or other national securities exchange or association shall have been suspended or limited or minimum prices have been established on either such exchange;

(j) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States municipal securities market; or as of the date hereof that in the Underwriter's reasonable opinion materially adversely affects the marketability or market price of the Bonds; or

(k) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets.

If this Bond Purchase Agreement shall be terminated pursuant to this Section 10, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligations hereunder is not satisfied or because of any refusal, inability or failure on the part of the City or the Authority to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the City or the

Authority shall be unable to perform all of its respective obligations under this Bond Purchase Agreement, neither the City nor the Authority shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement. The Underwriter may, in its sole discretion, waive any of the conditions set forth in Section 9 or this Section 10.

11. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing.

12. Payment of Costs and Expenses.

(a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter shall be payable by the Authority from the proceeds of the Bonds, including, but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) reasonable meals and travel expenses of the City and Authority paid for by the Underwriter, but not entertainment expenses; (iii) the fees and expenses of the City, its counsel, municipal advisor and consultants; (iv) the fees and expenses of the Authority, its counsel and consultants; (v) the fees and expenses of Bond Counsel; (vi) the fees and expenses of Disclosure Counsel; (vii) all expenses in connection with the preparation and printing of the Bonds; (viii) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (ix) the initial fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel; and (x) the fees and expenses of any rating agency rating the Bonds.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's Counsel, and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, including, air travel and hotel accommodations in connection with the pricing of the Bonds; investor meetings, rating agency trips and meetings; the Closing; meals and transportation for the Underwriter during rating agency, investor meetings; pricing and Closing trips; expenses of the Underwriter related to attending working group meetings, such as parking, meals and transportation and any other miscellaneous costs associated with the Closing; (iii) all other expenses incurred by the Underwriter in connection with the public offering and distribution of Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the City; and (iv) the fees of the California Debt and Investment Advisory Commission.

The Authority and the City acknowledge that they have had an opportunity, in consultation with such advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

13. Notices. Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing:

If to Authority and the City: City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037
Attention: City Manager
Phone: (408) 776-7382

To the Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Ms. Eileen Gallagher, Managing Director
Phone: (415) 364-6829

14. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriter; (b) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (c) any termination of this Bond Purchase Agreement.

15. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the end of the underwriting period for the Bonds shall mean the earlier of (a) the Closing Date unless the City and the Authority have been notified in writing by the Underwriter, on or prior to the Closing Date, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the Closing Date, or (b) the date on which notice is given to the City and the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City and the Authority pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the Closing Date, the Underwriter agrees to notify the City and the Authority in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule. The Underwriter agrees to file a copy of the Official Statement with each of the nationally recognized municipal securities information repositories.

16. No Assignment. This Bond Purchase Agreement is entered into between the City, the Authority and the Underwriter, and is solely for the benefit of the City, the Authority, the Underwriter and their respective successors or assigns, and no person other than the foregoing shall acquire or have any right under or by virtue of this Bond Purchase Agreement. All of the representations, warranties and agreements contained in this Bond Purchase Agreement shall survive the delivery of and payment for the Bonds and any termination thereof.

17. Effectiveness. This Bond Purchase Agreement shall become effective upon the execution of the acceptance by an authorized representative of the City and an authorized representative of the Authority and shall be valid and enforceable at the time of such acceptance.

18. Headings. The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

19. Governing Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

20. Counterparts; Electronic Delivery of Documents. This Bond Purchase Agreement (i) shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance and (ii) contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements, prior writings and representations with respect thereto.

This Bond Purchase Agreement may be executed in several counterparts, including counterparts that are manually executed and counterparts that executed with an electronic signature, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. The person associated with any such signature shall be deemed to have had the intent to sign this Bond Purchase Agreement with an electronic signature and that agrees that execution of this Bond Purchase Agreement by electronic signature is attributable to such person. All parties executing this Bond Purchase Agreement expressly agree under the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that this Bond Purchase Agreement and all other agreements, certificates, opinions and similar records ("documents") relating to the Bonds constitute a "transaction" under the UETA and expressly agree to allow all aspects of the transaction to which the UETA can apply to be conducted by electronic means. For these purposes, a signature by fax, e-mail, or other electronic technology on a document relating to the Bonds shall constitute an "electronic signature" to an "electronic record" under the UETA with respect to this specific transaction.

An electronic signature means a signature that is executed by symbol attached to or logically associated with a record and includes facsimile signatures or signatures transmitted by electronic mail in so-called PDF format. All parties to this Bond Purchase Agreement (a) agree that an electronic signature, whether digital or encrypted, of a party to this Purchase Bond Agreement or any other electronic record associated with the Bonds is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document relating to the Bonds sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Bond Purchase Agreement or any other document related to Series 2020 Bonds based on the foregoing forms of signature.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the City, the Authority and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher,
Managing Director

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

MORGAN HILL FINANCING
AUTHORITY

By _____
Christina Turner
City Manager

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

CITY OF MORGAN HILL

By _____
Christina Turner
Executive Director

EXHIBIT A

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
_____	_____	_____	_____	_____

* Term Bond

Redemption Provisions*Optional Redemption*

The Bonds maturing on or before October 1, ____, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, ____, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after October 1, ____, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Special Mandatory Redemption from Insurance and Sale Proceeds

The Bonds are subject to mandatory redemption, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the City under the Installment Purchase Agreement, at a redemption price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the redemption date.

Mandatory Sinking Account Redemption

The Bonds maturing on October 1, ____, and October 1, ____, (the "Term Bonds") are also be subject to redemption, by lot, on October 1 in each of the years as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to paragraphs described above, the total amount of all future payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

EXHIBIT B

ISSUE PRICE CERTIFICATE

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), based on the information available to the Underwriter, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (collectively, the “Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated the Sale Date, between the Underwriter and the Issuer, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Underwriter has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) “*General Rule Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “*Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “*Issuer*” means the Morgan Hill Financing Authority.

(e) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than the Underwriter or a related party to the Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means December 8, 2020.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation of the Underwriter of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter makes no representation as to the legal sufficiency of the factual matters set forth herein.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Managing Director

Dated: December 22, 2020

SCHEDULE A TO ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

Hold-the- Offering Price Maturities	General Rule Maturities	Maturity Date (June 1)	Principal Amount	Interest Rate	Reoffering Price
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* Term Bond

Attachment: Bond Purchase Agreement (2006 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)

SCHEDULE B TO ISSUE PRICE CERTIFICATE
PRICING WIRE OR EQUIVALENT COMMUNICATION

Attachment: Bond Purchase Agreement (2006 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)



Regular Meeting Agenda

Joint Morgan Hill Financing Authority/City Council Meeting

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

Wednesday, November 18, 2020 7:00 p.m.

Virtual Meeting

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/11182020CityCouncilMtg> or by calling in to: (669) 900-9128, then enter the meeting id: 858 0142 8695.

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 Michelle Bigelow

PRESENTATIONS

YAC Presentation- Asset #34- Cultural Competence

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin

PUBLIC COMMENT

Members of the public are entitled to address the City Council concerning any item within the Morgan Hill City Council's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the City Council is prohibited from discussing or taking action on any item not appearing on the posted agenda. (See additional noticing at the end of this agenda)

ADOPTION OF AGENDA

MORGAN HILL FINANCING AUTHORITY MEETING

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. ADOPT RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)

Recommendation:

Adopt resolution of the Morgan Hill Financing Authority authorizing investment of monies in the local agency investment fund (LAIF).

OTHER BUSINESS

2. **ADOPT RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize the Chief Administrative Officer to execute all related documents for the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

CITY COUNCIL MEETING

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

3. **ADOPT RESOLUTION ACCEPTING THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL 571**

Recommendation:

Adopt resolution accepting the State of California's campaign contribution limits for local campaigns as set forth in the provisions of AB 571.

4. **ADOPT ORDINANCE AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS**

Recommendation:

Waive the reading, adopt Ordinance No. 2317, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

5. ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

Recommendation:

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

6. APPROVE AGREEMENT WITH BURKE, WILLIAMS & SORENSEN FOR AFFORDABLE HOUSING LEGAL SERVICES

Recommendation:

Authorize the City Attorney to execute and administer a Consultant Agreement with Burke Williams & Sorensen, LLP (BWS) for Housing Program legal services through June 30, 2022, in an amount not to exceed \$75,000.

7. APPROVE FINAL MAP FOR EIGHT LOT SUBDIVISION AT SAN SEBASTIAN PHASE 2D - TRACT NO. 10529

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
3. Authorize the recordation of the Final Map and the Stormwater BMP Operation and Maintenance Agreement.

8. APPROVE FINAL MAP FOR TWO LOT SUBDIVISION AT SAN SEBASTIAN PHASE 3 - TRACT NO. 10534

Recommendation:

1. Approve the Final Map; and
2. Authorize the recordation of the Final Map.

9. APPROVE THE FINAL MAP, AND AGREEMENTS FOR SUBDIVISION IMPROVEMENTS AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE FOR ANDALUSIA - TRACT NO. 10521

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with MH Andalusia 2020 Inc.;
3. Authorize the City Manager to execute 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.

10. APPROVE THE OCTOBER 28, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

11. APPROVE THE NOVEMBER 4, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

12. AWARD JANITORIAL SERVICE AGREEMENT TO FIRATO SERVICE COMPANY. INC.

Recommendation:

1. Deny bid protest and appeal filed by JLP Maintenance;
2. Award a two-year service agreement to Firato Service Company, Inc. in the amount of \$874,332; and
3. Authorize the City Manager to execute and administer the service agreement with Firato Service Company, Inc.

13. AWARD PHASE 1 OF HALE AVENUE EXTENSION PROJECT TO DESILVA GATES CONSTRUCTION

Recommendation:

1. Approve the Hale Avenue Extension Project plans and specifications;
2. Award contract to DeSilva Gates Construction for the Hale Avenue Extension Project in the amount of \$14,174,174;
3. Authorize expenditure of construction contingency funds not to exceed \$1,417,417; and
4. Authorize the City Manager to execute and administer the construction contract with DeSilva Gates Construction pending review and approval by the City Attorney's office.

14. APPROVE COST SHARE AGREEMENT WITH VALLEY WATER FOR THE HALE AVENUE EXTENSION PROJECT AND FLOOD CONTROL IMPROVEMENTS

Recommendation:

1. Authorize the City Manager to execute and administer a cost share agreement with Valley Water for the construction of the Hale Avenue Extension Project south of Warren Avenue and improvements supporting the Upper Llagas Creek Flood Control Project for up to \$3.5 million; and
2. Authorize the City Manager to make minor modifications to the agreement as necessary with approval of the City Attorney.

15. RECEIVE REPORT REGARDING SILICON VALLEY COMMUNITY FOUNDATION 2020 CENSUS OUTREACH GRANT ACTIVITIES AND OUTCOMES

Recommendation:

Receive Report.

OTHER BUSINESS

**16. ADOPT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE
AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL
STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING
CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize City Manager to execute all related documents with the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

FUTURE COUNCIL INITIATED AGENDA ITEMS

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

ADJOURNMENT

NOTICE

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

PUBLIC COMMENT

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

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

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

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

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

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

AMERICANS WITH DISABILITIES ACT (ADA)

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

SUSTAINABLE MORGAN HILL



VISION

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

Choose Morgan Hill

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

City Council Ongoing Priorities

- Enhancing Public Safety
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advancing Regional Initiatives

2020-2021 Strategic Priorities

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



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



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

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

ADOPT RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)

RECOMMENDATION(S)

Adopt resolution of the Morgan Hill Financing Authority authorizing investment of monies in the local agency investment fund (LAIF).

COUNCIL PRIORITIES, GOALS & STRATEGIES

2020-2021 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

In connection with the planned sale of sewer revenue bonds, staff is recommending the approval of the resolution authorizing investment of Morgan Hill Financing Authority funds in LAIF (Attachment 1).

The LAIF is a voluntary investment alternative for California's local governments and is administered by the State Treasurer under Government Code 16429.1 et seq. The LAIF program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer. Multiple oversight boards monitor the activities of LAIF and transactions are audited daily. There are currently over 2,300 agencies participating with deposits in excess of \$32 billion.

Due to the nature of cash inflows and outflows, the Authority anticipates the need to temporarily invest excess cash and/or unspent bond proceeds for varying lengths of time. Participation in LAIF provides a safe, secure means to safeguard the Authority's monies while earning a competitive interest rate. The quick turnaround time for deposits and withdrawals allows the Authority considerable flexibility in earning a return on investment while still maintaining sufficient cash flow. The rate of return is comparable to what is available on the open market. LAIF requires a resolution from each participating agency as well as a list of the officers allowed to conduct business with LAIF. Similar to the City's, the officers identified include the Executive Director/City Manager, Finance Director, and Assistant to the City Manager.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the proposed resolution authorizing the investment of the Authority's funds in LAIF.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None.

FISCAL AND RESOURCE IMPACT:

Opening a LAIF account for the Authority is not anticipated to require significant staff time.

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. LAIF resolution

RESOLUTION NO. MHFA-XXX

A RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Morgan Hill Financing Authority hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the Morgan Hill Financing Authority;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes the deposit and withdrawal of Morgan Hill Financing Authority monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following Morgan Hill Financing Authority officers holding the title(s) specified hereinbelow or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

Christina Turner
Executive Director/
City Manager

Dat Nguyen
Finance Director

Harjot Sangha
Assistant to the City Manager

Section 2. This resolution shall remain in full force and effect until rescinded by Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

Attachment: LAIF resolution [Revision 1] (2911 : Adopt resolution authorizing investment of monies in LAIF)

PASSED AND ADOPTED by the Morgan Hill Financing Authority Commission at a regular meeting held on the 18th day of November, 2020 by the following vote.

AYES: AUTHORITY COMMISSIONER(S):
NOES: AUTHORITY COMMISSIONER(S):
ABSTAIN: AUTHORITY COMMISSIONER(S):
ABSENT: AUTHORITY COMMISSIONER(S):

APPROVED:

ATTEST:

RICH CONSTANTINE, President

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, IRMA TORREZ, Secretary of the Morgan Hill Financing Authority, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHFA-___, adopted by the Financing Authority Commission at a Regular Meeting held on November 18, 2020.

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

DATE: _____

IRMA TORREZ, Secretary

Attachment: LAIF resolution [Revision 1] (2911 : Adopt resolution authorizing investment of monies in LAIF)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

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

ADOPT RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

RECOMMENDATION(S)

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize the Chief Administrative Officer to execute all related documents for the sale of the sewer revenue bonds.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability

GUIDING DOCUMENTS

Wastewater System Master Plan

REPORT NARRATIVE:

Reciprocal action is recommended by the City Council agenda for November 18, 2020.

The proposed projects to be funded with proceeds of the financing include repair and replacement of pipes, sewer main upgrades, South County Regional Wastewater Authority plant expansion and improvements, sewer line repair and replacement, and new sewer mains and trunk line.

The City's capital improvement plan identifies funding for the proposed projects through impact fees, user fees and bond proceeds. The bonds are anticipated to generate \$20,000,000 for projects and will supplement funds already on hand (the "2020 Bonds").

The City has outstanding 2015 sewer revenue bonds (current principal outstanding of \$8,775,000) (the "2015 Bonds") which will be on parity with the proposed 2020 Bonds.

City staff working in conjunction with bond counsel has prepared resolutions of the City and the Financing Authority necessary to authorize issuing the 2020 Bonds. These resolutions approve the following documents:

- An Installment Purchase Agreement, that will set forth the principal and interest requirements for the City, necessary for the Authority to repay the 2020 Bonds, certain covenants of the City to set rates to provide net revenues after operating expenses of at least equal to 125% of debt service on the 2020 Bonds, and other covenants designed to ensure maintenance of the system
- A Trust Indenture between the Authority and the trustee for the 2020 Bonds providing, among other things, the security, payment and redemption terms for the 2020 Bonds
- A Bond Purchase Agreement among the Authority, the City and the underwriter
- A Preliminary Official Statement, providing material information to potential investors regarding the 2020 Bonds
- A Continuing Disclosure Certificate obligating the City to provide annual reports and notices of certain enumerated events to holders of the 2020 Bonds in accordance with federal requirements

The resolutions also contain parameters under which staff can take the actions necessary to issue the 2020 Bonds, including a maximum par amount of \$21,000,000, a maximum true interest cost of 3.50% and maximum underwriting discount of 0.35%, and a final maturity not to exceed June 1, 2050.

The Authority resolution also ratifies the engagement of Norton Rose Fulbright US LLP, as bond and disclosure counsel, and NHA Advisors, LLC as municipal advisor to the City and Authority, and Stifel, Nicolaus & Company, Incorporated, as the underwriter for the 2020 Bonds. NHA Advisors, at the City's request, managed an RFP process for the selection of the underwriter.

Financial Impact

The bond proceeds are a critical part of the City's overall expenditure plan for the projects listed above. The 2020 Bonds are anticipated to have an amortization structure that will minimize the combined debt service payments (including the 2015 Bonds) by reducing the principal repayment in the earlier years while the 2015 Bonds are outstanding. The 2015 Bonds have a decrease in payments starting in FY 2023-24 and then a final maturity in FY 2035-36. Both debt service step-downs have been taken into consideration for the 2020 Bonds.

This amortization structure will minimize the cash flow and coverage impact and reduce the potential need to increase sewer rates sooner than otherwise necessary.

The estimated cost of issuance for the 2020 Bonds is \$250,000 including fees for bond and disclosure counsel, underwriter, municipal advisor, rating agency and other related costs and expenses. All costs of issuance are payable from proceeds of the 2020 Bonds. All costs of issuance except for the rating fee are contingent on a successful

closing. If the 2020 Bonds are not issued, the Authority/City would be responsible for \$23,500.

Timetable

Upon City Council and Authority Board approval, City staff will work with the financing team to complete the credit rating process, finalize the preliminary official statement and price the bonds with the underwriter in early December with bond proceeds being delivered in late December.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the proposed sale and issuance of the 2020 Bonds for sewer project funding.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On June 17, 2020, the City Council adopted the FY 2020-21 through FY 2025-26 Capital Improvement Budget which identifies funding for the proposed sewer projects through bond proceeds.

FISCAL AND RESOURCE IMPACT:

The bond related financial impact is mentioned above in the narrative section. The anticipated annual debt service will be budgeted and paid from the City's Sewer Enterprise Fund(s) and will not impact the City's General Fund. The City's current adopted wastewater rates, adopted in May 2019, account for this anticipated bond issuance and related debt service payments. The City will make all required installment payments directly to the Trustee on behalf of the Authority.

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. Morgan Hill 2020 Sewer Bonds - Resolution of the Authority
2. Morgan Hill 2020 Sewer Bonds - Installment Purchase Agreement
3. Morgan Hill 2020 Sewer Bonds - Trust Indenture
4. Morgan Hill Sewer Revenue Bonds 2020 Continuing Disclosure Certificate
5. Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement
6. Bond Purchase Agreement

RESOLUTION NO. MHFA-___

A RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Morgan Hill Financing Authority (the “Authority”) is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise (the “2020 Project”) to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, the investment banking firm of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has proposed to underwrite the Bonds; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds,

(b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in furtherance of the issuance and sale of the Bonds by the Authority, there has been submitted to this Authority Commission, for its consideration and approval, a form of each of the following:

- (a) a Trust Indenture, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”);
- (b) an Installment Purchase Agreement, by and between the Authority and the City;
- (c) a Bond Purchase Agreement, by and among the Authority, the City, and the Underwriter; and
- (d) a Preliminary Official Statement

NOW, THEREFORE, THE MORGAN HILL FINANCING AUTHORITY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Findings. The above recitals are true and correct.

Section 2. Issuance of the Bonds. This Authority Commission hereby authorizes the issuance and sale of the Bonds in a principal amount not-to-exceed \$21,000,000, to be designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020,” for the purposes set forth in the recitals hereto.

Section 3. Trust Indenture. The Trust Indenture, in substantially the form on file with the Secretary is hereby approved, and the President, the Vice President, the Chief Administrative Officer or the Treasurer, or deputy of such officers, or any member of the Authority Commission, (each of the foregoing, an “Authorized Officer”) acting singly, is authorized and directed, for and in the name and on behalf of the Authority, is authorized to execute and deliver the Trust Indenture, with such changes therein, whether material or otherwise, as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 4. Installment Purchase Agreement. The Installment Purchase Agreement, in substantially the form on file with the Secretary is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, is authorized to execute and deliver the Installment Purchase Agreement, with such changes therein, whether material or otherwise, as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 5. Bond Purchase Agreement. The Bond Purchase Agreement, in substantially the form on file with the Secretary is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement, with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve; provided, that the true interest cost with respect to the Bonds shall not exceed 3.50% per annum, the final maturity of the Bonds shall not exceed 2050, and the underwriter's discount shall not exceed 0.35%.

Section 6. Preliminary Official Statement. The Preliminary Official Statement related to the sale of the Bonds, in substantially the form on file with the Secretary is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Preliminary Official Statement with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve. The Authority Commission hereby authorizes any Authorized Officer to deem the Preliminary Official Statement to be final within the meaning of U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), subject to completion of those items permitted by Rule 15c2-12. Any Authorized Officer is hereby authorized and directed to execute and delivery a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto as may be deemed necessary by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof

Section 7. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 8. Ratification of the Appointment of Professionals. The Authority ratifies the appointment of Norton Rose Fulbright US LLP, as bond and disclosure counsel, Stifel, Nicolaus & Company, Incorporated, as underwriter for the Bonds, and NHA Advisors, LCC, as municipal advisor, in connection with the Bonds.

Section 9. General Authorization. Any Authorized Officer is authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts necessary or proper for carrying out the issuance and sale of the Bonds, the transactions contemplated by this Resolution, and the documents herein approved; the funding of a reserve fund under the Trust Indenture with proceeds of the Bonds or a letter of credit, surety bond or insurance policy pursuant to the terms of the Trust Indenture if, upon the advice of the Underwriter, the funding of the reserve fund will be economically beneficial to the financing; the insuring of all or any portion of the Bonds through one or more municipal bond insurance companies, if, upon the advice of the Underwriter, such insurance will result in a lower true interest cost on the Bonds; and, the investment of the proceeds of the Bonds as permitted by the Trust Indenture.

Section 10. Ratification. All actions heretofore taken by the officers and employees of the Authority, with respect to the issuance and sale of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are approved, confirmed and ratified.

Section 11. Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the Morgan Hill Financing Authority Commission at a regular meeting held on this 18th day of November 2020 by the following vote:

AYES: AUTHORITY COMMISSIONER(S):
NOES: AUTHORITY COMMISSIONER(S):
ABSTAIN: AUTHORITY COMMISSIONER(S):
ABSENT: AUTHORITY COMMISSIONER(S):

APPROVED:

ATTEST:

RICH CONSTANTIE, President

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, IRMA TORREZ, Secretary of the Morgan Hill Financing Authority, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHFA-XXX, adopted by the Financing Authority Commission at the meeting held on November 18, 2020.

WITNESS MY HAND AND THE SEAL OF THE MORGAN HILL FINANCING AUTHORITY.

DATE: _____

IRMA TORREZ, Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from the Municipal Advisor with respect to the Bonds approved in the Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

1. *True Interest Cost of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.13%.

2. *Finance Charge of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is approximately \$250,000, as follows:

a)	Underwriter's Discount	\$ 53,415
b)	Credit Enhancement*	0
c)	Bond Counsel and Disbursements	59,800
d)	Disclosure Counsel	34,000
e)	Municipal Advisor and Disbursements	62,500
f)	Rating Agency	23,500
g)	Other Expenses	<u>15,200</u>
	Total	\$248,415

* A municipal bond insurance policy with respect to the Bonds will be obtained only if economically advantageous as determined by an Authorized Officer.

3. *Amount of Proceeds to be Received.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$20,000,000.

4. *Total Payment Amount.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$33,297,000.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the City's and the Authority's control. The City and the Authority have approved the issuance of the Bonds with a maximum true interest cost of 3.50%.

INSTALLMENT PURCHASE AGREEMENT

by and between

THE CITY OF MORGAN HILL

and the

MORGAN HILL FINANCING AUTHORITY

Dated as of December 1, 2020

relating to

[\$[Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of December 1, 2020 (this “Agreement”), by and between THE CITY OF MORGAN HILL (the “City”), a municipal corporation organized and existing under the laws of the State of California, and the MORGAN HILL FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority, organized and existing under the laws of the State of California.

W I T N E S S E T H:

WHEREAS, the City owns a wastewater system (the “Enterprise”) to provide for the collection, treatment and disposal of wastewater; and

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise (the “Project”) to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into this Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now authorized to execute and enter into this Agreement;

NOW, THEREFOR, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless otherwise defined herein, the capitalized terms used in this Agreement shall for all purposes hereof, and of any amendment hereof or supplement hereto, and of any report or other document mentioned herein or therein, have the meanings given such terms in the Trust Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the City. The City represents, warrants and certifies as follows:

(a) The City is a municipal corporation organized and existing under the laws of the State of California (the "State"). The City has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Agreement, and the City has complied with the provisions of all applicable law in all matters relating to such transactions. By proper action, the City has authorized the execution, delivery and due performance of this Agreement.

(b) The City will not take or permit any action to be taken which results in the interest component of the Installment Payments being included in the gross income for purposes of federal income taxation or not being exempt from personal income taxes of the State.

(c) The City has determined that it is necessary and proper for City uses and purposes within the terms of all applicable laws that the City finance the Project in the manner provided for in this Agreement.

(d) All acts, conditions and things required by the Constitution and statutes of the State to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Agreement, have been performed, have happened and do exist in regular and due time, form and manner as required by law.

Section 2.2. Representations and Warranties by the Authority. The Authority represents and warrants that the Authority is a joint exercise of powers entity organized and existing under

the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement, and by proper action has authorized the execution, delivery and due performance of this Agreement.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Sale and Purchase of Project. In consideration for the Authority's assistance in financing the Project through the execution and delivery of this Agreement and the Trust Indenture, the City hereby agrees to purchase from the Authority, and the Authority agrees to sell to the City, the Project at the Purchase Price specified in Section 4.1, and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.2. Title. All right, title and interest in each element and component of the Project shall vest in the City immediately upon execution and delivery of this Agreement or, if later, upon the acquisition, construction and acceptance of such element or component.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1. Purchase Price; Construction of the Capital Improvements; Capital Improvements Fund.

(a) The Purchase Price to be paid by the City to the Authority for the purchase of the Project is the sum of the principal components of the Installment Payments set forth in Exhibit B plus the interest components of the Installment Payments which consist of the sum of the interest to accrue on the unpaid balance of each such principal component from the date hereof over the term hereof at the interest rate set forth in Exhibit B, subject to prepayment as provided in Article VII.

(b) The interest component of the Installment Payments shall be paid by the City as and constitute interest paid on the principal components of the Installment Payments. The interest component shall be computed on the basis of a 360-day year of twelve 30 day months.

(c) Pursuant to Section 4.10 of the Trust Indenture, the Trustee has agreed to set aside and transfer or deposit funds received from the sale of the Bonds, including agreeing to transfer \$_____ to the City for deposit in the Capital Improvement Fund created pursuant to this Section.

(d) The Authority hereby agrees to cause the Capital Improvements to be constructed, acquired and installed by the City as its agent. The City shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the Capital Improvements. The City hereby agrees that it will cause the construction, acquisition and installation of the Capital Improvements to be diligently performed after the transfer of funds into the Capital Improvements Fund. It is expressly understood and agreed that the Authority shall be under no liability of any kind or character for the payment of any cost or expense of the Capital

Improvements and that all such costs and expenses shall be paid by the City, regardless of whether the funds transferred by the Trustee to the City pursuant to the Trust Indenture for deposit into the Capital Improvements Fund are sufficient to cover all such costs and expenses.

(e) The City shall establish and maintain a separate fund to be known as the Capital Improvements Fund of the Enterprise. To the extent that the City has an existing fund which satisfies the foregoing requirements, then such fund shall be deemed to be the “Capital Improvements Fund.” **[confirm fund exists; create separate account within such fund]** The City shall deposit into the Capital Improvements Fund the amount transferred by the Trustee for such purpose pursuant to the Trust Indenture. The moneys in the Capital Improvements Fund shall be held by the City in trust and applied to the payment of the costs of acquisition and construction of the Capital Improvements and of costs incidental thereto.

(f) When the Capital Improvements have been constructed and acquired, in accordance with this Agreement, a Certificate of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such cost of acquisition and construction have been determined and paid shall be delivered to the Authority and the Trustee by the City. Concurrent with such statement, the City shall transfer any remaining balance in the Capital Improvements Fund to the Sewer Fund.

Section 4.2. Installment Payments and Additional Payments. The City shall, subject to the provisions of Section 10.1, and to any rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installments as follows: (i) each principal component of the Installment Payments is payable on the Installment Payment Date preceding the due date for such principal component, set forth in Exhibit B in the amount specified for such due date in Exhibit B; and (ii) the interest components of the Installment Payments are payable on the Installment Payment Date preceding each Interest Payment Date in the amount of accrued interest on the unpaid balance of the principal components of the Installment Payments to the next succeeding Interest Payment Date, at the respective interest rates per annum set forth in Exhibit B. The schedule of the principal and interest components as of the Delivery Date are set forth in Exhibit C. Amounts required to be paid by the City to the Authority pursuant to this Section 4.2 on any Installment Payment Date shall be reduced to the extent of amounts on deposit on such date in the Interest Account of the Debt Service Fund established under the Trust Indenture. The amounts shown in Exhibits B and C shall automatically be adjusted to account for any prepayment of Installment Payments made by the City pursuant to Article VII and any discharge of Installment Payments pursuant to Article IX.

Each Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under this Section, such payment shall continue as an obligation of the City until such amount shall have been fully paid; and the City agrees to pay the same with interest accruing thereon at the highest rate of interest then applicable to the remaining unpaid principal components of the Installment Payments.

The obligation of the City to make the Installment Payments is absolute and unconditional, and, until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any

Installment Payment required to be made by it under this Section, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part. This Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, and such payments shall be net payments and shall not be subject to deduction, abatement reduction or diminution, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

In addition to the Installment Payments, the City shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all fees and administrative costs of the Authority and the Trustee under the Trust Indenture or otherwise relating to the Bonds, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Authority and the Trustee payable by the City hereunder and under the Trust Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms hereof, of the Bonds or of the Trust Indenture.

ARTICLE V

SECURITY

Section 5.1. Pledge of Net Revenues; Parity Pledge. All Net Revenues are, pursuant to the Pledge Law, hereby irrevocably pledged to the payment of the Installment Payments as provided herein and shall not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with Section 9.1. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations, shall, subject to application as permitted herein, constitute a lien on Net Revenues.

Section 5.2. Allocation of Gross Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Gross Revenues shall be received by the City in trust hereunder and, except for Net Proceeds, shall be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has heretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1. The City may designate one or more existing funds to satisfy the foregoing requirements. Presently, the Sewer Fund consists of the Sewer Operating Fund and the Sewer Impact Fund, as accounted for by the City for budget purposes. The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund shall be used and applied by the City as provided in this Agreement.

The City shall, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section and, as to funds held under the Trust Indenture, the Trust Indenture.

(a) Installment Payments. Not later than each Installment Payment Date, the City shall, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City shall also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) Reserve Fund. On or before the first Business Day of each month, the City shall, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in Section 4.04 of the Trust Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Trust Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore: (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due hereunder or to pay installment payments pledged to the payment of other Participating Bonds; (ii) necessary to restore any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and (iii) necessary to restore the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained therein; provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Trust Indenture, transfers hereunder to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

(c) Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations herein, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and the City's "Sewer System Replacement Fund."

Section 5.3. Execution or Incurrence of Parity Obligations. The City may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under this Agreement; provided:

(a) The City is in compliance with all agreements, conditions, covenants and terms contained in this Agreement required to be observed or performed by it, and a Certificate of the City to that effect has been filed with the Trustee.

(b) (i) If the Parity Obligation Payments on such Parity Obligations will secure Parity Bonds, then the Parity Bonds Trust Indenture pursuant to which such Parity Bonds are issued shall specify: (A) whether the Parity Bonds of such Series are Participating Bonds and, if the Parity Bonds of such Series are Participating Bonds, (i) that the trustee under such Parity Bonds

Trust Indenture shall be the Trustee, and (ii) the amount to be deposited from the proceeds of the sale of such Series of Parity Bonds in the Bond Reserve Fund; provided, that the Bond Reserve Fund shall be increased at the time that such Series of Participating Bonds becomes Outstanding to an amount at least equal to the Required Reserve, and an amount at least equal to the Required Reserve shall thereafter be maintained in the Bond Reserve Fund; and (B) if the Parity Bonds Trust Indenture providing for the issuance of such Series of Parity Bonds requires either (1) the establishment of a Parity Bonds Series Reserve Fund to provide additional security for such Series of Parity Bonds, or (2) that the balance on deposit in an existing Parity Bonds Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series of Parity Bonds, to an amount at least equal to the Required Reserve with respect to such Series of Parity Bonds and all other Parity Bonds secured by such Parity Bonds Series Reserve Fund to be considered outstanding upon the issuance of such additional Series of Parity Bonds, then the Parity Bonds Trust Indenture providing for the issuance of such additional Series of Parity Bonds shall require deposit of the amount necessary; (ii) If the Parity Obligation Payments on such Parity Obligations will not secure Parity Bonds, then any debt service reserve fund established for such Parity Obligations shall satisfy the following criteria: (A) the debt service reserve fund must be held by an independent trustee (who may be other than the Trustee); (B) the required amount of the debt service reserve fund shall not exceed the lesser of the maximum annual debt service of such Parity Obligations (calculated on the basis of a year ending on the principal payment date of such Parity Obligations) or the maximum amount permitted under the Code, except that, if such Parity Obligations are in the form of a loan from a governmental agency, then a debt service reserve fund shall be established in the amount, if any, required or permitted by such governmental agency; and (C) the City is not required to replenish withdrawals from such debt service reserve fund on terms less favorable to the City than the terms for replenishing the Reserve Fund pursuant to Section 5.2(b) hereof.

(c) The Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

(i) The City may adjust the foregoing Net Revenues to reflect:

(A) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have

been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(B) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

Nothing contained in this Section shall limit the issuance of any revenue bonds, notes or other evidences of indebtedness or the entry into of any installment purchase agreement by the City payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, upon the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with Section 9.1.

Nothing contained in this Section shall limit the issuance or incurrence of any Subordinate Obligations.

Section 5.4. Rate Stabilization Fund. The City may, at any time, determine to deposit in the Rate Stabilization Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.1. Punctual Payment. The City will punctually pay the Installment Payments in strict conformity with the terms hereof and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms hereof.

Section 6.2. Legal Existence. The City will use all means legally available to maintain its existence.

Section 6.3. Against Encumbrances. The City will not hereafter mortgage or otherwise encumber, pledge or place any charge or lien upon Gross Revenues except as provided herein. The City will not hereafter mortgage or otherwise encumber, pledge or place any lien or charge upon any of the Net Revenues on a parity with the pledge securing the payment of the Installment Payments, except for Parity Obligations as provided herein. The City may at any time issue Subordinate Obligations.

Section 6.4. Against Sale or Other Disposition of the Enterprise. The City will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues, unless the Installment Payments have been

fully paid or provision has been made therefor in accordance with Section 9.1. The City will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the Installment Payments and all Parity Obligations, or which would otherwise impair the rights of the Owners with respect to the Net Revenues or the operation of the Enterprise.

Section 6.5. Maintenance and Operation of Enterprise. The City will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

Section 6.6. Insurance.

(a) To the extent such insurance is available for reasonable premiums from a reputable insurance company, the City will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program.

(b) The City shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

(c) If all or any part of the Enterprise shall be damaged or destroyed, the Net Proceeds realized by the City as a result thereof shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2; provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.7. Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2, provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.8. Amounts of Rates, Fees and Charges.

(a) The City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

(i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;

(ii) The Installment Payments, all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;

(iii) All payments required for compliance with the terms hereof or of any Parity Bonds Trust Indenture requiring restoration of the Reserve Fund to an amount equal to the Required Reserve; and

(iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

(b) In addition to the requirements of the foregoing subsection (a) of this Section, the City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year, equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.9. Enforcement of and Performance Under Contracts. The City shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the Enterprise. Further, the City will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the City is a party thereto. The City hereby approves the Trust Indenture and shall comply with the provisions thereunder applicable to it.

Section 6.10. Collection of Charges, Fees and Rates. The City will have in effect at all times rules and regulations requiring each user of the Enterprise to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City will enforce the collection procedures contained in such rules and regulations.

Section 6.11. No Free Service. The City will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State, and any city, county, public agency, political subdivision, public corporation or agency of any thereof), unless otherwise required by law or existing written agreements.

Section 6.12. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Enterprise or upon the Gross Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Installment Payments; except that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall

contest the validity of any such claims and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.13. Books of Record and Accounts; Financial Statements. The City will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Enterprise, the Sewer Fund and all other accounts or funds established pursuant hereto, and upon request will provide information concerning such books of record and accounts to the Trustee (who has no duty or obligation to make such request).

The City will annually cause to be prepared by a Certified Public Accountant, not later than 270 days after the close of each Fiscal Year, until all Installment Payments have been fully paid, or provision has been made therefor in accordance with Section 9.1, audited financial statements of the City containing schedules relating to the Sewer Fund. The City shall maintain accurate books and records for each Fiscal Year of all accounts or funds established pursuant hereto for the preceding Fiscal Year, showing the balances in each such account or fund as of the beginning of such Fiscal Year, all deposits in and withdrawals from each such account or fund during such Fiscal Year, and the balances in each such account or fund as of the end of such Fiscal Year.

Section 6.14. Payment of Taxes and Other Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any properties owned by the City, or upon the Gross Revenues, when the same shall become due; provided, that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

The City will duly comply with all applicable state, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.15. Tax Covenants and Matters.

(a) General. The City hereby covenants, for the benefit of the Authority and the Owners and Beneficial Owners of the Bonds that, notwithstanding any other provisions of this Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the City shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.15, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 6.16. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Agreement Event of Default; however, any Participating Underwriter or any Owner or Beneficial Owner of the Bonds may take such actions as described under the Continuing Disclosure Certificate to cause the City to comply with its obligations under this Section.

Section 6.17. Preservation of Authority. The City covenants to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

Section 6.18. Further Assurances. The City will adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The City may, from any available funds, prepay the Installment Payments, as a whole or in part, on any date on or after October 1, 20__, on a pro rata basis, or as otherwise directed by the City; provided that any prepayment of a principal component of the Installment Payments shall be an amount sufficient to provide for the redemption or defeasance of Bonds in Authorized Denominations and otherwise in accordance with the provisions of the Trust Indenture. The prepayment of the principal component of the Installment Payments shall be at a prepayment price equal to 100% of the principal amount of the Bonds to be prepaid or redeemed, plus accrued interest thereon to the next applicable optional redemption date for the Bonds as provided in the Trust Indenture, without penalty.

The Authority shall accept such prepayments when the same are tendered by the City. All prepayments of Installment Payments made by the City pursuant to this Section shall, upon receipt, be transferred to the Trustee for deposit into the Redemption Account of the Trust Indenture pursuant to Section 4.03(c) thereof.

Section 7.2. Method of Payment. With respect to prepayments of Installment Payments pursuant to Section 7.1, the City shall determine which Installment Payments are to be prepaid, including the principal component of the Installment Payment due on each Installment Payment Date to be paid or prepaid with such prepayments, and, subject to the provisions of Section 7.1, the date on which each such prepayment is to be made. Before making any prepayment pursuant to Section 7.1, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than 45 days from the date such notice is given; except that, notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under Article IV, until all Installment Payments shall have been fully paid, or provision for payment thereof shall have been made pursuant to Section 9.1.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. There shall be an Agreement Event of Default if one or more of the following shall happen:

(a) if default is made by the City in the due and punctual payment of any Installment Payment or any other Parity Obligations when and as the same shall become due and payable;

(b) if default is made by the City in the performance of any of the other agreements or covenants required herein to be performed by it, and such default has continued for

a period of 30 days after the City has been given notice in writing of such default by the Authority or the Trustee; except that such default will not constitute an Agreement Event of Default hereunder if the City commences to cure such default within such 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time, which period shall be no longer than 365 days after delivery of such notice of default;

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

then, and in each and every such case during the continuance of an Agreement Event of Default specified in clauses (c) and (d) above, the Authority shall, and for any other Agreement Event of Default the Authority may, by notice in writing to the City, declare all unpaid principal components of the Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This subsection however, is subject to the condition that if, at any time after all unpaid principal components of the Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal components and interest components of the Installment Payments then due and payable (other than the principal components of the Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration), with interest on such overdue Installment Payments at the highest rate applicable to the remaining unpaid principal component of the Installment Payments, and the reasonable expenses of the Authority and the Trustee shall have been paid or provision deemed by the Authority or the Trustee, as applicable, to be adequate shall have been made therefor, and any and all other Agreement Events of Default shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and the trustee for any other Parity Obligations,

then the Authority, including the costs, if any, in carrying out the provisions of this Article, including reasonable compensation to accountants and counsel and similar costs with respect to this Agreement and Parity Obligations;

Second, to the payment of Operation and Maintenance Costs;

Third, to the payment of all unpaid principal components of the Installment Payments and the accrued interest thereon and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue Installment Payments at the highest rate of interest applicable to the unpaid principal components of the Installment Payments and, with respect to such other Parity Obligations, as required by the terms of such other Parity Obligations; and

Fourth, to amounts due to any provider of credit enhancement for other Parity Obligations.

Section 8.3. Other Remedies of the Authority. In addition to remedies elsewhere provided in this Agreement, upon the continuance of an Agreement Event of Default, the Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or their duties under applicable law and the agreements and covenants required to be performed by it or them contained herein;

(b) by suit in equity, to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity, to require the City and its directors, officers and employees to account as the trustee of an express trust; or

(d) by mandamus or other action or proceeding or suit at law or in equity, to pursue any other remedy now or hereafter existing in law or in equity or by statute or otherwise to enforce the performance of the City's obligations hereunder and to otherwise protect the Authority's rights and interests in connection with this Agreement.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the Enterprise or other facilities of the City, or any other real property of the City, and no default hereunder shall result in the loss of the Project, the Enterprise or other facilities of the City or any other real property of the City.

Section 8.4. Non Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates from the Net Revenues, the Sewer Fund and the other funds pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Installment Payments. Notwithstanding any other provision of this Agreement, the City may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee, an escrow agent or other fiduciary, an amount of cash which is either (a) sufficient to pay all such Installment Payments in accordance with the Installment Payment schedule set forth in Exhibit C, or (b) invested in whole or in part in non-callable Defeasance Securities in such amount as will, together with interest to accrue thereon and together with any cash which is so deposited, in the written opinion of an Independent Certified Public Accountant, be fully sufficient to pay all such Installment Payments when due pursuant to Article IV, or when due on any optional prepayment date pursuant to Article VII, as the City shall instruct at the time of the deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the City under this Agreement, and all security provided by this Agreement for such obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the City to pay all required Additional Payments pursuant to Section 4.2. The security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Agreement.

Section 9.2. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Trust Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts

then on deposit in the funds and accounts established under the Trust Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Installment Payments and any other payments hereunder is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Successor Is Deemed Included in all References to Predecessor. Whenever either the City or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or the Authority, and all assignees of the City or the Authority permitted hereunder. All agreements and covenants required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.3. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Installment Payments or be subject to any personal liability by reason of the execution of this Agreement or the execution and delivery of the Bonds.

Section 10.4. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.5. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The

City and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.6. Assignment. The City acknowledges and agrees that the Installment Payments, and certain of the Authority's rights under this Agreement will be assigned to the Trustee and pledged under the Trust Indenture to the payment of the Bonds. The City consents to such assignment.

Section 10.7. California Law. This Agreement shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 10.8. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the provisions of Article IX have been satisfied.

Section 10.9. Execution in Counterparts; Electronic Signatures. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Each of the parties hereto agrees that the transaction consisting of this Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent that if such party signs this Agreement using an electronic signature it is signing, adopting, and accepting this Agreement and that signing this Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Agreement in usable format.

Section 10.10. Indemnification of Authority and Trustee. To the fullest extent permitted by law, the City agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the City with respect to the Enterprise, (e) the performance by the Trustee of its duties and obligations under the Trust Indenture, and in connection with this Installment Purchase Agreement and any document executed herewith or therewith, (f) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 10.10 or elsewhere in this Agreement for the negligence, willful misconduct, or breach of duty under the Trust Indenture by the Trustee, or its officers, employees, successors or assigns. The rights of the Trustee and the obligations of the City under this Section 10.10 shall survive the termination of this Agreement or the resignation or removal of the Trustee.

Section 10.11. Amendments. This Agreement may only be amended in accordance with the terms applicable to the Authority in Section 5.06 of the Trust Indenture and any other limitations to amendment of the Agreement in any Parity Bonds Trust Indenture.

(Signatures on next page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their officers thereunto duly authorized as of the day and year first written above.

THE CITY OF MORGAN HILL

By: _____
City Manager

Attest:

By: _____
City Clerk

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

EXHIBIT A
DESCRIPTION OF THE PROJECT

The Project consists of the following “Capital Improvements”:

Project Year	Project Description
--------------	---------------------

The Capital Improvements may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by a Favorable Opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds. The City may, from time to time, delay completion of a Capital Improvement or determine not to finance a particular Capital Improvement from the proceeds of the Bonds without substituting or adding an additional project provided that (i) the total amount of Capital Improvements to be financed with the proceeds of the Bonds is sufficient to absorb all of the proceeds of the Bonds, including investment earnings thereon, and (ii) the expenditure of proceeds of the Bonds on Capital Improvements will be made at such times and in such amounts as are consistent with applicable provisions of the Tax Certificate executed by the Authority and the City in connection with the issuance of the Bonds.

EXHIBIT B

PRINCIPAL COMPONENTS OF INSTALLMENT PAYMENTS

The principal components of the Installment Payments shall consist of the sum of the following amounts, with each such principal component being payable on the 15th day of the month preceding the date for such principal component set forth below and with each such principal component bearing interest at the interest rate per annum set forth below:

<u>Due Date</u> <u>(October 1)</u>	<u>Principal Component</u>
---------------------------------------	----------------------------

EXHIBIT C

SCHEDULE OF INSTALLMENT PAYMENTS AS OF DELIVERY DATE

As of the Delivery Date, the Installment Payments consist of the following amounts of principal and interest and are payable on Installment Payment Dates which are the 15th day of the month preceding each of the dates set forth below:

<u>Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Total</u>
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TRUST INDENTURE

by and between

MORGAN HILL FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee

Dated as of December 1, 2020

relating to

[\$[Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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TRUST INDENTURE

THIS TRUST INDENTURE, made and entered into as of December 1, 2020 (this “Trust Indenture”), by and between the MORGAN HILL FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee” or “2015 Trustee”), a national banking association organized and existing under the laws of United States;

W I T N E S S E T H:

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into the 2020 Installment Purchase Agreement (as defined herein); and

WHEREAS, the Authority hereby certifies that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Indenture;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH, that in consideration of the premises and the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Bonds by the Owners (as defined herein) thereof, and to secure the payment of the Bonds and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are to be issued, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall, for all purposes of this Trust Indenture, and of the Agreement, and any Bond, opinion, request or other document herein or therein mentioned, have the meanings herein specified and such definitions shall be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Act” means Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing at Section 6500 thereof.

“Additional Payments” means “Additional Payments” as defined in Section 4.2 of the Agreement.

“Agreement” or “2020 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of December 1, 2020, between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented.

“Agreement Event of Default” means an event of default described in Section 8.1 of the Agreement.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

- (a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be
 - (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or
 - (ii) with respect to Parity

Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the City);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the City under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

“Authority” means the Morgan Hill Financing Authority, a joint exercise of powers authority, organized and existing pursuant to the laws of the State of California.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations of states and political subdivisions, selected by the City and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code.

“Bond Reserve Fund” means the fund by that name established pursuant to Section 4.04 hereof.

“Bond Year” means “Bond Year” as defined in the Tax Certificate.

“Bond Register” means the books for the registration and transfer of the Bonds kept by the Trustee pursuant to Section 2.08 hereof.

“Bonds” means the bonds issued by the Authority under and pursuant hereto.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks located in the city where the Corporate Trust Office of the Trustee is located, are required or authorized to remain closed.

“Capital Improvements” shall mean that portion of the Project constituting capital improvements to the Enterprise as described in Exhibit A to the Agreement.

“Capital Improvements Fund” shall mean the Capital Improvements Fund to be held by the City and established pursuant to Section 4.1 of the Agreement.

“Certificate of an Independent Consultant” means an instrument in writing signed by an Independent Consultant.

“Certificate of the Authority” means an instrument in writing signed by the President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“City” means the City of Morgan Hill, a municipal corporation organized and existing under the laws of the State of California.

“City Council” means the City Council of the City, being the City’s legislative body.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provision of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by the City and the Trustee with respect to the Bonds.

“Corporate Trust Office” means, with respect to the Trustee, the principal Corporate Trust Office of the Trustee in San Francisco, California, or such other office designated by the Trustee from time to time; provided that, for purpose of payment, redemption, exchange, transfer, surrender and cancellation of Bonds, such term means the corporate trust operations or agency office designated by the Trustee.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the execution and delivery of the Agreement, this Trust Indenture and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other cost, charge or fee in connection with the issuance and sale of the Bonds.

“Cost of Issuance Fund” means the fund by that name established pursuant to Section 4.05 hereof.

“Debt Service Fund” means the fund by that name established pursuant to Section 4.02 hereof.

“Defeasance Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are fully and unconditionally pledged for the timely payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

“Delivery Date” means _____, 2020.

“Depository” means the Securities Depository acting as Depository pursuant to Section 2.11.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, in its capacity as the initial securities depository for the book-entry Bonds.

“Enterprise” means the entire wastewater system of the City (excluding any reclamation facilities) including without limitation all improvements, works or facilities owned, controlled or operated by the City to provide sewer service as such improvements, works or facilities now exist,

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together with all additions to or replacements of existing facilities to be acquired or constructed, together with all improvements, replacements or extensions to said wastewater system later acquired or constructed, including the Project.

“Event of Default” means an event described in Section 8.01 hereof.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Counsel from a Bond Counsel to the effect that such action, in and of itself is permitted hereunder and, will not adversely affect the tax-exempt status of interest on the Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on June 30 of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, which is independent of the City and the Authority pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Consultant” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to wastewater systems, or any other financial consultant or firm of financial consultants (including

an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to wastewater systems, appointed and paid by the City, and who or each of whom –

- (a) is in fact independent and not under the domination of the City;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (c) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

“Installment Payment Date” means the 15th day of the month prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

“Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the City pursuant to Section 4.2 of the Agreement.

“Interest Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Interest Payment Date” means April 1 and October 1 of each year commencing April 1, 2021.

“Investment Securities” means any of the following obligations if and to the extent then permitted by law:

- (1) Defeasance Securities;
- (2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve Enterprise and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody’s and by S&P; provided, that purchases of eligible bankers acceptances may not exceed 270 days’ maturity;
- (4) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody’s and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A1” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and by S&P; provided, that purchases of eligible

commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit (including those placed by a third party pursuant to an agreement between the Authority and the Trustee) issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than 365 days or deposit accounts with a state or national bank and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank are rated no lower than "A1" by Moody's and "A+" by S&P;

(6) Any repurchase or reverse repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "A1" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase or reverse repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately; and (e) the repurchase or reverse repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) Bank deposit products, demand or time deposits (including certificates of deposit), trust funds, trust accounts, interest bearing deposits, overnight bank deposits, interest bearing money market accounts or bankers' acceptances in a nationally or state-chartered bank, including the Trustee or any affiliate thereof, fully insured by the Federal Deposit Insurance Corporation or collateralized by Investment Securities described in clause (1);

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which such entities receive and retain a fee for services provided to the fund) and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) A guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest Rating Categories of any Rating Agency; and

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the Authority of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto to the extent deposits and withdrawals may be made by the Trustee directly.

"Letter of Representations" means the letter of representations to The Depository Trust Company, New York, New York, from the Authority.

"Maturity Date" means, with respect to each Bond, the applicable maturity date set forth in Section 2.03 hereof.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

"Net Proceeds" means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.11.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

“Opinion of Counsel” means a written opinion signed by an attorney or firm of attorneys selected by the City and duly admitted to practice law before the highest court of the State.

“Outstanding,” when used as of any particular time with respect to the Bonds, means (subject to the provisions of Section 7.02 hereof) all Bonds except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have been deposited with the Trustee, an escrow agent or other fiduciary (whether upon or prior to the maturity or prior redemption date of such Bonds) pursuant to Article IX hereof, provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 3.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been authenticated and delivered by the Trustee.

“Owner” or “Registered Owner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means the 2015 Bonds and any other bonds secured by Parity Obligations and issued pursuant to this Trust Indenture or any Parity Bonds Trust Indenture.

“Parity Bonds Series Reserve Fund” means any fund by that name established with respect to one or more Series of Parity Bonds other than Participating Bonds by a Parity Bonds Trust Indenture.

“Parity Bonds Trust Indenture” means the 2015 Trust Indenture and any other trust indenture pursuant to which a Series of Parity Bonds is issued.

“Parity Obligation Payments” means the payments scheduled to be paid by the City under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in the Agreement.

“Parity Obligations” means all obligations of the City issued or executed and entered into by the City, pursuant to and in accordance with the provisions of Section 5.3 of the Agreement, the Parity Obligation Payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, as provided herein.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“Participating Bonds” means any Series of Parity Bonds that, pursuant to the terms of the Parity Bonds Trust Indenture relating to such Series of Parity Bonds, is secured by the Bond Reserve Fund.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledge Law” means Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto.

“Principal Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Project” means the acquisition and construction of public capital improvements for the Enterprise, as described in Exhibit A to the Agreement.

“Purchase Price” means the principal components of the Installment Payments plus interest on the unpaid portion of such principal components owed by the City to the Authority under the terms of the Agreement as provided in Section 4.1 of the Agreement.

“Rate Stabilization Fund” means the fund by that name referred to in Section 5.4 of the Agreement.

“Rating Agencies” means, if then providing a rating with respect to the Bonds, any of the following: Fitch, Moody’s, S&P, and any other nationally recognized securities rating agency or agencies, including their respective successors or assigns.

“Rating Category” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to Section 4.06 of this Trust Indenture.

“Record Date” means the fifteenth day of the month prior to an Interest Payment Date whether or not a Business Day.

“Redemption Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.03 hereof.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Trust Indenture.

“Repayment Obligation” means the reimbursement obligation or any other payment obligation of the City under a written agreement between the City and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

“Required Reserve” means: (1) with respect to the Bond Reserve Fund, as of the Delivery Date, an amount equal to **[zero dollars (\$0)]**; provided, that with respect to the issuance of Participating Bonds, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to any Parity Bonds Series Reserve Fund, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

“Reserve Facility” means any insurance policy, letter of credit, or surety bond issued by a provider meeting the requirements set forth in Section 4.04(c), and delivered to the Trustee in satisfaction of all or a portion of the Required Reserve applicable to one or more Series of Parity Bonds.

“Reserve Fund” means the Bond Reserve Fund or a Parity Bonds Series Reserve Fund.

“Revenues” means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Trust Indenture pursuant to Section 4.08.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Series” means all Parity Bonds authorized and established pursuant hereto or to a Parity Bonds Trust Indenture as constituting a single Series and delivered on original issuance in a

simultaneous transaction, and any Parity Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor.

“Sewer Fund” means the fund by that name referred to in Section 5.2 of the Agreement.

“State” means the State of California.

“Subordinate Obligations” means the obligations of the City that are payable from Net Revenues on a basis that is subordinate to the payment of the Installment Payments and Parity Obligations. Any termination payment payable by the City under an interest rate swap agreement shall constitute a Subordinate Obligation.

“Supplemental Trust Indenture” means any trust indenture then in full force and effect which has been duly executed by the Authority and the Trustee amendatory hereof or supplemental hereto.

“Tax Certificate” means the tax certificate, dated the Delivery Date of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed and delivered by the Authority and the City on the Delivery Date of the Bonds, including any and all exhibits attached thereto.

“Treasury Regulations” means those regulations issued by the United States Department of the Treasury under the Code.

“Trust Indenture” means this Trust Indenture, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Written Request of the Authority” means an instrument in writing signed by President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Written Request of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“2015 Bonds” means the Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2015 issued and delivered under the 2015 Trust Indenture.

“2015 Trust Indenture” means the Trust Indenture, dated as of June 2015, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Section 1.02. Rules of Construction. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections,

subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization to Issue, Authenticate and Deliver the Bonds. The Bonds are authorized to be issued in the aggregate principal amount of \$[Par Amount].00 in the form and manner provided herein. The Bonds shall be designated “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020,” issued by the Authority under and pursuant to the Bond Law and this Trust Indenture, and secured by a pledge of, and payable from Revenues as provided herein.

The Trustee is hereby authorized to authenticate and deliver the Bonds to the original purchaser thereof upon the Written Request of the Authority and receipt of the proceeds of the sale thereof (to be wired to the Trustee).

Section 2.02. Denominations of the Bonds. The Bonds shall be issued in fully registered form, in Authorized Denominations, and numbered consecutively.

Section 2.03. Terms of the Bonds. The Bonds shall be dated the Delivery Date, and mature on October 1 in the years, in the respective principal amounts set forth opposite such years, and bear interest at the respective rates per annum set forth in the following table:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest shall be payable with respect to each Bond on each Interest Payment Date, commencing April 1, 2021 until the principal thereof has been paid; provided, however, that if at the Maturity Date of any Bond (or, if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with terms of this Trust Indenture, such Bond shall then cease to bear interest.

Section 2.04. Interest. The Bonds shall bear interest payable semiannually on their Interest Payment Dates. Each Bond which is authenticated and registered on or prior to the first Record Date shall bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond which is authenticated and registered after the first Record Date shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond shall bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid.

Section 2.05. Form of the Bonds. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved.

Section 2.06. Payment of the Bonds. The principal or Redemption Price of, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof at the close of business on the Record Date next preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at his address as it appears on such books; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds then Outstanding, upon written request of such Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the interest payment shall be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Owner.) Payment of the principal or Redemption Price of a Bond shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof, such principal and redemption premium, if any, to be paid only upon the surrender of the Bond at the Corporate Trust Office, where such Bonds are paid by the Trustee, at maturity or upon redemption prior to maturity. All such payments of interest on, or principal of, or redemption premium, if any, on any Bond shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

Section 2.07. Execution of the Bonds. The Bonds shall be signed on behalf of the Authority by the manual or facsimile signature of the President of the Authority and countersigned by the manual or facsimile signature of its Secretary. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall

have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the Authority as though such officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the Authority by any person who on the actual date of the execution of such Bond shall be the proper officer of the Authority, although on the nominal date of such Bond such person shall not have been such officer of the Authority. Only those Bonds that bear thereon a certificate of authentication manually executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, authenticated and delivered hereunder and are entitled to the benefits hereof.

Section 2.08. Registration, Transfer and Exchange of Bonds. The Trustee shall keep, at its Corporate Trust Office, sufficient books for the transfer and exchange of the Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form satisfactory to the Trustee. The cost of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Authority nor the Trustee shall be required (a) to transfer or exchange any Bonds during the 15-day period prior to the selection of any Bonds for redemption under Article III hereof, or (b) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III hereof.

The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary.

The information contained in the registration books with regard to the ownership of or security interests in the Bonds shall not be subject to inspection or copying by the public as provided in Section 5060(a) of Chapter 1.5 of Division 6 of Title 1 of the California Government Code; provided, that such books shall be open for inspection by the Authority during normal business hours, upon reasonable prior notice.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated or shall have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Corporate Trust Office, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in connection therewith, the Authority shall execute and the Trustee

shall authenticate and deliver at such office a new Bond or Bonds of the same Maturity Date for the same aggregate principal amount of authorized denominations of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost. If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Authority upon receipt of like proof, indemnity and payment of expenses. Any replacement Bonds issued pursuant to this Section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The Authority and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; instead, both the original and the replacement Bond shall be treated as one and the same.

Section 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be issued in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Each temporary Bond shall be executed by the Authority upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Corporate Trust Office, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Maturity Date or Dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

Section 2.11. Book Entry System.

(a) Original Delivery. The Bonds will be initially issued as book-entry Bonds, and each maturity of such Bonds will be in the form of a separate single fully registered Bond (which may be typewritten). The Depository Trust Company (“DTC”) will act as the initial Depository for book-entry Bonds. Upon initial execution and delivery, the ownership of each such book-entry Bond will be registered in the registration books maintained under Section 2.08 in the name of Cede & Co., as Nominee of DTC, the initial Depository for the Bonds.

With respect to book-entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to the owners of beneficial interests in book-entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the registration books maintained under Section 2.08 hereof, of any notice with respect to book-entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Authority redeems any book-entry Bonds in part or (iv) the payment of any Participant or any other person, other than an Owner as shown in the registration

books maintained under Section 2.08, of any amount with respect to the principal or Redemption Price of, and interest on book-entry Bonds.

The Authority and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the registration books maintained under Section 2.08 as the absolute Owner of such book-entry Bond for the purpose of payment of the principal or Redemption Price of, and interest on such book-entry Bond, for the purpose of giving notices of redemption and other matters with respect to such book-entry Bond, for the purpose of registering transfers with respect to such book-entry Bond and for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of, and interest on the book-entry Bonds only to or upon the order of the respective Owners, as shown in the registration books maintained under Section 2.08, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of the interest on and the principal or Redemption Price of the book-entry Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books maintained under Section 2.08 shall receive a Bond evidencing the obligation of the Authority to make payments of the principal or Redemption Price of, and interest on any book-entry Bond pursuant hereto. Upon delivery by the Depository to the Owner, the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the term Nominee herein shall refer to such new nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry Bonds for the Depository's book entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book entry Bonds other than the Owners, as shown on the registration books required to be kept pursuant to Section 2.08. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee shall take such other actions, not inconsistent herewith, as are reasonably necessary to qualify book entry Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Authority has advised the Depository that it does not wish the Depository to continue as securities depository, then the Authority will discontinue the book entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (d). If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such registration books required to be kept pursuant to Section 2.08 in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Section 2.08.

(d) Transfer of Bonds to Substitute Depository.

(i) Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.11(d) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository not objected to by the Trustee, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or Substitute Depository or its successor) from its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or its Nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds, which the Authority shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Written Request of the Authority, subject to the limitations of Sections 2.02 and 2.03, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such Written Request of the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such depository’s failure to make such notations or errors in making such notations.

Section 2.12. Validity of the Bonds. From and after the issuance of the Bonds, the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority and the City for the financing of the Project, or by any contracts made by the Authority and the City in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance. Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the original purchaser thereof and the purchase price thereof received.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source, upon 45 day notice to the Trustee (or such shorter period agreed to by the Trustee) and mailed notice as provided herein, at a Redemption Price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(b) Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the Redemption Price thereof, plus accrued interest to the date of purchase. All Bonds so purchased shall be delivered to the Trustee for cancellation.

Section 3.02. Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be redeemed at any one time, the Authority shall, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions thereof of the same Maturity Date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in integral multiples of \$5,000. Within each maturity, Bonds shall be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions thereof for redemption shall be conclusive in the absence of fraud.

Section 3.03. Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee shall mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee shall also provide

notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal shall be an action by the holders of the Bonds for specific performance. Each such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all of the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the redemption date, and shall require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Section 9.01 or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys shall not have been so received the notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Section 3.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof at the expense of the Authority a new Bond or Bonds of the same Maturity Date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 3.05. Effect of Redemption of Bonds. If notice of redemption has been duly given pursuant to Section 3.03, and money for the payment of the Redemption Price of the Bonds or portions thereof so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, and the interest accrued thereon to the redemption date.

ARTICLE IV

ASSIGNMENT AND PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Pledge and Assignment of Revenues.

(a) All Revenues and any other amounts held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund) are hereby irrevocably pledged to the payment of the interest on and principal or Redemption Price of the Bonds, as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; except that, out of the Revenues and other moneys, there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund) for the payment of the principal or Redemption Price of, and interest on the Bonds in accordance with the terms hereof and thereof.

(b) The Authority hereby transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all of the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee.

The Trustee hereby accepts such assignment. Subject to Article VI, the Trustee shall take all steps, actions and proceedings required to be taken as provided in any opinion of Bond Counsel delivered to it necessary to maintain in force, for the benefit of the Owners, the Trustee's rights in and priority to the following security granted to it for the payment of the Bonds: the Trustee's rights as assignee of the Installment Payments and other Revenues, interest and other income, and all other rights to security for the Bonds which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out in this Section 4.01(b), rely and shall be protected in acting or refraining from acting upon an opinion of Bond Counsel furnished by the Authority.

Section 4.02. Receipt and Deposit of Revenues in the Debt Service Fund. In order to carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants

that all Revenues when and as received shall be received by the Authority in trust hereunder for the benefit of the Owners and shall be transferred to the Trustee for deposit by the Trustee in the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Debt Service Fund” (the “Debt Service Fund”), which fund the Trustee agrees to establish, maintain and hold in trust, for so long as any Bonds shall be Outstanding hereunder.

All Revenues shall be accounted for through and held in trust in the Debt Service Fund, and the Authority shall have no beneficial right or interest in any of the Revenues, except as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Debt Service Fund. Subject to the provisions of Sections 4.06 and 5.03, and by the Tax Certificate, all money in the Debt Service Fund shall be set aside by the Trustee in the following respective special accounts within the Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Redemption Account.

All money in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Trust Indenture.

The Trustee shall transfer from the Debt Service Fund the following amounts at the times and in the manner hereinafter provided, and shall deposit such amounts in one or more of the following respective funds or accounts, and each of which shall be disbursed and applied only as hereinafter authorized. Such amounts shall be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

(a) Interest Account. On each Interest Payment Date, commencing on April 1, 2021, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date.

No deposit need be made to the Interest Account on any date if the amount contained therein is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Except as otherwise provided herein, all money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest as it shall become due and payable (including accrued interest on Bonds purchased or redeemed prior to their respective Maturity Dates).

(b) Principal Account. On each Maturity Date, the Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the Outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date.

No deposit needs to be made to the Principal Account on any date if the amount contained therein is at least equal to the aggregate principal amount of Outstanding Bonds maturing on such date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal amount of Bonds as they mature.

(c) Redemption Account. All prepayments of Installment Payments made by the City, pursuant to Section 7.1 of the Agreement, shall be deposited in the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of Outstanding Bonds as directed in a Certificate of the City.

Section 4.04. Reserve Funds.

(a) At such time as the Reserve Requirement shall be more than zero dollars (\$0), the Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds Bond Reserve Fund” (the “Bond Reserve Fund”). Moneys in the Bond Reserve Fund shall be applied in accordance with this Section and, with respect to other Series of Participating Bonds, in accordance with the provisions of the Parity Bonds Trust Indentures pursuant to which such Participating Bonds are issued.

(b) Upon establishment of the Bond Reserve Fund, the Trustee hereby agrees and covenants to maintain the Bond Reserve Fund so long as any Participating Bonds remain Outstanding hereunder or outstanding under the Parity Bonds Trust Indenture under which they were issued.

(c) (i) The Trustee shall transfer to and deposit in each Reserve Fund maintained under a Parity Bonds Trust Indenture (on a pro rata basis calculated by reference to the Required Reserve for each such Reserve Fund) such amount of money as shall be required to restore each Reserve Fund to the applicable Required Reserve (including amounts necessary to reinstate the amount available under any Reserve Facility); and for this purpose all investments in any Reserve Fund shall be valued semiannually before each Interest Payment Date. No deposit need be made into any Reserve Fund if the value of the money and investments contained therein is at least equal to the applicable Required Reserve.

(ii) In lieu of making the Required Reserve deposit applicable to one or more Series of Parity Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund, or in substitution of any Reserve Facility that is part of the Required Reserve relating to one or more Series of Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories by at least one of the Rating Agencies, in an amount, that, together with cash, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, will equal the applicable Required Reserve. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section 4.04(c). At least one year prior to the stated expiration of such letter of credit, the Authority shall deliver one of the following to the Trustee: (1) a replacement letter of credit; (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of Section 4.04(c)(iii). Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement letter of credit, extension or replacement Reserve Facility with the Trustee, the Authority shall commence to make deposits with the Trustee so that an amount equal to the applicable Required Reserve will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Required Reserve as of the date following the expiration of the letter of credit is not on deposit in the applicable Reserve Fund one week prior to the expiration date of the letter of credit (excluding the letter of credit from such determination), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

(iii) In lieu of making a Required Reserve deposit in cash or in replacement of moneys then on deposit in a Reserve Fund or in substitution of any Reserve Facility that is part of a Required Reserve for any Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount that, together with moneys, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, is no less than the applicable Required Reserve. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories by at least one of the Rating Agencies. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Parity Bonds in connection with which such surety bond or insurance policy is obtained and shall be non-cancellable. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority shall immediately implement clause (1) or (3) in Section 4.04(c)(ii) or make deposits to the related Reserve Fund so that such Reserve Fund is replenished to the required level as soon as practicable.

(iv) Subject to Section 4.04(c)(v) and Section 4.04(c)(vi), all money in a Reserve Fund (including all amounts that may be obtained from a Reserve Facility on

deposit in the Reserve Fund) shall be used by the Trustee solely for the purpose of (1) paying the interest on or principal of the Parity Bonds secured by that Reserve Fund in the event there is insufficient money available in the Debt Service Fund, in such order, for this purpose, (2) making payments to the provider of any Reserve Facility that is part of the Required Reserve for such Reserve Fund for the purpose of reinstating the amount available under such Reserve Facility, or (3) for the retirement, defeasance or redemption of all or a portion of the Outstanding Parity Bonds secured by that Reserve Fund; provided, however, that if funds on deposit in that Reserve Fund are applied to the retirement, defeasance or redemption of only a portion of the Parity Bonds secured by that Reserve Fund, the amount on deposit in the Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption shall equal the Required Reserve applicable to all Parity Bonds secured by that Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption.

(v) Unless otherwise directed in a Parity Bonds Trust Indenture establishing the terms and provisions of a Series of Parity Bonds, the Trustee shall apply amounts held in cash or investments in a Reserve Fund prior to applying amounts held in the form of Reserve Facilities in that Reserve Fund and the Trustee shall apply all deposits of cash into such Reserve Fund for the purposes of satisfying any deficiency in the Reserve Fund to reinstate the portion of the Reserve Fund held in the form of Reserve Facilities (on a pro rata basis calculated by reference to the maximum amount of each Reserve Facility if more than one Reserve Facility has been drawn upon) prior to reinstating the portion of the Reserve Fund held in cash or investments. If the Trustee has applied all cash and investments and more than one Reserve Facility is being held on deposit in a Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the interest on or principal of the Parity Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has received written notice that any payment of principal of or interest on a Parity Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Parity Bonds of such Series, shall so notify the Authority thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(vi) If as a result of any valuation of a Reserve Fund it is determined that the amount of money in such Reserve Fund exceeds the Required Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such money in the Interest Account of the Debt Service Fund established and maintained under the Parity Bonds Trust Indenture pursuant to which such Reserve Fund was established.

Section 4.05. Cost of Issuance Fund.

(a) The Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Cost of Issuance Fund” (the “Cost of Issuance Fund”). Moneys in the Cost of Issuance Fund shall be expended for Costs of Issuance in accordance with this Section.

(b) There shall be credited to the Cost of Issuance Fund the following amounts:

(i) the proceeds of sale of the Bonds required to be deposited therein pursuant to Section 4.10 hereof; and

(ii) any other funds from time to time deposited by the City with the Trustee to pay Costs of Issuance.

(c) The Trustee shall disburse moneys in the Cost of Issuance Fund from time to time to pay for Costs of Issuance directly or to reimburse the City for payment thereof upon receipt by the Trustee of a Written Request of the City substantially in the form of Exhibit B. The Trustee shall be absolutely protected in making any disbursement from the Cost of Issuance Fund in reliance upon a Written Request of the City.

(d) Upon the earlier of March 1, 2021 or the Trustee’s receipt of a Certificate of the City certifying that all Costs of Issuance have been paid, the Trustee shall withdraw all remaining moneys in the Cost of Issuance Fund (other than any moneys retained therein to pay Costs of Issuance not then due and payable as set forth in the Certificate of the City), transfer such moneys to the Debt Service Fund, and close the Cost of Issuance Fund.

Section 4.06. Rebate Fund. The Trustee shall establish when needed, and maintain, so long as any Bonds remain Outstanding, a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien under this Trust Indenture and shall be governed by this Section 4.06 and Section 5.03, and by the Tax Certificate. The Trustee shall not be deemed to have any knowledge of the provisions of the Tax Certificate, and shall be deemed conclusively to have complied with the Rebate Requirement and its obligations under this Section 4.06 if it follows the directions of the Authority, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the Rebate Requirement and the Tax Certificate.

(a) Within 45 days of the end of each Bond Year, (i) the Authority shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (ii) upon the Authority’s

written direction, the Trustee shall deposit to the Rebate Fund from amounts received from the Authority as Additional Payments by the City pursuant to Section 4.2 of the Agreement, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this paragraph (a) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under paragraph (b) of this Section.

The Authority shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the Authority under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Authority shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a).

(b) Any funds remaining in the Rebate Fund after payment of all the Bonds hereunder and any amounts described in clause (ii) of paragraph (c) of this Section, or provision made therefor, including accrued interest and payment of any applicable fees of the Trustee, shall be transferred by the Trustee to the City pursuant to Section 4.09.

(c) Subject to the exceptions contained in paragraph (a) of this Section to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall, upon the Authority’s written direction, pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Bond Year, and (B) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(d) Each payment required to be made pursuant to paragraph (c) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or other address as may be designated by the Internal Revenue Service) on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 (or other approved form), which shall be completed by or on behalf of the Authority and provided to the Trustee.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Authority as Additional Payments made by the City pursuant to Section 4.2 of the Agreement, equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) In the event that immediately following the calculation required by paragraph (a) of this Section, but prior to any deposit made under that paragraph, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with that paragraph, upon written instructions from the Authority, the Trustee shall transfer the excess from the Rebate Fund to the Sewer Fund.

(g) The Authority shall retain records of all determinations made hereunder until six years after the final payment or discharge of all Bonds.

(h) Notwithstanding anything in this Trust Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

Section 4.07. Additional Payments. In the event the Trustee receives Additional Payments pursuant to Section 4.2 of the Agreement, such Additional Payments shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Payments were received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Agreement or this Trust Indenture.

Section 4.08. Deposit and Investments of Money in Accounts and Funds.

(a) All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Investment Securities at the Written Request of the Authority filed with the Trustee which shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder; provided that, money in the Reserve Fund shall not be invested in any investment with a maturity extending beyond five years from the time of such investment. If no such Written Request of the Authority is received by the Trustee, then, the monies shall be held uninvested. Except as otherwise provided herein, all interest or profits received on any money in any fund or account held hereunder (other than the Rebate Fund) so invested shall be deposited in the Interest Account in the Debt Service Fund.

(b) The Trustee or any of its affiliates may act as principal or agent, sponsor, advisor, principal, agent or manager in connection with any investments made by the Trustee hereunder. For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but shall maintain separate records relating to the investments for fund or account.

(c) The Trustee shall not be liable for any loss from any Investment Securities acquired, held or disposed of in compliance with this Section 4.08.

(d) The Trustee may rely on the investment instructions from the Authority that the instructed investment is an Investment Security for the funds to be invested.

Section 4.09. Repayment to City. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Trustee have been paid or provided for, and all expenses of the Authority relating to this Trust Indenture have been paid or provided for, and all other amounts payable hereunder, including without limitation any Rebate Requirement, and under the Agreement have been paid, and this Trust Indenture has been discharged and satisfied, the Trustee shall pay to the City any amounts remaining in any fund established and held hereunder.

Section 4.10. Application of Bond Proceeds and Other Funds. Upon receipt of the net proceeds of the sale of the Bonds from the purchaser thereof in the amount of \$_____ (representing an aggregate principal amount of \$[Par Amount].00, plus a [net] original issue [premium] of \$_____, less an underwriter's discount of \$_____), the Trustee shall set aside and transfer or deposit such proceeds in the following respective accounts or funds:

(a) The Trustee shall transfer the sum of \$_____ from the proceeds of the sale of the Bonds to the City for deposit in the Capital Improvements Fund established pursuant to Section 4.1 of the Agreement for the construction, acquisition and installation of the Capital Improvements;

(b) The Trustee shall deposit the sum of \$_____ from the proceeds of the sale of the Bonds in the Cost of Issuance Fund; and

(c) The Trustee shall (1) deposit in the Bond Reserve Fund a sum which is equal to the Required Reserve as of the date of issuance of the Bonds, (2) pay or cause to be paid the costs of a Reserve Facility in such amount for the credit of the Bond Reserve Fund or (3) pay or cause to be paid the costs of a Reserve Facility, together with a deposit in the Bond Reserve Fund of an amount that will, in combination, equal the Required Reserve as of the date of issuance of the Bonds, in each case as specified in a Certificate of the City dated the date of issuance of the Bonds; provided, that the Required Reserve may be zero.

ARTICLE V

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01. Compliance with Trust Indenture and the Agreement. The Authority will not suffer or permit any default by it to occur hereunder or under the Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein, in the Agreement and in the Bonds.

Section 5.02. Observance of Laws and Regulations. The Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State,

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or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Tax Covenants.

(a) General. The Authority hereby covenants with the Owners that, notwithstanding any other provisions of this Trust Indenture, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Authority shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the Authority, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The Authority shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The Authority shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the Authority shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The Authority shall not make any use of the proceeds of the Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 5.04. Accounting Records and Reports.

(a) The Trustee will keep proper accounting records in accordance with the Trustee's standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Revenues and the proceeds of the Bonds, and such accounting records shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. Not later than the 15th day of each calendar month, commencing on January 15, 2021, and continuing so long as any Bonds are Outstanding, the Trustee will furnish or cause to be furnished to the Authority a complete statement covering the receipts, investments, deposits, application and disbursements of the Revenues for the immediately preceding calendar month.

Such complete statement shall consist of cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statement will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(b) In accordance with Section 6599.1 of the Government Code, until the October 30 following the final maturity of the Bonds, the Authority shall, not later than October 30 of each year, commencing October 30, 2021, supply the California Debt and Investment Advisory Commission ("CDIAC"), by mail, postage prepaid, with the following information:

- (i) The principal amount of Bonds outstanding.
- (ii) The balance in the Reserve Fund.
- (iii) The costs of issuance, including any ongoing fees.
- (iv) The total amount of administrative fees collected.
- (v) The amount of administrative fees charged to each Member Agency.
- (vi) The interest earnings and terms of all guaranteed investment contracts.
- (vii) Commissions and fees paid on guaranteed investment contracts.
- (viii) Failure by the City to timely pay any Installment Payment or other payment required to be paid under the Agreement.

(c) In accordance with Section 6599.1(c) of the Act, until final maturity of the Bonds, the Authority shall notify CDIAC by mail, postage prepaid, within 10 days if any of the following events occur:

(i) The Authority or the Trustee fails to pay principal and interest due on any scheduled payment date due to insufficient funds.

(ii) Funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds or any Bonds acquired by the Authority.

(d) Neither the Authority, the City, their officers, agents or employees, nor CDIAC shall be liable for any inadvertent error in reporting the information required by Section 5.04(b) or (c).

(e) The failure of the Authority to comply with the provisions of Section 5.04(b) or (c) shall not be an Event of Default hereunder.

Section 5.05. Reserved.

Section 5.06. Amendments to Agreement. The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Agreement except: (a) to the extent such amendment, alteration or modification will cure an ambiguity, supply an omission; or cure or correct a defect or inconsistent provision therein; (b) to the extent such amendment, alteration or modification will insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with this Trust Indenture; (c) if, in the Opinion of Counsel, delivered to the Trustee such amendment, alteration or modification does not materially adversely affect the rights of the Owners; or (d) with the written consent of the Owners of a majority in aggregate principal of the Bonds then Outstanding. Any such written consent shall be obtained in the manner provided herein for amendments to this Trust Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an Opinion of Counsel stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Trust Indenture, and is valid and binding upon the parties thereto in accordance with its terms and, if applicable, containing the opinion described in the above subclause (c). For purposes of this Trust Indenture, no change or revision of Exhibit A to the Agreement, made pursuant to the terms thereof, shall constitute an amendment, alteration or modification of the Agreement.

Section 5.07. Recording and Filing. The Authority shall, at the expense of the Authority, cause the filing, recording, registering, renewing, refilling and rerecording of all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law, in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee.

Section 5.08. Against Encumbrances. So long as any Bonds are Outstanding, the Authority will not create or suffer to be created any pledge of or lien on the Revenues other than the pledge and lien hereof, and will not issue any bonds, notes or obligations payable from the Revenues, or secured by a pledge of or charge or lien upon the Revenues, except the Bonds. Subject to this limitation, the Authority reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other bonds or other obligations for such purposes.

Section 5.09. Notices to Rating Agencies. The Authority shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (a) the resignation or removal of the Trustee; or (b) the acceptance of appointment by a successor trustee hereunder promptly upon its becoming aware of such resignation, removal or acceptance.

Section 5.10. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee (who has no obligation or duty to make such request) or any Owner, the Authority will promptly authenticate and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VI

THE TRUSTEE

Section 6.01. The Trustee.

(a) The Bank of New York Mellon Trust Company, N.A., as the Trustee, shall receive all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the principal or Redemption Price of, and interest on the Bonds presented for payment, and for the purpose of canceling all paid or redeemed Bonds as provided herein. Except during the continuance of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Trust Indenture, and no implied covenants, duties or obligations shall be read into this Trust Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee. The Authority agrees that it will at all times maintain a Trustee having a Corporate Trust Office in California.

(b) The Authority may, upon thirty (30) days' prior written notice, (unless there exists any Event of Default as defined in Section 8.01 hereof), remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a banking association or corporation or trust company doing business in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or State agency. If such banking corporation or trust company publishes a report of condition at least

annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then, for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby. The Trustee under this Trust Indenture shall also be the trustee under each Parity Bonds Trust Indenture.

Section 6.02. Liability of Trustee.

(a) The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same and makes no representation as to the sufficiency or validity hereof or of the Bonds, and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of duty.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or redemption premium, if any, on the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

(e) The Trustee shall not be deemed to have knowledge of any default hereunder or default under the Agreement unless and until it shall have actual knowledge thereof or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly

provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of a default hereunder.

(f) The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at-law or certified public accountant was selected by the Trustee with due care.

(g) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of the proceeds of the Bonds and any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(h) Whether or not therein expressly so provided, every provision hereof, or of the Agreement, or any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee, shall be subject to the provisions of this Article.

(i) The Trustee shall be fully protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(j) Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which Certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(k) No provision of this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

(l) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Bonds.

(m) All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

(n) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to

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which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

(o) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

(p) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall not be answerable for the conduct of the same if appointed with due care hereunder. The permissive right of the Trustee to do things enumerated in this Trust Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(q) In acting or omitting to act pursuant to the Installment Purchase Agreement and any other document executed in connection therewith or herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Indenture and the Installment Purchase Agreement, including, but not limited to, this Article VI. Notwithstanding the effective date of this Trust Indenture or anything to the contrary in this Trust Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Trust Indenture which occurs prior to the date the Trustee formally executes this Trust Indenture and commences acting as Trustee hereunder.

(r) Subject to any additional limitations in this Trust Indenture, the Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Trust Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder). The Authority and/or City may provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the City whenever a person is to be added or deleted from the listing. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit

Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 6.03. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability, suit, claim, cause of action, judgment or expense incurred without negligence, default or willful misconduct on the part of the Trustee arising out of or in connection with (i) the acceptance or administration of the trusts created hereby, or the exercise or performance of any of its powers or duties hereunder, the Installment Purchase Agreement or any other document created in connection herewith or therewith, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including reasonable attorneys' fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder the Installment Purchase Agreement or any other document created in connection herewith or therewith. The rights of the Trustee and the obligations of the Authority under this section shall survive the discharge of the Bonds and this Trust Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Section 6.04. Notices to Rating Agencies. The Trustee shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (i) the discharge of liability on any Bonds pursuant to Section 9.01; (ii) the redemption or purchase of all Bonds; or (iii) an amendment to this Trust Indenture or the Agreement, upon its receipt of written notice of any such amendments. The Trustee shall also notify any Rating Agency of any amendments to any of the

documents to which the Trustee is a party, upon its receipt of written notification of any such changes.

ARTICLE VII

AMENDMENT OF THE TRUST INDENTURE

Section 7.01. Amendment of the Trust Indenture.

(a) Except as provided in subsection (b) and (c) of this Section 7.01, this Trust Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02 hereof, are filed with the Trustee; provided, that, before executing any such Supplemental Trust Indenture under this Section 7.01, the Trustee may first obtain, at the Authority's expense, an Opinion of Counsel that such Supplemental Trust Indenture is authorized or permitted hereunder, and complies with the provisions of this Trust Indenture, on which opinion the Trustee may conclusively rely.

(b) No amendment to this Trust Indenture shall (i) extend the stated maturity of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of any Bond, without the express written consent of the Owner of such Bond, or (ii) reduce the percentage of Bonds required for the written consent to any such amendment without the express written consent of the Owners of all Outstanding Bonds, or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(c) The Trust Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Indenture which shall become binding upon adoption without the consent of any Owners, and only to the extent permitted by law, for any one or more of the following purposes:

(i) to add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith;

(iii) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify this Trust Indenture under the Trust Indenture Act of 1939;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, or the exemption of interest on the Bonds from State of California personal income taxes;

- (v) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Bonds by any of the Rating Agencies;
- (vi) to add to the rights of the Trustee; or
- (vii) for any purpose that will not materially adversely affect the interests of the Owners, as evidenced by the opinion of counsel delivered pursuant to Section 7.01(a) hereof.

Section 7.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article; except that in determining whether the Trustee shall be protected in relying upon any such consent, action or calculation of Outstanding Bonds, only Bonds which the Trustee actually knows to be so owned or held by the Authority or the City shall not be deemed Outstanding, unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Upon the request of the Trustee, the Authority shall specify to the Trustee those Bonds disqualified pursuant to this Section.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bonds and presentation of such Owner's Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bond or Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute a default and an Event of Default:

- (a) Failure to make due and punctual payment of any installment of interest upon any Bond when the same shall have become due and payable;

(b) Failure to make due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration;

(c) Any representation or warranty made by the Authority in this Trust Indenture or the Bonds shall be determined by the Trustee to have been untrue in any material respect when made or any failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed and performed under this Trust Indenture or the Bonds, other than as referred to in subsections (a) or (b) of this Section, for a period of 60 days after written notice specifying such breach or failure and requesting that it be remedied, given to the Authority and the Owners by the Trustee, unless the breach or failure is such that it cannot be corrected within the applicable period, corrective action is instituted by the Authority within the applicable period and is being diligently pursued, provided that such breach or failure must be cured within a period of 365 days after written notice of such breach or failure is given to the Authority;

(d) An Agreement Event of Default shall have occurred under Section 8.1 of the Agreement; and

(e) If the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States or America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial parts of its property.

Section 8.02. Acceleration of Maturities. Upon the occurrence of an Event of Default (other than an Event of Default described in subsection (c) of Section 8.01), the Trustee shall, or in the case of an Event of Default described in subsection (c) of Section 8.01, the Trustee may declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in this Trust Indenture or in the Bonds to the contrary notwithstanding.

Upon such acceleration, the Trustee shall provide the Owners with a notice of acceleration; and the Trustee shall take whatever additional action at law or in equity may appear necessary or desirable to the Trustee to collect the money necessary to pay the acceleration price of the Bonds. Thereafter, the Trustee shall take such action as is necessary to pay the Bonds out of such moneys at the earliest possible date after providing the Owners with a notice of redemption as provided in Section 3.03 hereof.

Section 8.03. Application of Proceeds Upon an Event of Default. All amounts received by the Trustee pursuant to an Event of Default under the provisions of this Article and amounts previously held by the Trustee under this Trust Indenture shall be applied by the Trustee in the

following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees and expenses of the Trustee, including costs and expenses of the Trustee in declaring such Event of Default and carrying out the provisions of this Trust Indenture including reasonable compensation of its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts, shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(b) to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Whenever all principal or Redemption Price of, and interest on all Bonds have been paid and all expenses and charges of the Trustee have been paid, and the final calculation of rebate has been made and the appropriate amount transferred to the Rebate Fund, any balance remaining in all funds and accounts created under this Trust Indenture, except amounts on deposit in the Rebate Fund, shall be paid to the City pursuant to Section 4.09.

Section 8.04. Notice of Event of Default. In the event the Trustee has actual knowledge that the Authority is in default, the Trustee shall give notice of such default to the Owners of the Bonds. Such notice shall state that the Authority is in default and shall provide a brief description of such default. The notice provided for in this Section shall be given by mail to the Owners within 30 days of such occurrence of default.

Section 8.05. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and shall, at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, proceed to protect and enforce its rights or the rights of the Owners of Bonds under this Trust Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 8.06. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Trust Indenture and the Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give notice other than such notice as may be required in this Article VIII or by law.

Section 8.07. No Additional Waiver Implied by One Waiver. In the event any provision contained in this Trust Indenture should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.08. Action by Owners. In the event the Trustee fails to take any action to eliminate an Agreement Event of Default, under Section 8.1 of the Agreement, or an Event of Default hereunder, the Owners of a majority in aggregate principal amount of Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Agreement or this Trust Indenture, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within 60 days.

Section 8.09. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Trust Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision of the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds, in respect of which such judgment has been recovered.

Section 8.10. Waivers of Events of Default. Provided that all payments of interest and principal due and owing on the Bonds have been paid, prior to acceleration of the Bonds the Trustee shall, and thereafter the Trustee in its discretion may or, upon the written demand of the Owners of not less than a majority in aggregate principal amount of all Bonds Outstanding shall, waive any Event of Default hereunder and rescind its consequences; provided, however, that the

Trustee may not waive any Events of Default which constitute a breach of a covenant with respect to the tax exempt status of the Bonds. In the case of any such waiver and rescission, the Authority, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Trust Indenture shall be in writing and a copy thereof shall be delivered to the Authority and to the City.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Trust Indenture. When the obligations of the City under the Agreement shall cease pursuant to Section 9.1 of the Agreement (except for the right of the Trustee and the obligation of the City to have the cash and Defeasance Securities mentioned therein applied to the payment of Installment Payments as therein set forth, and the obligation to apply amounts on deposit in the Rebate Fund as provided in Section 4.06), then and in that case the obligations created by this Trust Indenture shall thereupon cease, terminate and become void except for the obligation of the Authority to direct the Trustee to apply amounts on deposit in the Rebate Fund as provided herein which shall continue until such amounts are so applied, the obligation of the Authority to pay the Trustee the amounts due pursuant to Section 6.03, and the right of the Owners to have applied and the obligation of the Trustee to apply such cash and Defeasance Securities to the payment of the Bonds as herein set forth, and subject to application of amounts on deposit in the Rebate Fund as provided in Section 4.06, the Trustee shall pay to the City pursuant to Section 4.09, after provision for payment of amounts due the Trustee hereunder, as an overpayment of Installment Payments, any surplus in the Debt Service Fund and all balances remaining in any other funds or accounts other than cash and Defeasance Securities held for the payment of the Bonds at maturity or upon redemption, which cash and Defeasance Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal or Redemption Price of, and interest on the Bonds, and, after such payment, this Trust Indenture shall, subject to Section 6.03, become void; provided, however, that this Trust Indenture shall not be discharged so long as any Participating Bonds remain outstanding under a Parity Bonds Trust Indenture.

If cash or non-callable Defeasance Securities are deposited with and held by the Trustee, an escrow agent or other fiduciary as hereinabove provided, the Trustee shall within 30 days after such cash or Defeasance Securities shall have been so deposited, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08, setting forth (a) the date fixed for redemption of the Bonds, (b) a description of the cash or Defeasance Securities so held, and that (c) this Trust Indenture has been released in accordance with the provisions of this Section.

Section 9.02. Deposit of Cash or Defeasance Securities with Trustee. Whenever in this Trust Indenture or the Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee, an escrow agent or other fiduciary, cash or non-callable Defeasance Securities (certified to be sufficient by a report of an Independent Certified Public Accountant delivered to the Trustee) in the necessary amount to pay or redeem any Bonds, the cash or non-callable Defeasance Securities to be so deposited or held may include cash or Defeasance

Securities held in the funds and accounts established pursuant to this Trust Indenture, and shall be in an amount equal to the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given pursuant to Section 3.03, or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Redemption Price, and all unpaid interest to such date of redemption on such Bonds; provided that the Trustee shall have been instructed (by the terms of this Trust Indenture or the Agreement, or by Written Request of the Authority) to apply such cash or Defeasance Securities to the payment of such principal or Redemption Price of, and interest on such Bonds.

Section 9.03. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal or Redemption Price of, and interest on any of the Bonds which remain unclaimed for 2 years after the date when the principal or Redemption Price of, and interest on such Bonds have become payable, shall, at the written request of the Authority, be repaid by the Trustee (without liability for interest) to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal or Redemption Price of, and interest on such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the Written Request of the Authority, and at the expense of the Authority, mail a notice to the Owners of the Bonds so payable that such moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

Section 9.04. Surviving Provisions. Notwithstanding the satisfaction and discharge hereof, the Trustee shall retain such rights, powers and privileges hereunder as may be necessary or convenient for the payment of the principal or Redemption Price of, and interest on the Bonds, and for the registration, transfer and exchange of the Bonds.

ARTICLE X

[RESERVED]

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or Redemption Price of the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are special, limited obligations of the Authority and are payable, as to the principal or Redemption Price thereof, and interest thereon upon the redemption thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay the Bonds except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of, and interest on the Bonds as provided herein. Neither the full faith and credit of the Authority or its members (including the City) is pledged for the payment of the interest on or principal or Redemption Price of the Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal or Redemption Price of the Bonds. Neither the payment of the interest on or principal or Redemption Price of the Bonds constitutes a debt, liability or obligation on the Authority or any member of the Authority (including the City) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

Section 11.02. Benefits of this Trust Indenture. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the City and the Owners.

Section 11.03. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, Maturity Date, number and date of holding the same may be proved by the Bond Register. Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price of, and interest on the Bonds by reason of their delivery, but nothing herein contained shall

relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

Section 11.06. Cancellation of Bonds. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation. Whenever in this Trust Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and upon the Authority's request, shall deliver a certificate of such destruction to the Authority.

Section 11.07. Reserved.

Section 11.08. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with this Trust Indenture and customary corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.09. Notices. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the City, the Authority, the Trustee, and the Rating Agencies, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage redeemed, addressed to the appropriate address provided pursuant to this Section, six Business Days after deposit in the United States mail, the initial address for notices, counterparts and other communications hereunder is as follows:

If to the Authority:	Morgan Hill Financing Authority 17555 Peak Avenue Morgan Hill, California 95307 Attention: Chief Administrative Officer
If to the City:	City of Morgan Hill 17555 Peak Avenue Morgan Hill, California 95307 Attention: City Manager
If to the Trustee:	The Bank of New York Mellon Trust Company, N. A. 400 South Hope Street, Suite 400 Los Angeles, California 90071 Attention: Corporate Trust

If to S&P, to:

S&P Global Ratings
55 Water Street, 38th Floor
New York, New York 10041
Attention: Municipal Structured Group

The City, the Trustee, the Authority and the Rating Agencies may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the City, the Trustee, the Authority or the Rating Agencies, any notice required to be given hereunder in writing may be given by any form of electronic notice capable of making a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic notice.

Section 11.10. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto. The Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers.

Section 11.11. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority hereby declares that it would have entered into this Trust Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.12. California Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 11.13. Execution in Several Counterparts. This Trust Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

(Signatures on next page.)

IN WITNESS WHEREOF, the Morgan Hill Financing Authority has caused this Trust Indenture to be executed in its name by the Chief Administrative Officer and attested by its Secretary, and The Bank of New York Mellon Trust Company N.A., as Trustee, has caused this Trust Indenture to be executed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE CITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED NUMBER
No. R-_____

DOLLARS
\$_____

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Interest Rate	Maturity Date	Dated Date	CUSIP No.
%	October 1, ____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The Morgan Hill Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), for value received hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to the Registered Owner set forth above on the Maturity Date set forth above (subject to any right of prior redemption as provided for in the Trust Indenture herein defined) the Principal Amount set forth above, together with interest thereon (computed on a 360-day year, 30-day month basis) from the date of this Bond if this Bond is authenticated and registered on or prior to the first Record Date (defined in the Trust Indenture referenced below as the fifteenth calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day), or if this Bond is authenticated and registered after the first Record Date, it shall bear interest from the Interest Payment Date (as defined in the Trust Indenture) next preceding the date on which this

94864037.3

Bond is authenticated and registered, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date, until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021. The principal or Redemption Price of, and interest on this Bond are payable in lawful money of the United States of America at the Corporate Trust Office of The Bank of New York Mellon Trust Company, N.A., in San Francisco, California, or such other place as it, or its successor, may designate, as trustee for the Bonds (the "Trustee"), as set forth in the Trust Indenture. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the Registered Owner hereof at the close of business on the Record Date next preceding the applicable Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Registered Owner at his address as it appears on such books, provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds then outstanding, upon written request of such Registered Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the Interest Payment will be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Registered Owner.) The principal or Redemption Price of this Bond shall be payable only to the person whose name appears in such registration books as the Registered Owner hereof, such principal or Redemption Price to be paid only upon the surrender of this Bond, at the office of the Trustee where the Bonds are paid by the Trustee, at maturity or prior redemption.

This Bond is one of the duly authorized series of bonds of the Authority designated as "Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020" (the "Bonds") in the aggregate principal amount of \$[Par Amount], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), issued under and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code (together, the "Bond Law"), and the provisions of a trust indenture (the "Trust Indenture"), dated as of December 1, 2020, between the Authority and the Trustee. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Trust Indenture.

All of the Bonds are equally and ratably secured by a pledge of the Revenues in accordance with the terms and conditions of the Trust Indenture, and reference is hereby made to the Bond Law and the Trust Indenture for a description of the terms on which the Bonds are issued, for the provisions with regard to the nature and extent of the security provided for the Bonds and of the nature, extent and manner of enforcement of such security, and for a statement of the rights of the Registered Owners of the Bonds; and all the terms of the Trust Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner from time to time of this Bond, and to all the provisions thereof the Registered Owner of this Bond, by his or her acceptance hereof, consents and agrees; and each Registered Owner hereof shall have recourse to

all the provisions of the Bond Law and the Trust Indenture and shall be bound by all the terms and conditions thereof.

The Revenues consist of Installment Payments and other payments to be made by the City of Morgan Hill (the “City”) and received by the Authority pursuant to an installment purchase agreement (the “Agreement”) between the Authority and the City, as well as interest and other income from any investment of moneys in certain funds and accounts (other than the Rebate Fund) held by the Trustee under the Trust Indenture. Under the Agreement, the City has agreed to purchase the Project from the Authority, and to make Installment Payments and other payments pursuant to the Agreement from the Net Revenues. The obligation of the City to make the Installment Payments is a special obligation of the City payable solely from Net Revenues of the City’s wastewater collection system as provided in the Agreement. The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the Installment Payments under the Agreement.

The City may, as provided in the Agreement, incur additional obligations, payable from the Net Revenues on a parity with the Installment Payments. Copies of the Agreement and the Trust Indenture are on file at the Corporate Trust Office of the Trustee in San Francisco, or such other place as it or its successor may designate.

The Bonds are subject to redemption as provided in the Trust Indenture.

This Bond is transferable or exchangeable for other Authorized Denominations by the Registered Owner hereof, in person or by its duly authorized attorney at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Indenture, and upon surrender and cancellation of this Bond. Upon such transfer or exchange a new fully registered Bond or Bonds, of Authorized Denomination or Denominations, of the same series, tenor, Maturity Date and interest rate for the same aggregate principal amount will be issued to the Registered Owner in exchange hereof.

The rights and obligations of the Authority and of the Registered Owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Trust Indenture, but no such amendment shall: (a) extend the stated maturities of the Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of this Bond, without the express written consent of the Registered Owner of this Bond; (b) reduce the percentage of Bonds required for the written consent to an amendment of the Trust Indenture; or (c) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Trust Indenture.

The Trust Indenture prescribes the manner in which it may be discharged and after which the Bonds will no longer be secured by or entitled to the benefits of the Trust Indenture.

The Bonds do not constitute an indebtedness of the Authority or any member thereof, including the City, within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Authority nor any member thereof, including the City or any officer or employee thereof, shall be liable for the payment of the interest on or principal of or redemption

premiums, if any, on the Bonds otherwise than from the proceeds of the Revenues and certain other funds as provided in the Trust Indenture.

This Bond shall not be entitled to any benefits under the Trust Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually authenticated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law and other laws of the State of California, and that the amount of this Bond, together with all other obligations of the Authority, does not exceed any limit prescribed by the Bond Law or any other laws of the State of California, and is not in excess of the principal amount of the Bonds permitted to be issued under the Trust Indenture.

The Morgan Hill Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary, and has caused this Bond to be dated the Bond Date set forth above.

MORGAN HILL FINANCING AUTHORITY

By: _____
President

Attest:

By: _____
Secretary

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION TO APPEAR ON BONDS)

This is one of the Bonds described in the within mentioned Trust Indenture which has been authenticated and registered on _____.

The Bank of New York Mellon Trust Company,
N.A., as Trustee

By: _____
Authorized Officer

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	—	as tenants in common
TEN ENT	—	as tenants by the entireties
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common
COMM PROP	—	as community property

UNIF GIFT MIN ACTCustodian.....under Uniform Gifts to Minors Act
(Cust.) (Minor)
.....
(State)

Additional abbreviations not in the above list may also be used.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

 (Print or type name, address and social security or other tax identification number of assignee)
 this within-registered bond and all rights thereunder, and hereby irrevocably constitute(s) and
 appoint(s) _____, attorney, to transfer the same on the
 registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

 Signature must be guaranteed by an
 institution which is a participant in the
 Securities Transfer Agent Medallion
 Program (STAMP) or similar
 program.

 Notice: The signature(s) on this
 assignment must correspond
 with the name(s) as it appears
 on the face of the within
 Bond in every particular,
 without alteration,
 enlargement, or any change
 whatsoever.

 Authorized Officer

EXHIBIT B
FORM OF COST OF ISSUANCE FUND REQUISITION

TO: The Bank of New York Mellon, N.A., as Trustee
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

RE: Disbursement from the Cost of Issuance Fund pursuant to Section 4.05 of the Trust Indenture (the "Trust Indenture"), dated as of December 1, 2020, by and between The Bank of New York Mellon, N.A., as trustee (the "Trustee") and the Morgan Hill Financing Authority (the "Authority")

REQUISITION NO. _____

You are hereby instructed to pay, from the Cost of Issuance Fund established pursuant to the Trust Indenture, the amounts set forth in the attachment hereto, to the persons or entities designated therein as Payee. These costs have been properly incurred, are a proper charge against the Cost of Issuance Fund, and have not been the basis of any previous disbursements.

All payments shall be made by check or wire transfer in accordance with the payment instructions set forth in the attachment hereto or the invoice delivered in connection therewith, and the Trustee shall rely on such payment instructions as though given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

Dated: _____, 20__

MORGAN HILL FINANCING AUTHORITY

By: _____
City Manager

ATTACHMENT 1

Upon presentation of an invoice from the Payees listed below, the Trustee is instructed to pay such invoices up to the following amounts and all such payments shall be made by check or wire transfer in accordance with the payment instructions set forth below or in the invoices submitted hereunder and the Trustee may rely on such payment instructions given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein:

Payee	Description	Amount
-------	-------------	--------

NRF DRAFT
10/30/20

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the City of Morgan Hill (the “City”) in connection with the issuance by the Morgan Hill Financing Authority (the “Authority”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued under a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, (the “Trustee”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” each March 31 after the end of the City’s fiscal year.

“*Dissemination Agent*” means initially the City, or any successor Dissemination Agent designated in writing by the City, and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding statements and tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) The information for the most recently completed fiscal year in the form of the following tables in the Official Statement (in each case based on actual results for the most recently-completed fiscal year only; no projections for future years is required):

- (A) Table 3, Customer Accounts and Percentage of Sewer Service Charge Revenues.
- (B) Table 4, Ten Largest Sewer Accounts.
- (C) Table 7, Delinquency Rates for Collection of Payment for Sewer Services.
- (D) Table 10, Historical Summary Statement of Revenues, Expenses and Debt Service Coverage.

(iii) A summary of any changes in the City's sewer service charges for the Enterprise since the date of the previous Annual Report.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (vii) Modifications to rights of Bond holders, if material.
- (viii) Bond calls, if material, and tender offers.
- (ix) Defeasances.

- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the City.
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any successor Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (with the prior written consent of the Dissemination Agent, if such amendment affects its rights or duties hereunder), and any provision of this Disclosure Certificate may be waived, provided that the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any

loss, expense, suit, claim, judgment, damages and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall have the same rights, protections and immunities hereunder as afforded to it as Trustee (to the extent that the Dissemination Agent is the Trustee). It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the City.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2020

CITY OF MORGAN HILL

By : _____
Christina Turner,
City Manager

EXHIBIT A**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Morgan Hill Financing Authority (the “Authority”)

Name of Issue: Morgan Hill Financing Authority Sewer Revenue Bonds Series 2020

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the City of Morgan Hill (the “City”) has not provided an Annual Report with respect to the above-captioned Bonds as required by the Continuing Disclosure Certificate dated as of _____, 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER ___, 2020

NEW ISSUE - FULL BOOK-ENTRY**RATING: S&P: “_”**
See “RATING herein.”

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS.”

[Add City Logo]

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Dated: Date of Delivery**Due: October 1, as shown on inside cover**

The bonds captioned above (the “Bonds”) are being issued by the Morgan Hill Financing Authority (the “Authority”) pursuant to resolutions adopted by the Authority Commission of the Authority and City Council of the City of Morgan Hill (the “City”) on November 18, 2020; an Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”); and a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are being issued to provide funds to the City to (i) finance certain public capital improvements to the City’s wastewater collection system (the “Enterprise”); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in this Official Statement). Net Revenues consist of certain revenues of the Enterprise as more fully described in this Official Statement. See “SECURITY FOR THE BONDS” in this Official Statement. No debt service reserve fund will be established for the Bonds.

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption.”

The Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on April 1, 2021, and will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. With respect to any Interest Payment Date, the Record Date is the 15th calendar day of the preceding month, whether or not that day is a Business Day (as defined in the Indenture). The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS.”

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

This cover page contains certain information for quick reference only and is not a summary of information about the Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision relating to the purchase of any Bonds.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Norton Rose Fulbright US LLP, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter’s Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about December ___, 2020.

STIFEL

December ___, 2020

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

\$ _____ * **Serial Bonds**
(Base CUSIP: 61739S)

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†]
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\$ _____ * _____ % Term Bonds due October 1, _____; Yield _____ %; Price _____ CUSIP[†] No. _____

* Preliminary, subject to change.

† Copyright 2020, American Bankers Association. CUSIP data in this Official Statement are provided for convenience of reference only. None of the City, Authority or Underwriter assumes any responsibility for the accuracy of these CUSIP data. The CUSIP number for a specific maturity is subject to being changed after delivery of the Bonds as a result of various subsequent actions, including a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF MORGAN HILL
COUNTY OF SANTA CLARA, CALIFORNIA**

City Council

Rich Constantine, *Mayor*
Yvonne Martínez Beltrán, *Mayor Pro Tempore*
Larry Carr, *Councilmember*
Rene Spring, *Councilmember*
John K. McKay, *Councilmember*

City Officials and Staff

Christina Turner, *City Manager*
Harjot Sangha, *Assistant to the City Manager*
Dat Nguyen, *Director of Finance*
Chris Ghione, *Public Services Director*
Donald Larkin, *City Attorney*
Irma Torrez CMC, *City Clerk*

MORGAN HILL FINANCING AUTHORITY

Authority Commission

Rich Constantine, *President*
Yvonne Martínez Beltrán, *Vice President*
Larry Carr, *Member*
Rene Spring, *Member*
John K. McKay, *Member*

SPECIAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Bond and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

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OFFICIAL STATEMENT

\$ _____^{*} MORGAN HILL FINANCING AUTHORITY SEWER REVENUE BONDS, SERIES 2020

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of \$ _____^{} Morgan Hill Finance Authority Sewer Revenue Bonds, Series 2020 (the “Bonds”) that are being issued by the City of Morgan Hill, California (the “City”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. Capitalized terms used, but not defined, in this Official Statement have the meanings given to them in the Indenture (as defined below).*

Authority for Issuance and Application of Proceeds

The Bonds are being issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”), resolutions adopted by the Authority Commission and City Council of the City on November 18, 2020, and an Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”). The Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain public capital improvements for the Enterprise (as defined below); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The City and the Enterprise

The City of Morgan Hill (the “City”) is located in Santa Clara County, California (the “County”), against the foothills of the Coastal Ranges near the southern end of the Santa Clara Valley. The City lies about 70 miles south of San Francisco and 20 miles south of San Jose, and sits cradled in a long narrow valley floor between the Santa Cruz Mountains on the west and Mount Hamilton Range on the east. As of January 1, 2020, the City had a population of approximately 46,454. See APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA.”

The Enterprise is administered by the Utilities Division of the City’s Department of Engineering and Utilities and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The City’s wastewater collection system (the “Enterprise”) collects, pumps and transports wastewater, but does not treat or dispose of it.

^{*} Preliminary, subject to change.

The City outsources the treatment of all the wastewater it collects to a wastewater treatment plant (the “SCRWA Treatment Plant”) located in the City of Gilroy (“Gilroy”), which is owned and operated by South County Regional Wastewater Authority (“SCRWA”), a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, entered into and effective on June 1, 1992, by and between the City and Gilroy (the “SCRWA JPA Agreement”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. See “THE ENTERPRISE.”

The Authority

The Morgan Hill Finance Authority (the “Authority”) was established pursuant to (i) Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and (ii) an Amended and Restated Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “JPA Agreement”), by and between the City, and the Parking Authority of the City of Morgan Hill (the “Parking Authority”), which was established pursuant to the Parking Law of 1949 as codified in Streets and Highways Code Section 32500, *et seq.* See “THE AUTHORITY.”

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on April 1 and October 1, commencing April 1, 2021 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued and delivered in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to their maturity, as described herein. See “THE BONDS – Redemption.”

Security for the Bonds

General. The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in “SECURITY FOR THE BONDS – Pledge of Net Revenues; Sewer Fund”). Net Revenues consist of certain revenues of the Enterprise, as more fully described under the heading “SECURITY FOR THE BONDS.” In the Installment Purchase Agreement, the City is also obligated under a rate covenant to fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year as described under the heading “SECURITY FOR THE BONDS – Rate Covenant.”

No debt service reserve fund will be established for the Bonds. The Indenture establishes a Bond Reserve Fund and provides that future issuances of Parity Bonds (defined below) may be secured by the Bond Reserve Fund (the “Participating Bonds”). The Bonds are not Participating Bonds, and the Bond

Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any other reserve fund established in connection with any other series of Parity Bonds (a “Parity Bonds Series Reserve Fund”).

Limited Obligations. The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

Parity Debt

The Authority may at any time issue bonds, secured by obligations of the City that are secured by a pledge of Net Revenues on a parity with the Installment Payments (“Parity Obligations”), that are issued pursuant to the Indenture or another indenture (“Parity Bonds”). On the delivery date of the Bonds, the Authority’s \$15,690,000 Sewer Revenue Bonds, Series 2015 (the “Series 2015 Bonds”), currently outstanding in the aggregate principal amount of \$8,775,000 are the only Parity Bonds.

Subject to certain conditions contained in the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations on a parity (“Parity Obligations”) with the Installment Payments, the payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, in addition to the obligations under the Installment Purchase Agreement. On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Obligations Payable From Net Revenues.”

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” [assumes FY 2020 audit is included in the OS]

Further Information

The summaries and references of the Indenture, the Installment Purchase Agreement and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

THE BONDS

General

The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement. Principal of the Bonds will be payable in accordance with the maturity schedule shown on the inside of the front cover of this Official Statement, subject to any optional redemptions prior to maturity. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021 (each an “Interest Payment Date”). The Bonds will initially be delivered as one fully registered certificate for each maturity and will be delivered by means of the book-entry system of DTC, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Each Bond that is authenticated and registered on or prior to the first Record Date (defined below) will bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond that is authenticated and registered after the first Record Date will bear interest from the Interest Payment Date next preceding its date of authentication and registration, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it will bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond will bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid. “Record Date” means, with respect to any interest payment date, the 15th day of the month preceding the Interest Payment Date.

Redemption*

Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the redemption price, plus accrued interest to the date of purchase. All Bonds so purchased will be delivered to the Trustee for cancellation.

Selection of Bonds for Redemption. If less than all the outstanding Bonds are to be redeemed at any one time, the Authority will, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions of Bonds of the same maturity date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in

* Preliminary, subject to change.

integral multiples of \$5,000. Within each maturity, Bonds will be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions of Bonds for redemption shall be conclusive in the absence of fraud.

Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee will mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee will also provide notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal will be an action by the holders of the Bonds for specific performance. Each such notice will state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed, and will give notice that further interest on such Bonds or the portions of the Bonds to be redeemed will not accrue from and after the redemption date, and will require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any related redemption notice, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption is not redeemable in whole, such notice will also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds are deemed to have been paid in accordance with the Indenture or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys has not been so received the notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner of such Bond at the expense of the Authority a new Bond or Bonds of the same maturity date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, and money for the payment of the redemption price of the Bonds or portions of Bonds so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the Bonds or such portions of Bonds so called for redemption will cease to accrue and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price of such Bonds, and the interest accrued on such Bonds to the redemption date.

DEBT SERVICE REQUIREMENTS

The principal of and interest payable on the Bonds and the Series 2015 Bonds is set forth on the following table.

Fiscal Year Ending June 30	Series 2015 Bonds			Bonds			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$1,520,000.00	\$419,500.00	\$1,939,500.00	\$	\$	\$	\$
2022	1,600,000.00	341,500.00	1,941,500.00				
2023	1,520,000.00	263,500.00	1,783,500.00				
2024	335,000.00	217,125.00	552,125.00				
2025	350,000.00	201,750.00	551,750.00				
2026	365,000.00	185,625.00	550,625.00				
2027	380,000.00	167,000.00	547,000.00				
2028	400,000.00	147,500.00	547,500.00				
2029	420,000.00	129,100.00	549,100.00				
2030	440,000.00	113,550.00	553,550.00				
2031	450,000.00	98,525.00	548,525.00				
2032	470,000.00	82,425.00	552,425.00				
2033	485,000.00	65,712.50	550,712.50				
2034	500,000.00	48,162.50	548,162.50				
2035	520,000.00	29,675.00	549,675.00				
2036	540,000.00	10,125.00	550,125.00				
2037	--	--	--				
2038	--	--	--				
2039	--	--	--				
2040	--	--	--				
2041	--	--	--				
2042	--	--	--				
2043	--	--	--				
2044	--	--	--				
2045	--	--	--				
2046	--	--	--				
2047	--	--	--				
2048	--	--	--				
2049	--	--	--				
2050	--	--	--				
Total	\$10,295,000.00	\$2,520,775.00	\$12,815,775.00	\$	\$	\$	\$

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of Bonds	\$
Plus/Less Premium/Discount	
Total	\$ _____

Uses:

Deposit to Project Fund	\$
Deposit to Cost of Issuance Fund ⁽¹⁾	
Total	\$ _____

⁽¹⁾ Costs of issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee, printing expenses, rating fee, underwriter's discount and other miscellaneous costs.

FINANCING PLAN

The Bonds are being issued to provide funds to (i) finance the acquisition and construction of public capital improvements for the Enterprise (the "Wastewater Projects"); and (ii) pay the costs of issuing the Bonds. The Wastewater Projects include repair and replacement of pipes, sewer main upgrades, SCRWA plant expansion and improvements, sewer trunk repair and replacement, and new sewer mains and trunk line.

The Wastewater Projects may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by an opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds.

SECURITY FOR THE BONDS

Pledge of Revenues under Indenture

The Bonds are payable from, and secured by, a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. "Revenues" means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Installment Purchase Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Indenture.

Under the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Installment Purchase Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee.

Pledge of Net Revenues; Sewer Fund

Pursuant to the Installment Purchase Agreement, all Net Revenues (defined below) are, pursuant to Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto, irrevocably pledged to the payment of the Installment Payments and will not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations (defined below under the heading “- Additional Obligations from Net Revenues”), will, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues.

Under the Installment Purchase Agreement, the City covenants that all Gross Revenues will be received by the City in trust and, except for the proceeds of any casualty insurance or condemnation award after the payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds (the “Net Proceeds”), will be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has theretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Installment Purchase Agreement. The City may designate one or more existing funds to satisfy the foregoing requirements. As of the date of this Official Statement, the Sewer Fund consists of the Sewer Operating Fund and Sewer Impact Fund, as accounted for by the City for budget purposes. See “THE ENTERPRISE - Enterprise Funds.” The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund are required to be used and applied by the City in accordance with the Installment Purchase Agreement.

Certain Definitions. The terms “Net Revenues,” “Gross Revenues” and “Operation and Maintenance Costs” are defined in the Installment Purchase Agreement as follows:

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year. Amounts transferred from the Rate Stabilization Fund and System Replacement Fund may also be included in Net Revenues as described under the heading “- Rate Stabilization Fund.”

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Installment Purchase Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than

Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

Special Obligations

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

No Debt Service Reserve Fund

No debt service reserve fund will be established for the Bonds.

The Indenture establishes a Bond Reserve Fund and provides that Participating Bonds may be secured by the Bond Reserve Fund. The Bonds are not Participating Bonds, and the Bond Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any Parity Bonds Series Reserve Fund.

Allocation of Gross Revenues

Under the Installment Purchase Agreement, the City covenants to, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund will be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes provided in the Installment Purchase Agreement and, as to funds held under the Indenture, the Indenture.

Installment Payments. Not later than each Installment Payment Date, the City will, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City will also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

Reserve Fund. If Parity Bonds are issued in the future, on or before the first Business Day of each month, the City will, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in the Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore:

- (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due under the Installment Purchase Agreement or to pay installment payments pledged to the payment of other Participating Bonds;

- (ii) any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and
- (iii) the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained in the Bond Reserve Fund;

provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Indenture, transfers under the Installment Purchase Agreement to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

Under the Indenture, “Required Reserve” means \$0; provided that, (1) with respect to any issuance of Participating Bonds in the future, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to the issuance of any Parity Bonds Series Reserve Fund in the future, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations contained in the Installment Purchase Agreement, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and Sewer System Replacement Fund. See “THE ENTERPRISE - Enterprise Funds.”

Application of Revenues under Indenture

Except as provided in the Indenture, all money in the Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the Debt Service Fund to be maintained by the Trustee, in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Redemption Account.

All money in each of such accounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Indenture and described below. The Trustee will transfer from the Debt Service Fund the following amounts at the times and in the manner provided below, and will deposit such amounts in one or more of the following respective funds or accounts, and each of which will be disbursed and applied only as authorized in the Indenture and described below. Such amounts will be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

Interest Account. On each Interest Payment Date, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee will set aside from the Debt Service Fund and deposit into the Interest Account the amount of money that is equal

to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date. No deposit need be made to the Interest Account on any date if the amount contained in the Interest Account is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Principal Account. On each Bond maturity date, the Trustee will set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date. No deposit need be made to the Principal Account on any date if the amount contained in the Principal Account is at least equal to the aggregate principal amount of outstanding Bonds maturing on such date.

Redemption Account. All prepayments of Installment Payments made by the City under the Installment Purchase Agreement will be deposited into the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of outstanding Bonds as directed by the City.

Rate Stabilization Fund and System Replacement Fund

The Installment Purchase Agreement provides that the City may, at any time, determine to deposit into the Rate Stabilization Fund and System Replacement Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund and System Replacement Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund and System Replacement Fund must be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund and System Replacement Fund will be included as Net Revenues. See “THE ENTERPRISE – Enterprise Funds - Sewer Rate Stabilization Fund and System Replacement Fund.”

Rate Covenant

The City covenants under the Installment Purchase Agreement that it will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

- (i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- (ii) The Installment Payments, all other Parity Obligation Payments (defined below under the heading “- Additional Obligations Payable from Net Revenues”), and all Subordinate Obligation Payments as they become due and payable;
- (iii) All payments, if any, required for compliance with the terms of the Installment Purchase Agreement or of any Parity Bonds Trust Indenture requiring restoration of the Bond Reserve Fund to an amount equal to the Required Reserve; and
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

In addition to the requirements described above, the City will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but will not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described above.

Insurance

Coverage Requirement. Under the Installment Purchase Agreement, the City covenants to procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise, to the extent insurance is available for reasonable premiums from a reputable insurance company; provided, that such insurance coverage may be satisfied under a self-insurance program.

The City also covenants to procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its City Council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance will afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

Use of Net Proceeds. If all or any part of the Enterprise is damaged or destroyed, the Net Proceeds realized by the City as a result of such damage or destruction will be deposited by the City with the Trustee in a special fund that the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited into the Sewer Fund and applied as provided in the Installment Purchase Agreement; provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments will be subject to any similar provisions for Parity Obligations on a pro rata basis. If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Eminent Domain

Under the Installment Purchase Agreement, if all or any part of the Enterprise is taken by eminent domain proceedings, the Net Proceeds realized by the City from such proceedings will be deposited by the City with the Trustee in a special fund which the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited in the Sewer Fund and applied as provided in the Installment Purchase Agreement, provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings will be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City will deposit such proceeds into the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Parity Bonds

The Authority may from time to time issue Parity Bonds. On the delivery date of the Bonds, the Series 2015 Bonds are the only Parity Bonds outstanding.

Additional Obligations Payable from Net Revenues

Under the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations, the payments under which ("Parity Obligation Payments") are Parity Obligations, in addition to the obligations under the Installment Purchase Agreement, so long as certain conditions are met, including that the Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued will be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations. *On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding.*

The City may adjust the foregoing Net Revenues to reflect:

- An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise that was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but that, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;
- An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

THE AUTHORITY

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and the JPA Agreement. The governing board of the Authority is the Authority Commission and is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the financing of certain public improvements and to issue the Bonds under the Bond Law. The Authority has no taxing power.

The Authority and City are each separate and distinct legal entities, and their respective debts and obligations are not debts or obligations of the other entity. The JPA Agreement provides that the members of the Authority are the City and Parking Authority. The City has covenanted in the Installment Purchase Agreement to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

THE ENTERPRISE

General

The Enterprise is administered by the Sewer Division of the City's Department of Utilities and Engineering and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The Enterprise collects, pumps and transports wastewater, but does not treat or dispose of it. The City outsources the treatment of all the wastewater it collects to the SCRWA Treatment Plant located in Gilroy, as described below under the heading "– Treatment of Wastewater by SCRWA."

The average daily flow, peak day flow and treatment capacity of the Enterprise, each as measured in million gallons per day (“mgd”), are shown in the table below for calendar years 2015 through 2019.

Table 1
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL OPERATING STATISTICS
CALENDAR YEARS 2015 THROUGH 2019⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Daily Flow	2.36	2.39	2.68	2.29	2.5
Peak Day Flow	3.77	3.77	6.39	3.22	4.09
Treatment Capacity ⁽²⁾	3.56	3.56	3.56	3.56	3.56

⁽¹⁾ Amounts shown are in mgd.

⁽²⁾ 41.9% of 8.5mgd plant capacity.

Source: City of Morgan Hill.

COVID-19 Pandemic Impact

The impact of the COVID-19 on projected income and expenses for the Enterprise are currently expected to be [within range of management expectations for _____ that were developed prior to the COVID-19 pandemic]. The California Governor’s Executive Order suspending the public water system’s ability to disconnect water service to residences and small business is having some impact on delinquencies for the Enterprise. The number of delinquent accounts increased to about 500 accounts as of _____ compared to [a [monthly] average of approximately] 200 accounts in prior years. The delinquent accounts represent approximately \$300,000 or 2% of current year budgeted sewer service fees. See, “Table 7 – City of Morgan Hill Enterprise Delinquency Rates for Collection of Payment for Sewer Services for Fiscal Years 2015-16 through 2019-20” for delinquency rates in recent years.

Management

Set forth below are biographies of members of senior staff of the City with responsibility for the Enterprise. Operations of the Enterprise are carried out under the general supervision of the City’s Public Services Director.

Christina Turner, City Manager.

Chris Ghione, Public Services Director.

Harjot Sangha, Assistant to the City Manager.

Dat Nguyen, Director of Finance.

Existing Facilities

The Enterprise’s facilities consist of a wastewater collection system that includes approximately 170 miles of sewer lines and 14 lift stations that are used to transport wastewater to the SCRWA Treatment Plant.

Treatment of Wastewater by SCRWA

General. All wastewater collected by the City is conveyed to and treated by SCRWA, a joint exercise of powers authority formed by the SCRWA JPA Agreement, whose members are the City and Gilroy (each, a “Member Agency”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. The City has 42% capacity rights in the SCRWA Treatment Plant.

SCRWA Governance. SCRWA is governed by a Board of Directors (the “Board”) consisting of five board members (each, a “Director”). Of the five board members, two are City Council members of the City and three are City Council members of Gilroy. Each Director is entitled to cast one vote on any measure, and a majority of votes present and qualified to vote (comprised of at least one Director from each Member Agency) is required to pass the measure.

SCRWA Annual Budget Process. The SCRWA JPA Agreement requires a budget to be prepared at or prior to each May meeting of the Board for the ensuing fiscal year (being each July 1st to and including the following June 30th); be submitted, immediately after preliminary approval by the Board, to the city councils of the Member Agencies for incorporating into their respective annual budgets; and receive final approval by the Board by July 1st of such fiscal year.

Expenses Relating to SCRWA. SCRWA’s revenues and expenses are shared among the Member Agencies based on a formula or formulas determined by the Board, as expressed in SCRWA’s budget. In the two-year budgets for fiscal years 2017-18 and 2018-19 (the “2017-18 and 2018-19 Budget”), adopted by the Board on June 7, 2017, and fiscal years 2019-20 and 2020-21 (the “2019-20 and 2020-21 Budget”), adopted by the Board on June 5, 2019, the cost allocations are as follows:

	FY 2017-18 Cost Allocation		FY 2018-19 Cost Allocation		FY 2019-20 Cost Allocation		FY 2020-21 Cost Allocation	
	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>
Operational Costs:	61.0%	39.0%	59.0%	41.0%	62.0%	38.0%	60.0%	40.0%
Capital Costs:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%
Contributions for SCRWA Reserve:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%

Source: City of Morgan Hill.

The City treats the “Operational Costs” and “Contributions for the SCRWA Reserve” that it pays to SCRWA as operations and maintenance expenses for accounting purposes. It also treats “capital costs” that it pays to SCRWA as capital expenditures that, if paid from Net Revenues, would be payable on a subordinate basis to debt service for the Bonds under the Indenture.

A five-year history of the City's costs is shown in the table below.

<u>Fiscal Year</u>	<u>Operational Costs⁽¹⁾</u>	<u>Capital Costs</u>	<u>Total</u>
2015-16	\$3,790,244	\$5,569,952	\$9,360,196
2016-17	3,786,134	2,982,386	6,768,520
2017-18	3,860,578	1,163,995	5,024,573
2018-19	3,699,152	2,376,089	6,075,241
2019-20	4,078,112	1,072,394	5,150,506

⁽¹⁾ Includes annual contributions to SCRWA reserve of \$104,750, \$104,750, \$41,900, \$104,750 and \$125,700 for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, respectively.

Source: City of Morgan Hill.

The SCRWA JPA Agreement provides that the amounts a Member Agency is required to pay to SCRWA are due and payable 30 days after receipt of monthly billing from the Board. It also provides that SCRWA may determine to bill in advance of expenditures based on the approved budget. Any surplus moneys (reflecting the difference between budgeted amounts and actual costs) must be returned in cash or by way of a credit to that Member Agency in proportion to the funds provided. Amounts billed are due and payable, and become delinquent, 30 days after a bill is rendered and, thereafter, incur a delinquency penalty or interest charge until paid. The delinquency charge or interest rate charge is set by written policy of the Board. The City has never incurred a delinquency penalty or interest charge.

SCRWA Power to Issue Indebtedness. The SCRWA is empowered by the SCRWA JPA Agreement to issue bonds for the purpose of raising funds necessary to accomplish its purposes under the SCRWA JPA Agreement and to enter into appropriate agreements or leases to secure such bonds, or issue any other forms of indebtedness in accordance with the provisions of the Bond Law or other State law, but only with the consent of the Member Agencies. Any obligations of the City in connection with such bonds or other forms of indebtedness would be Parity Obligations.

SCRWA Financial Documents. As of the date of this Official Statement, the 2019-20 and 2020-21 SCRWA Budget may be obtained on the Internet at the following address: <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

For SCRWA's financial statements for the fiscal year ended June 30, 2019, see <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

Enterprise Capital Improvement Program

The City expects to fund the CIP from amounts on deposit in the Sewer Impact Fund and Sewer System Replacement Fund (the amount in which will include proceeds of the Bonds). The CIP budget for the Enterprise for the fiscal years shown is summarized below.

Table 2
CITY OF MORGAN HILL ENTERPRISE
RECOMMENDED CAPITAL IMPROVEMENT PROGRAM
(Dollars in Thousands)

Project	FY 20-21 Recommended	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected	Total
Sanitary Sewer Rehabilitation	\$9,500,000	\$4,396,786	\$2,393,700	\$2,393,700	\$2,393,700	\$21,077,886
Sewer Plant Expansion Project	3,937,500	7,875,000	7,875,000	7,875,000	3,937,500	31,500,000
Sewer Plant Improvement	2,400,000	1,060,000	-	-	-	3,460,000
Lift Station Rehabilitation	2,080,000	-	-	-	-	2,080,000
New Trunk Line	50,000	100,000	14,500,000	14,500,000	-	29,150,000
New Sewer Mains	859,099	-	2,474,622	-	-	3,333,721
Total	\$18,826,599	\$13,431,786	\$27,243,322	\$24,768,700	\$6,331,200	\$90,601,607

Source: City of Morgan Hill.

SCRWA Capital Improvement Budget

In the [2019-20 and 2020-21 Budget,] SCRWA's capital improvement budget ("CIB") provides a six-year window of projects to be completed within the CIB horizon. Capital costs are allocated between the cities of Gilroy and Morgan Hill at 58.1% and 41.9%, respectively. In May 2015, the Board reviewed and approved the major capital improvements program consistent with the timeline recommendations of a 2014 flow projection report based in part on planned land use reflected by the City's and Gilroy's respective General Plans. The findings indicated that the anticipated increase in the treatment capacity is not needed until 2021.] The City and Gilroy are currently reviewing and updating their respective General Plans.

The most up-to-date CIB is reflected in the Enterprise's capital improvement plan, which is discussed under the heading "– Capital Improvement Program."

Regulatory Issues [under review]

Enterprise Operations. The regulatory requirements applicable to the Enterprise are contained in or imposed by regulation pursuant to the following statutes, which are administered through the Regional Water Quality Control Board:

- Federal Water Pollution Control Act, as amended (33 U.S.C. §1311 et seq.);
- Resource Conservation and Recovery Act (42 U.S.C. §6901 et. seq.); and
- State of California Porter-Cologne Water Quality Control Act of 1969, as amended.

The Enterprise is also subject to the following regulations, which contain no stated expiration date:

- Order No. 2006-0003-DWQ, which is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2006/wqo/wqo2006_0003.pdf.
- State Board Monitoring and Reporting Requirements Order No. WQ 2008-0002-EXEC, entitled “Adopting Amended Monitoring and Reporting Requirements for Statewide General Discharge Requirements for Sanitary Sewer Systems” (amending Order No. 2006-0003-DWQ), promulgated by the State Water Resources Control Board (“SWRCB”). Order No. WQ 2008-0003-EXEC is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2008/wqo/wqo2008_0002_exec.pdf.

The references to the Internet websites made above are for convenience only. The information contained within the websites may not be current, has not been reviewed by the City and is not incorporated by reference in this Official Statement.

Other Enterprise Permitting Requirements. The City is not itself subject to any permitting requirements because it does not treat or dispose of wastewater. Unlike a treatment plant, the City operates under the overall SWRCB Order No. 2006-0003-DWQ as an enrollee; it is not regulated under individual “operating permit” such as a National Pollutant Discharge Elimination System (“NPDES”) permit. However, on an ongoing basis, pump station generators must annually obtain a Permit to Operate permit from the Bay Area Air Quality Management District, and the fuel storage for large fuel tanks is periodically inspected under the Santa Clara County Certified Unified Program Agency. For construction projects, the City must require its contractor to obtain a General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities (Order No. 2009-0009-DWQ) for all categories of construction storm water discharges. This is done through the State of California Storm Water Multiple Application and Report Tracking System (or SMARTS) program. In addition, construction requires permits from other agencies depending on the nature of the work; this includes, but is not limited to, the California Department of Fish and Wildlife, U.S. Army Corps of Engineers, the Regional Water Quality Control Board (relating to the 401 Certification), and local road agency encroachment permits.

Regulation Relating to SCRWA. [under review]

Recycled Water - General. SCRWA’s recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code and regulations promulgated by the California Department of Health Services. On February 3, 2009, the SWRCB adopted a statewide Policy for Water Quality Control for Recycled Water to support increased sustainable local water supplies by increased production and use of recycled water.

SCRWA NPDES Permits. SCRWA operates its treatment plant pursuant to the following NPDES permits:

- (i) On March 18, 2010, the Central Coast Control Board adopted the Waste Discharge Requirements for SCRWA’s treatment plant. This permit expired on March 18, 2015, but has been extended until the Central Coast Water Board adopts a new permit.
- (ii) For discharges of storm water from the site of the SCRWA Treatment Plant, SCRWA is required to seek authorization to discharge under and meet the requirements of the

SWRCB's Water Quality Order 97-3-DWQ, NPDES General Permit No. CAS000001, Waste Discharge Requirements for Dischargers of Storm Water Associated with Industrial Activities Excluding Construction Activities (the "Storm Water Discharge Requirements"). The permit essentially prohibits any non-storm water discharges from entering the storm drain system. Failure to comply with any of the provisions written in the Storm Water Discharge Requirements permit would subject SCRWA to notices of violation and fines. The City does not expect the Discharge Requirements permit to impact SCRWA (or the Enterprise) because the facility is operated in compliance with the conditions and requirements of the established NPDES permits.

No Adverse Impact Anticipated. The City is not aware of any environmental or regulatory issues that would adversely impact its ability to collect wastewater in the City, or SCRWA's ability to treat wastewater, and pay debt service on the Bonds.

ENTERPRISE REVENUES AND DEBT SERVICE COVERAGE

Customer Base

The following table shows the historical number of residential customers and combined commercial and industrial customers, as well as the approximate percentages of service charge revenues derived from the residential (single family and multifamily) use and combined commercial and industrial use for the five fiscal years ended June 30, 2016, through June 30, 2020.

Table 3
CITY OF MORGAN HILL ENTERPRISE
CUSTOMER ACCOUNTS AND PERCENTAGE OF
SEWER SERVICE CHARGE REVENUES FOR
FISCAL YEARS ENDED JUNE 30, 2016, THROUGH 2020

Fiscal Year Ended June 30	Residential		Commercial/Industrial	
	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues
2016	11,487	75%	758	25%
2017	11,682	73	762	27
2018	11,787	72	766	28
2019	12,528	74	777	26
2020	12,704	77	787	23

Source: City of Morgan Hill.

Ten Largest Accounts. The City's 10 largest customer sewer accounts for the fiscal year ended June 30, 2020, are shown below. These accounts represented an aggregate of 6.48% of total sewer service charge revenues for fiscal year 2019-20. **[Please confirm account names and amounts]**

Table 4
CITY OF MORGAN HILL ENTERPRISE
TEN LARGEST SEWER ACCOUNTS FOR FISCAL YEAR ENDED JUNE 30, 2020

<u>Name of Account</u>	<u>Type of Business</u>	<u>Sewer Service Charge Revenue</u>	<u>% of Total Sewer Service Charge Revenue</u>
Woodland Estates	Mobile Home	\$ 209,071	1.43%
Madrone Mobile Estates	Mobile Home	167,846	1.15
Village Avante	Apartments	124,954	0.86
Safeway	Grocery	74,766	0.51
Sun Basket	Food Distribution	68,363	0.47
Hacienda Valley Mobile Estates	Mobile Home	63,968	0.44
Morgan Hill Retirement Residence	Retirement Residence	62,087	0.43
Santa Clara County	County	60,833	0.42
The Ford Store	Auto Sales	59,332	0.41
		55,169	0.38
Total Top Ten		\$ 946,389	6.48
Total Sewer Service Charge Revenue		\$14,600,504	6.48%

Source: City of Morgan Hill.

Rates and Charges

Rate-Making Authority. The City Council of the City establishes the rates for the Enterprise, and the rates prescribed by the City Council are not subject to approval or regulation by any other governmental entity. The City's Department of Public Works administers and executes the policies and rates established by the City Council. The Public Works Director oversees the Department of Public Works and serves at the direction of the City Manager.

The City adopts its rates and charges on an annual basis in accordance with Articles XIIC and XIID of the California Constitution. This process is usually done each year during the budget review process. See "BOND OWNERS' RISKS - Articles XIIC and XIID of the California Constitution."

Sewer Service Charges. The City adopted its current rate schedule for sewer service charges pursuant to Ordinance No. 1345 N.S., which the City Council enacted on July 16, 1997 (the "Rate Ordinance"). The Rate Ordinance provides a schedule of sewer charge rates and was revised by Resolution No. [19-024] (the "Rate Resolution"), which the City Council adopted on May 1, 2019, in accordance with the requirements of Articles XIIC and XIID of the California Constitution.

[According to the rate schedule, all residential accounts pay a monthly sewer service charge consisting of a base fee of \$21.44 and usage fee of \$4.55 per hundred cubic feet ("HCF") as of July 1, 2019, and a base fee of \$23.37 and usage fee of \$4.95 per HCF as of July 1, 2020.]

The Rate Ordinance provides that the residential sewer usage fee is based on the average measured volume of water usage for the three consecutive low water usage months between the months of November 1st and April 30th, with a minimum of two HCF per dwelling unit and a maximum of 13 HCF per dwelling unit. The three low water usage months are annually determined by the City's Finance Director based on the total water consumed by all customers. See "BOND OWNERS' RISKS - Demand and Usage; Drought."

The charge for commercial users consists of a base rate plus a usage fee per HCF based on the measure volume of water usage per HCF. Commercial and industrial users pay a pre-treatment fee that is used by the City to pay for inspection, administration and enforcement costs.

Commercial base rates as of July 1, 2019, and July 1, 2020, are shown below and determined based on meter size:

<u>Meter Size</u>	<u>Base Rate as of July 1, 2019</u>	<u>Base Rate as of July 1, 2020</u>
5/8" & 3/4"	\$ 21.44	\$ 23.37
1"	21.44	23.37
1½"	80.26	87.48
2"	127.78	139.28
3"	278.38	303.43
4"	500.02	545.02
6"	1,109.82	1,209.70
8"	1,714.46	1,868.76
10"	2,143.08	2,335.96

[Commercial usage fees are determined based on commercial or industrial categorizations and range between \$4.35 and \$13.92 per HCF as of July 1, 2019, and \$4.74 and \$15.17 per HCF as of July 1, 2020. The Rate Ordinance provides that the sewer volume charge for commercial and industrial users is based on actual monthly water usage.]

Impact Fees. New users who are connected to the sewer system are charged an impact fee. See Table 9 for a five-year history of receipts in the Sewer Impact Fund, which receives impact fee revenues. The fee schedule as of January 15, 2020, is shown below:

<u>Classification</u>	<u>Fee Amount</u>
Single-Family Residential (Subdivision)	\$15,315
Single-Family Residential (No Subdivision)	15,315
Multifamily Residential (Subdivision)	12,962
Multifamily Residential (No Subdivision)	12,962
Senior/Downtown/Secondary Unit (Subdivision)	12,962
Senior/Downtown/Secondary Unit (No Subdivision)	12,962
Commercial	52.44
Industrial	50.43
Office	50.43

Historical Rates. The following table shows a 10-year history of the City's sewer rate (including base fee and usage fee, but excluding impact fee) increases.

Table 5
CITY OF MORGAN HILL ENTERPRISE
TEN-YEAR HISTORY OF SEWER SERVICE CHARGES

<u>As of January 1,</u>	<u>Percentage Change</u>
2011	6.0%
2012	10.0
2013	3.5
2014	3.5
2015	3.5
2016	0.0
2017	2.0
2018 ⁽¹⁾	2.0
2019	9.0
2020	9.0

⁽¹⁾ As of July 1, 2018.

Source: City of Morgan Hill.

The Rate Resolution provides for a further 9% increase in sewer service charges as of July 1, 2020, over the prior year.

Future Revisions to Rates. In April 2019, the City Council received a Final Wastewater Rate Study Report ("2019 Rate Study") from NBS, Temecula, California. The Rate Resolution is based on the 2019 Rate Study and sets rates through the five year period beginning July 1, 2019, as reflected in the discussion under the heading "- Sewer Service Charges" above.

Comparative Rates. The following table sets forth the monthly sewer service charges charged to single family residential customers within the City and the comparable charges charged to such customers in certain other regional municipalities as of the dates shown below.

Table 6
CITY OF MORGAN HILL ENTERPRISE
MONTHLY SINGLE FAMILY RESIDENTIAL SEWER SERVICE CHARGES FOR THE
CITY AND CERTAIN OTHER CITIES

<u>Local Agency</u>	<u>Effective Date</u>	<u>Monthly Sewer Service Charges</u>
City of Morgan Hill⁽²⁾	7/1/2020	\$63.00
City of Milpitas ⁽¹⁾	7/1/2020	55.54
West Valley Sanitation District	7/1/2020	51.63
City of Gilroy	7/1/2019	46.64
City of Santa Clara	6/23/2020	44.53
City of San José	7/1/2020	41.64

⁽¹⁾ Extrapolated from bi-monthly charge of \$111.07.

⁽²⁾ Estimated monthly sewer service charge for the average single-family residence (having 8 HCF of contributed flow). Sewer service charges consist of a fixed charge of \$23.37 per month and a usage fee of \$39.60 per HCF as of July 1, 2020.

Source: Respective websites of the cities listed above.

Billing and Collection Procedures. The City sends out sewer and water usage billings in a consolidated bill in four cycles on the first, second, third, and fourth Fridays of each month, so that each customer receives a billing once a month. Payment is due from each customer within 25 days after the billings are mailed. A delinquent notice, including a delinquent charge, is mailed out if a payment is not paid by the due date. If payment is not paid within two weeks following mailing of the delinquent notice, a shut-off notice, along with an additional delinquent fee (which is retained by the City's Water Fund), is mailed to the customer. The customer has an additional 10 days to pay the past-due amount. If not paid, water services are disconnected four days later. Past-due water and sewer charges must be paid before services are restored.

The delinquency rates for collection of payment for sewer services of the City (expressed as a percentage of annual total revenues received by the City for the use of sewer services) for the five fiscal years ended June 30, 2016, through June 30, 2020, are set forth in the following table. The City averages approximately 55 customer accounts being shut off each month.

Table 7
CITY OF MORGAN HILL ENTERPRISE
DELINQUENCY RATES FOR
COLLECTION OF PAYMENT FOR SEWER SERVICES
FOR FISCAL YEARS 2015-16 THROUGH 2019-20

<u>Fiscal Year</u>	<u>Delinquency Rate for Sewer Services</u>
2015-16	4.6%
2016-17	2.5
2017-18	2.7
2018-19	1.0
2019-20	1.0

Source: City of Morgan Hill.

Employee Costs

General. The Enterprise pays a portion of certain City employee costs (“Employee Costs”). The Employee Costs are: (i) labor costs of employees of the Enterprise; and (ii) costs allocated to the Enterprise for services provided to the Enterprise by other departments in the City (e.g., accounting, legal, payroll, human resources, *et al.*). The costs allocated to the Enterprise include a variety of benefit costs, the largest of which are costs relating to the City’s retirement plans consisting of a defined benefit pension plan and other post-employment benefits (“OPEB”). See “– Employee Retirement Plans” for information about the City’s employee retirement plans.

The following table shows the number of Enterprise full-time employees and the employee costs (including a variety of benefits that include costs relating to the City’s employee retirement plans) for the past five fiscal years:

<u>Fiscal Year</u>	<u>Enterprise Employees (FTEs)</u>	<u>Employee Costs</u>
2015-16	14.48	\$ 997,264
2016-17	14.48	1,560,448
2017-18	14.48	1,674,372
2018-19	14.26	1,907,193
2019-20	14.30	1,922,993

Source: City of Morgan Hill.

Labor Relations. The employees of the Enterprise (excluding management employees) are members of American Federation of State, County and Municipal Employees. The City is subject to a two-year collective bargaining agreement with American Federation of State, County and Municipal Employees, which extends through December 31, 2021, but would remain in effect until replaced. Under the agreement, the City provides a contribution towards health, dental and vision insurance, depending on coverage level. The City also pays for life insurance, long-term disability, short-term disability, worker’s compensation, and a defined benefit plan contribution.

Employee Retirement Plans. All permanent City employees, including those assigned to the Enterprise, are eligible to participate in the Public Employee’s Retirement Fund of the California Public Employees Retirement System (“PERS”). The Enterprise’s total contributions to PERS as of June 30, 2020, 2019 and 2018 were \$253,715 \$197,277 and \$155,523, respectively.

The City contracts with PERS to provide OPEB consisting of integrated medical/prescription drug coverage under the Public Employees’ Medical and Hospital Care Act. The Enterprise’s total contributions to OPEB as of June 30, 2020, 2019 and 2018 were \$68,684, \$30,097 and \$7,974, respectively.

For information about the City’s employee retirement plans, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 - Note ____.” and APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA – Employee Retirement Plans.”

Enterprise Funds

For internal accounting purposes, the City maintains four separate funds for the Enterprise. For purposes of the City’s Comprehensive Annual Financial Report, three of these funds – the Sewer Operations Fund, Sewer Rate Stabilization Fund and Sewer Replacement Fund – are consolidated into a single fund and shown as the Sewer Operations Fund. The four funds are described below.

Sewer Operations Fund. The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance and debt service are charged to the Sewer Operations Fund.

Sewer Rate Stabilization Fund. The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund. The balance on deposit in the Rate Stabilization Fund was \$2,700,000 as of June 30, 2020. See “SECURITY FOR THE BONDS – Rate Stabilization Fund.”

Sewer System Replacement Fund. This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. The fund was initially funded with one-time revenues. The initial contribution to the Sewer System Replacement Fund was \$3,500,000 from the Sewer Operations Fund. The balance on deposit in the Sewer System Replacement Fund was \$9,200,000 as of June 30, 2020. Future funding will come from transfers from the Sewer Operations Fund when available.

Sewer Impact Fund. The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. Fund is subject to the restrictions of AB 1600.

Enterprise Reserves

The City’s current wastewater reserve policies are to make every effort to maintain a minimum reserve level of 25% of the appropriated operating budget for the Sewer Operations Fund in that fund, and to keep a minimum reserve level of 20% of the annual estimated utility usage revenue accounted for in the Enterprise’s operating budget in the Sewer Rate Stabilization Fund and 3% of net depreciable capital assets in the Sewer System Replacement Fund. The City is currently in compliance with these policies. The City’s reserve policies are subject to change. The City can provide no assurance that its financial policies will not change in the future or that it will continue to maintain reserves at existing levels.

Balance Sheets

The following tables show the comparative statements of net assets for the Enterprise for periods ending June 30, 2019, and June 20, 2020:

Table 8
CITY OF MORGAN HILL ENTERPRISE
STATEMENT OF NET POSITION

	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
ASSETS				
Current assets:				
Pooled cash and investment	\$11,419,845	\$18,877,841		
Restricted pooled cash and investments	2,885,398	--		
Cash with fiscal agents	--	--		
Receivables:	--	--		
Accrued interest	59,501	62,362		
Other accounts receivable	1,633,587	4,437		
Notes receivable-current	--	228,994		
Total current assets	15,998,331	19,173,634		
Non-current assets:				
Capital assets, net	--	--		
Non-Depreciable	2,476,292	2,998,173		
Depreciable and Sewer capacity rights	24,011,911	28,937,955		
Total non-current assets	26,488,203	31,936,128		
Total assets	42,486,534	51,109,762		
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	572,696	--		
Total Deferred Outflows	572,696			
LIABILITIES				
Current liabilities:				
Accounts payable	46,725	885,097		
Accrued liabilities	286,404	6,763		
Customer deposits	1,330	31,764		
Unearned revenue	--	4,752		
Interest payable	6,622	125,816		
Current obligations for:				
Bonds payable (Note 7)	1,445,000	--		
Capacity rights payable	--	--		
Total current liabilities	1,786,081	1,054,192		
Non-current liabilities:				
Long-term liabilities for:				
Bonds payable (Note 7)	11,613,474	--		
Net pension liability (Note 8)	2,463,827	--		
OPEB payable	--	--		
Net OPEB obligation (Note 9)	446,519	--		
Capacity rights payable	--	--		
Total noncurrent liabilities	14,523,820	--		
Total liabilities	16,309,901	1,054,192		
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 8)	78,801	--		
Total Deferred Inflows	78,801			
Net position:				
Net investment in capital assets	17,760,127	31,936,128		
Restricted net position-debt service	--	--		
Restricted net position-capital expansion		18,119,442		
Unrestricted	8,910,401	--		
Total net position	\$26,670,528	\$50,055,570	\$	\$

Source: City of Morgan Hill Comprehensive Annual Financial Statements Fiscal Years Ended June 30, 2019, and June 30, 2020.

Historical Financial Results

The following table presents a summary of the operating results of the Enterprise for the five fiscal years ended June 30, 2016, through June 30, 2020.

For additional information on the financial results of the Enterprise, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020.”

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Table 9
CITY OF MORGAN HILL ENTERPRISE

	FY 15-16 Sewer Operations	FY 15-16 Sewer Impact	FY 16-17 Sewer Operations	FY 16-17 Sewer Impact	FY 17-18 Sewer Operations	FY 17-18 Sewer Impact	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
Operating Revenues:										
Charges for services ⁽¹⁾	\$ 10,471,572	\$ 35,125	\$ 10,755,87	\$ -	\$ 10,829,471	\$ -	\$ 11,998,859	\$ -	\$	\$
Other Operating Income					23,486	4,172,476	-	4,876,920		
Developer Contributions		4,808,865		1,756,909						
Total Operating Revenues	10,471,572	4,843,990	10,755,875	1,756,909	10,852,957	4,172,476	11,998,859	4,876,920		
Operating Expenses:										
Salaries and benefits	997,264		1,560,448		1,674,372		1,907,193			
Utilities and taxes	39,537		51,965		53,143		57,291			
Operations and maintenance	4,627,661	16,084	4,406,723	8,920	4,570,583	15,534	4,790,293	16,709		
Depreciation	1,513,886	1,119,377	1,565,861	1,248,154	1,619,067	1,308,480	1,220,184	1,328,079		
Amortization of sewer capacity rights	944,917		944,917		944,917		944,917			
Administrative charges	201,485	12,652	211,572	13,284	222,132	13,944	266,436	54,468		
Total Operating Expenses	8,324,750	1,148,113	8,741,486	1,270,358	9,084,214	1,337,958	9,186,314	1,399,256		
Operating Income (Loss)	2,146,822	3,695,877	2,014,389	486,551	1,768,743	2,834,518	2,812,545	3,477,664		
Non-Operating Revenues/(Expenses):										
Investment earnings	100,576	123,697	121,818	153,397	207,814	229,257	318,041	344,622		
Interest (expense)	(625,940)		(440,495)	(145,648)	(343,116)	(190,976)	(485,708)	16,328		
Total nonoperating revenues (expenses)	(525,364)	123,697	(318,677)	7,749	(135,302)	38,281	(167,667)	360,950		
Income (loss) before operating transfers	1,621,458	3,819,574	1,695,712	494,300	1,633,441	2,872,799	2,644,878	3,838,614		
Capital Contributions										
Transfers in	63,368				232,776		232,692			
Transfers (Out)	(652,935)	(66,182)	(870,268)	(7,704)	(891,912)	(240,480)	(845,172)	(240,396)		
Change in net position	1,031,891	3,753,392	825,444	486,596	974,305	2,632,319	2,032,398	3,598,218		
Total Net Position-Beginning	22,076,830	39,585,045	23,108,721	43,338,437	23,663,825	43,825,033	24,638,130	46,457,352		
Restatement										
Total Net Position-Beginning, Restated										
Total Net Position-Ending	\$23,108,721	\$43,338,437	\$23,934,165	\$43,825,033	\$24,638,130	\$46,457,352	\$26,670,528	\$50,055,570	\$	\$

⁽¹⁾ In addition to sewer service charge revenues, includes investment earnings, reimbursement of expenses (such as property damage, cost sharing), penalties, lift station charges, and front footage fees.

Source: City of Morgan Hill Comprehensive Annual Financial Statement Fiscal Years Ended June 30, 2016, through June 30, 2020.

The following table presents a summary of the operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ended June 30, 2016, through June 30, 2020, calculated in accordance with the provisions of the Indenture.

Table 10
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2016, THROUGH JUNE 30, 2020

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Gross Revenues:					
Charges for current services	\$10,506,697	\$10,755,875	\$10,852,957	\$11,998,859	\$
Impact Fees	4,808,865	1,756,909	4,172,476	4,876,920	
Investment earnings	224,273	275,215	437,071	318,041	
Total Revenues	\$15,539,835	\$12,787,999	\$15,462,504	\$17,193,820	\$
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$ 997,264	\$1,560,448	\$1,674,372	\$1,907,193	\$
Operations and maintenance ⁽²⁾	4,643,745	4,415,643	4,586,117	4,790,293	
Administrative charges	214,137	224,856	236,076	266,436	
Total Operating Expenses	\$5,855,146	\$6,200,947	\$6,496,565	\$6,963,922	\$
Net Revenues ⁽³⁾	\$9,684,689	\$6,587,052	\$8,965,939	\$10,229,898	\$
Series 2015 Bonds Debt Service ⁽⁴⁾	\$528,074	\$1,936,300	\$1,939,800	\$1,939,125	\$1,938,625
Debt Service Coverage ⁽⁵⁾	18.34	3.40	4.62	5.28%	%
Net Revenues Less Impact Fees	\$4,875,824	\$4,830,143	\$4,793,463	\$5,352,978	\$
Coverage Without Impact Fees	9.23	2.49	2.47	2.76%	%

(1) Excludes depreciation, amortization and interest expense.

(2) Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

(3) Calculated in accordance with the Indenture.

(4) Excludes earnings on the reserve fund for the 2002 SCRWA bonds.

(5) Equals Net Revenues divided by Series 2015 Bonds Debt Service.

Source: City of Morgan Hill.

Projected Financial Results

The following table presents a summary of the projected operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ending June 30, 2020, through June 30, 2024, calculated in accordance with the provisions of the Indenture. The following table represents the City's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. The obligation of the City to pay debt service on the Bonds is limited to Net Revenues and the City is not obligated to apply any other revenues to pay debt service on the Bonds.

The projections assume a final rate adjustment of 5% in [2021 through 2023] and no rate adjustments thereafter, and a 2% annual growth in the number of sewer accounts and no change in flow and strength by non-residential users. The impact fees shown in the projections are based on a projected increase in development activities. The projections also assume annual Operation and Maintenance Costs of the Enterprise will increase at an average of 2% annually, primarily as a result of inflation, increased pension

costs and increased costs for operation and maintenance. In addition, the projections assume annual interest earnings on Enterprise funds of 1.5%.

Table 11
CITY OF MORGAN HILL ENTERPRISE
PROJECTED SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2020, THROUGH JUNE 30, 2024

	Projected <u>2020-21</u>	Projected <u>2021-22</u>	Projected <u>2022-23</u>	Projected <u>2023-24</u>	Projected <u>2024-25</u>
Gross Revenues:					
Charges for current services	\$13,394,453	\$14,238,146	\$15,141,760	\$16,104,201	
Impact Fees	6,225,545	6,845,919	4,890,147	5,014,637	
Investment earnings	370,194	377,598	385,150	392,853	
Total Revenues	\$19,990,192	\$21,461,663	\$20,417,057	\$21,511,691	
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$2,184,238	\$2,265,081	\$2,327,774	\$2,388,481	
Operations and maintenance ⁽²⁾	5,585,062	5,758,591	5,873,773	5,991,258	
Administrative charges	347,058	355,734	362,849	370,106	
Total Operating Expenses	\$8,116,357	\$8,379,406	\$8,564,395	\$8,749,845	
Net Revenues ⁽³⁾	\$11,873,835	\$13,082,257	\$11,852,662	\$12,761,846	
Series 2015 Bonds Debt Service					
Total Debt Service	\$1,939,500	\$1,941,500	\$1,783,500	\$552,125	
Total Debt Service Coverage ⁽⁵⁾	6.12	6.74	6.65	23.11	
Net Revenues Less Impact Fees	\$5,648,290	\$6,236,338	\$6,962,515	\$7,747,209	
Coverage Without Impact Fees	2.91	3.21	3.90	14.03	

⁽¹⁾ Excludes depreciation and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁵⁾ Equals Net Revenues divided by Total Debt Service.

Source: City of Morgan Hill.

RISK FACTORS

This section describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider these special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal of and interest on the Bonds.

Demand and Usage; Drought

There can be no assurance that the local demand for services provided by the Enterprise will continue according to historical levels. In addition, drought conditions and voluntary or mandatory water conservation measures could decrease usage of the services of the Enterprise. However, the impact of the potential drought on the Enterprise is expected to nominal because sewer service charges to residential consumers are established by measuring water consumption based on the three lowest months of water consumption in a year. As explained under the heading “THE ENTERPRISE – Rates and Charges – Sewer Service Charges,” the three-month usage is averaged together for each customer to determine the average volume of wastewater discharge. The calculated average is applied to each month of the 12-month period and represents consistent, essential internal usage. Historically, the discharge volume does not vary greatly. Of the \$63.00 that makes up the Average Monthly Single Family Residential Bill (“AMSFB”), 61% is the variable charge that is based on the average volume of wastewater discharge. The remaining 39% of the AMSFB consists of a fixed monthly charge scaled to the water meter size. On July 1, 2021, a 5.0% rate adjustment will increase the AMSFB to \$66.15.] See “THE ENTERPRISE – Rates and Charges.”

Any reduction in the level of demand or usage could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City’s rate covenants. Such rate increases could increase the likelihood of nonpayment.

Enterprise Operation and Maintenance Expenses and Net Revenues

There can be no assurance that the City’s operation and maintenance expenses for the Enterprise will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs passed on to the City by SCRWA, could reduce the City’s Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the City has covenanted to prescribe, revise and collect rates and charges for the Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Bonds.

The ability of the City to comply with its covenants under the Installment Purchase Agreement and generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “- Articles XIIIIC and XIID of the California Constitution.” The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Environmental Laws and Regulations

Wastewater collection treatment disposal and re-use facilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Bonds. See “THE ENTERPRISE – Regulatory Issues.”

Natural Disasters

Seismic. The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. There are a number of active and potentially active faults that are located within the vicinity of the City. These include the Calaveras Fault, which is a major branch of the San Andreas Fault located about three miles east of the City. There are also smaller faults, which appear to be connected to the Calaveras Fault, including the Silver Creek Fault, the Coyote Creek Thrust Fault and the Range Front Fault, which are all located from one half mile to one mile east of the City.

Flood Zone Mapping. Approximately 26 percent of the City’s redevelopment project area has been designated by Federal Emergency Management Agency (“FEMA”) as a Special Flood Hazard Area. According to FEMA, a home in such a floodplain has a 26 percent chance of suffering damage during a 30-year period. Any new residential construction in this area must have the lowest floor flood-proofed or raised at least one foot above the base flood elevation. Any substantial improvement to an existing structure in this area must be constructed to the same standard as new construction.

Wildfire Risks. In recent years, wildfires have become an increasing risk for communities throughout the State, led in part due to drought conditions in the State and in part to other climactic conditions. A wildfire impacting the City could have a material adverse impact on property values, sales tax revenue and otherwise within the City. The City contains wildland-urban-interface (WUI) areas as well as CAL FIRE-recommended Local Responsibility Area very high fire hazard severity zones (FHSZs). In addition, some of the unincorporated area surrounding the City is also designated a high FHSZ. Fires with the highest rates of spread and intensity usually occur in areas of high and very high FHSZ. A major wildfire occurred in September 2007 in Henry W. Coe State Park, several miles outside of the City. It began on September 3 and was fully contained by September 11. The burnt areas were entirely outside of the City limits, mostly in uninhabited territory. Other wildfires have also occurred in the County since 2007. Additionally, a portion of the easternmost area of the City was under an evacuation warning due to a the nearby SCU Lightning Complex wildfire which originated in mid-August 2020, however no actual evacuation occurred.

Anderson Dam and Reservoir Flooding Risks. Anderson Dam and Reservoir is a major water supply facility located approximately one mile east of the City that is owned and operated by the Santa Clara Valley Water District (the “District”). In 2011, the District announced the results of a seismic study of the Anderson Dam, which concluded that the dam could be affected if a major earthquake were to occur on the Calaveras Fault, which is located within two kilometers of the dam. Anderson Dam, which also sits atop the Coyote Creek-Range Front Fault Zone, is an earth and rockfill structure constructed in 1950 creating the Anderson Reservoir, the largest surface water reservoir in the County of Santa Clara. The study stated that the analysis found loosely compacted layers of liquefiable materials in the foundation of the dam that are susceptible to a reduction in strength when subjected to severe earthquake shaking. If the foundation were damaged, part of the dam could experience 15 to 25 feet of vertical deformation, with an additional 15 feet of potential cracking. The study stated that if the reservoir were full at the time, there could be an

uncontrolled release of water downstream from the dam. Anderson Dam Inundation Maps of the District show probable maximum flood depths of 25 to 35 feet on either side of US Highway 101.

Given the seismic concerns related to the Anderson Dam, the water level in the Anderson Reservoir is currently limited to about 58% of its capacity and the District is undertaking a Seismic Retrofit Project. The project will make improvements necessary to stabilize the dam embankment for the maximum credible earthquake on the Calaveras and Coyote Creek Faults, repair or replace the outlet works to protect against potential fault rupture risk from these faults and incorporate other measures to address safety deficiencies. The project has been ongoing for many years, and the estimated costs have increased significantly during that time. The District estimates construction of the Retrofit Project will cost approximately \$550 million, with the design and engineering phase currently underway and the construction phase projected to commence in 2022 and end by 2027.

Anderson Dam is regulated by the State of California Division of Safety of Dams, which performs yearly reviews and requires maintenance and safety standards to be enforced by the dam owners and operators, as well as the Federal Energy Regulatory Commission (“FERC”), which has dam safety jurisdiction at Anderson Dam. In February 2020, FERC issued a dam safety directive requiring that the District begin a full drawdown of the Anderson Reservoir by October 1, 2020. The dam safety directive indicated that, based on documents that had been recently submitted by the District to FERC, the seismic risk to the Anderson Dam was greater than previously understood and the risk of a dam failure to downstream life and property was extreme. The directive indicated that risk remained to the downstream population even with a fully drained reservoir, but a full drawdown reduced the risk as much as possible given the current condition of the Anderson Dam. The City cannot predict the success of the Retrofit Project being undertaken by the District or the implications of FERC’s demand that all water in the Anderson Reservoir be drawn-down.

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease which was first reported in China in late 2019, has since spread to other countries, including the United States, and is considered a pandemic by the World Health Organization. The United States State Department and the Center for Disease Control and Prevention (“CDC”), as well as other governmental authorities, have issued restrictions and warnings for the United States and a number of countries in Asia, Europe, South American and Africa, and similar restrictions and warnings may be extended to other countries in the future. The outbreak has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The outbreak has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the County. Unemployment in the United States has dramatically increased as a result of the outbreak. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the outbreak.

[discuss before posting] [The City does not presently anticipate a material impact to the operations or financial position of the Enterprise as a result of COVID-19, in part because revenues have remained steady and there is no presently expected material increase in expenses or operational challenges.] Nonetheless, the City cannot predict (i) the severity, duration or extent of the COVID-19 outbreak; (ii) the duration or expansion of governmental restrictions imposed by governmental entities other than the City that affect the City; (iii) what effect any such COVID-19 related restrictions or warnings may have on the finances or operations of the City or the Enterprise; (iv) the extent to which the COVID-19 outbreak may result in changes in demand for the services or products of the Enterprise or the ability of the Enterprise’s customers to pay for such services or products; or (v) whether or to what extent the City may provide

deferrals, forbearances, adjustment or other changes to the Enterprise's arrangements with its customers in the future but any of the foregoing factors alone or in combination with others could result in material adverse impacts to the finances or operations of the City and the Enterprise.

Cybersecurity

The City, like many other public and private entities, rely on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that their efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of any entity, including with respect to the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Limitations on Remedies; Bankruptcy

The City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the owners of the Bonds.

If the Net Revenues are "special revenues" under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Indenture. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The owners of the Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the owners of the Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the City may be able to use Net Revenues to pay necessary operating expenses of the Enterprise that are greater than or different from the Operation and Maintenance Costs defined in the Indenture before the remaining Net Revenues are made available to the Trustee to pay amounts owed to the owners of the Bonds. It is not clear which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, then the City's creditors (including the Trustee on behalf of owners of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the owners of the Bonds from funds in the Trustee's possession. The rate covenant (see "SECURITY FOR THE BONDS – Rate Covenant") may not be enforceable in bankruptcy by the Trustee or the owners of the Bonds.

The provisions of the Installment Purchase Agreement that provide that the commencement of a bankruptcy case by the City is an event of default and that certain other insolvency-related events with

respect to the City are also events of default may be unenforceable. This may limit the ability of the Trustee to require the City to turn over to the Trustee Net Revenues and may allow the City to continue to spend Net Revenues for any purpose permitted by law as provided in the Installment Purchase Agreement, free and clear of the lien of the Installment Purchase Agreement, notwithstanding that the City is in bankruptcy.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Net Revenues), which lien could have priority over the lien of the Installment Purchase Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected. The City may be able to cause some of the Net Revenues to be released to it, free and clear of the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the owners of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Bonds, while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Articles XIIC and XIID

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other

than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before they take effect and is distinct from the Article XIID protest procedures described above and the legal process for initiative measures discussed below.

In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds

voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The City believes its Enterprise rates and charges are not taxes under Proposition 26. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the user charges of the Enterprise imposed by the City do not exceed the costs the City reasonably bears in providing the wastewater service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Enterprise’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

Loss of Tax-Exemption

As highlighted under the heading “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Installment Purchase Agreement and the Indenture.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City and the Authority with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and assuming compliance with covenants and representations regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not included in the gross income of the owners of the Bonds for federal income tax purposes. Failure by the City or the Authority to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Bond Counsel’s opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no

right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a Bond at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a Bond purchaser of purchasing a Bond with bond premium. Persons considering the purchase of Bonds with bond premium should consult with their own tax advisors with respect to the determination of bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of Bonds of a particular maturity over the initial offering price to the public of the Bonds of that maturity at which a substantial amount of the Bonds of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Bond. Original issue discount on a Bond or a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Bond accruing during each period is added to the adjusted basis of such Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Bonds other than at the initial offering price.

Bond Counsel is not opining on the accounting for or consequence to a Bond purchaser of bond premium or original issue discount. Accordingly, persons considering the purchase of Bonds with bond premium or original issue discount should consult with their own tax advisors with respect to the determination of bond premium or original issue discount on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Information Reporting and Backup Withholding

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to

be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Bonds of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or of the exemption of interest on the Bonds from State of California personal income taxation. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as APPENDIX E.

FINANCIAL STATEMENTS OF THE CITY

Included in this Official Statement, as APPENDIX B, are the audited financial statements of the City for the fiscal year ended June 30, 2020, together with the report dated _____ of Maze and Associates Accountancy Corporation, certified public accountants (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

CERTAIN LEGAL MATTERS

Norton Rose Fulbright US LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will also be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter's Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. The fees paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds.

ABSENCE OF MATERIAL LITIGATION

In connection with issuance of the Bonds, each of the City and Authority will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to its knowledge after reasonable investigation, threatened against or affecting it or its assets, properties or operations that, if determined adversely to it or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Purchase Agreement or the Indenture, or upon its financial condition, assets, properties or operations.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise (the "Annual Report") by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of certain listed events is set forth in APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The initial Dissemination Agent will be the City.

The City has entered into prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with its undertakings. The City is aware of the following instances of non-compliance by itself, with the requirements of its continuing disclosure undertakings during the past five years:

[to come]

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority and City under which the Underwriter has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____)), plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Authority Commission and the City Council of the City.

MORGAN HILL FINANCING AUTHORITY

By : _____
Christina Turner
Chief Administrative Officer

CITY OF MORGAN HILL

By : _____
Christina Turner
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2915 : Adopt Resolution Authorizing The

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY FOR FISCAL YEAR ENDING JUNE 30, 2020**

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2915 : Adopt Resolution Authorizing The

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA

The following information concerning Santa Clara County (the “County”) and the City of Morgan Hill (the “City”) is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the City, the State of California (the “State”) or any of its political subdivisions, and none of the County, the City or the State or any of its political subdivisions is liable therefor.

The economic and demographic data contained in this appendix are the latest available, but, unless otherwise noted, are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the City, the County or the region. See “RISK FACTORS – COVID-19 Pandemic” in the forepart of this Official Statement.

General

The City. The City is approximately 24 miles south of downtown San Jose, 13 miles north of Gilroy, and 15 miles inland from the Pacific coast. Lying in a roughly 4-mile wide southern extension of the Santa Clara Valley, it is bounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Due to the moderating influence of the Pacific Ocean, the City enjoys a mild, Mediterranean climate. Summer months are characterized by coastal fog which arrives from the ocean around 10 p.m. and dissipates the next morning by 10 a.m. Winter months have many sunny and partly cloudy days, with frequent breaks between rainstorms.

The County. The County covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, 20 miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley". Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

Population

The following table shows population estimates for the City, the County and the State for the last five calendar years.

**CITY OF MORGAN HILL, COUNTY OF SANTA CLARA
AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2016 through 2020**

As of Each January 1	City of Morgan Hill	County of Santa Clara	State of California
2016	43,592	1,925,306	39,214,803
2017	43,934	1,936,052	39,504,609
2018	44,653	1,947,798	39,740,508
2019	45,742	1,954,286	39,927,315
2020	46,454	1,961,969	39,782,870

Source: State Department of Finance estimates.

Principal Employers

The following table lists the principal employers within the City for fiscal year 2018-19.

[Update to fiscal year 2019-20 when available].

**CITY OF MORGAN HILL
Principal Employers
Fiscal Year 2018-19**

Employer Name	No. of Employees
Morgan Hill Unified School District	900
Velodyne Lidar, Inc	453
Anritsu Company	403
Paramit Corporation	381
Mission Bell Mfg, Inc.	314
Lusamerica Foods, Inc.	293
Specialized Bicycle Components	280
Toray Advanced Composites USA	216
Cree, Inc.	203
City of Morgan Hill	196

Source: City of Morgan Hill Comprehensive Annual Financial Report Year Ending June 30, 2019.

The following tables list the largest manufacturing and non-manufacturing employers within the County as of September 2020.

COUNTY OF SANTA CLARA
Largest Employers
September 2020
(In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adobe Inc	San Jose	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
Ebay Inc	San Jose	E-Commerce
Flextronics International	Milpitas	Semiconductor Devices (mfrs)
Fujitsu Laboratories of Amer	Sunnyvale	Laboratories-Research & Development
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Physicians & Surgeons Equip & Supls-Mfrs
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Maxim Integrated Products Inc.	San Jose	Printed & Etched Circuits-Mfrs
NASA	Mountain View	Federal Government-Space Research/Tech
Netapp Inc	Sunnyvale	Computer Storage Devices (mfrs)
Palo Alto Ctr	Palo Alto	Surgical Centers
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Industry and Employment

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 7.1 percent in September 2020, down from 7.3 percent in August 2020, and above the year-ago estimate of 2.6 percent. This compares with an unadjusted unemployment rate of 10.8 percent for California and 7.9 percent for the nation during the same period. The unemployment rate was 8.7 percent in San Benito County, and 7.0 percent in Santa Clara County.

SAN JOSE-SUNNYVALE-SANTA CLARA MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2015 through 2019
Annual Averages
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	1,042,000	1,058,200	1,069,300	1,074,900	1,085,200
Employment	997,700	1,017,400	1,034,100	1,045,600	1,057,400
Unemployment	44,200	40,800	35,200	29,300	27,800
Unemployment Rate	4.2%	3.9%	3.3%	2.7%	2.6%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	5,500	6,100	5,800	5,800	5,500
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing, Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Finance and Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate and Rental and Leasing	13,500	14,200	14,500	15,200	15,800
Professional and Business Services	223,700	232,600	236,600	237,000	242,900
Educational and Health Services	156,600	162,900	169,200	173,400	175,500
Leisure and Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300
Total all Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State of California and the United States for the period 2016 through 2020.

CITY OF MORGAN HILL AND SANTA CLARA COUNTY Effective Buying Income As of January 1, 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	City of Morgan Hill	\$1,584,853	\$79,263
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Morgan Hill	\$1,575,789	\$78,745
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Morgan Hill	\$1,742,509	\$83,518
	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Morgan Hill	\$1,844,216	\$87,755
	Santa Clara County	91,332,099	92,773
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Morgan Hill	\$2,012,351	\$93,818
	Santa Clara County	97,710,060	98,882
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the first quarter of calendar year 2020 in the City were reported to be \$166,649,903 a 17.13% decrease in total taxable sales of \$201,087,074 reported during the first quarter of calendar year 2019. Annual figures are not yet available for calendar year 2020.

CITY OF MORGAN HILL
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	733	\$598,582	1,332	\$736,476
2016	801	615,625	1,375	772,485
2017	817	649,256	1,417	828,316
2018	842	697,280	1,498	873,551
2019	820	678,396	1,479	854,656

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	20,057	\$23,700,907	50,573	\$41,231,759
2016	30,146	24,158,590	50,519	41,831,669
2017	30,263	24,862,883	50,812	42,805,399
2018	30,266	26,885,138	52,994	45,353,074
2019	30,266	26,885,138	53,312	46,887,483

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables.

**CITY OF MORGAN HILL
Building Permit Valuation
For Calendar Years 2015 through 2019
(Dollars in Thousands)⁽¹⁾**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$85,439.8	\$47,410.1	\$45,126.7	\$ 66,764.3	\$48,485.1
New Multi-family	33,568.0	22,069.9	8,598.7	48,388.6	14,930.1
Res. Alterations/Additions	<u>4,801.4</u>	<u>4,675.1</u>	<u>6,178.3</u>	<u>7,668.9</u>	<u>4,684.7</u>
Total Residential	\$123,809.2	\$74,155.1	\$59,903.7	\$122,821.8	\$68,099.9
 New Commercial	 \$11,010.9	 \$14,849.8	 \$13,301.1	 \$20,505.1	 \$29,825.4
New Industrial	520.0	0.0	0.0	0.0	0.0
New Other	15,047.7	6,008.9	14,659.1	14,242.9	5,291.1
Com Alterations/Additions	<u>6,322.5</u>	<u>9,654.1</u>	<u>9,713.3</u>	<u>8,914.2</u>	<u>8,388.5</u>
Total Nonresidential	32,901.1	\$30,512.8	\$37,673.5	\$43,662.2	\$43,508.6
 <u>New Dwelling Units</u>					
Single Family	296	168	164	202	179
Multiple Family	<u>234</u>	<u>105</u>	<u>47</u>	<u>317</u>	<u>62</u>
TOTAL	530	273	211	519	241

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY
Building Permit Valuation
For Calendar Years 2016 through 2020
(Dollars in Thousands)⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$ 653,970.2	\$ 660,301.6	\$ 732,652.1	\$ 728,590.6	\$ 693,032.6
New Multi-family	706,781.1	564,761.0	1,760,303.9	1,098,643.3	567,726.7
Res. Alterations/Additions	<u>505,844.7</u>	<u>484,820.1</u>	<u>547,991.7</u>	<u>558,024.6</u>	<u>555,483.0</u>
Total Residential	\$1,866,596.0	\$1,709,882.7	\$3,040,947.7	\$2,385,258.0	\$1,816,242.3
New Commercial	\$1,258,808.7	\$2,327,643.2	\$1,150,170.4	\$1,962,366.5	\$2,664,298.3
New Industrial	100,301.2	44,268.9	118,567.1	32,080.0	41,875.8
New Other	533,644.5	282,966.1	303,729.1	120,557.4	273,529.1
Com Alterations/Additions	<u>1,697,046.2</u>	<u>2,072,862.8</u>	<u>1,786,849.8</u>	<u>2,017,142.3</u>	<u>2,467,939.0</u>
Total Nonresidential	\$3,589,800.6	\$4,727,741.0	\$3,359,316.3	\$4,132,146.2	\$5,447,644.9
<u>New Dwelling Units</u>					
Single Family	1,710	1,608	2,022	2,011	1,814
Multiple Family	<u>3,906</u>	<u>3,297</u>	<u>6,629</u>	<u>6,342</u>	<u>3,216</u>
TOTAL	5,616	4,905	8,651	8,353	5,030

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E
FORM OF BOND COUNSEL OPINION

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2915 : Adopt Resolution Authorizing The

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

BOND PURCHASE AGREEMENT

December 8, 2020

Morgan Hill Financing Authority
 17575 Peak Avenue
 Morgan Hill, CA 95037

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

Ladies and Gentlemen:

The undersigned, an authorized representative of Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), hereby offers to enter into this bond purchase agreement (the "Bond Purchase Agreement") with the Morgan Hill Financing Authority (the "Authority") and the City of Morgan Hill (the "City"). Upon the acceptance hereof by the Authority and the City, this offer will be binding upon the Authority, the City and the Underwriter. This offer is made subject to (a) the written acceptance hereof by the Authority and the City, and (b) withdrawal by the Underwriter upon written notice (given electronically or otherwise) delivered to the Authority and the City at any time prior to the acceptance hereof by each of the Authority and the City.

The Authority and City acknowledge that the Underwriters have made the statements in the following clauses (i) through (ii) and acknowledge and agree with respect to clauses (iii) and (iv): (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the Authority and City and the Underwriter and the Underwriter has financial and other interests that differ from those of the Authority and City; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisors or fiduciary to the Authority or City and has not assumed any advisory or fiduciary responsibility to the Authority or City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations the Underwriter has to the Authority and City with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement and as otherwise required by law; and (iv) each of the Authority and City has consulted with its own financial and/or municipal, legal,

accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

The Authority and the City hereby acknowledge receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning a complex municipal securities financing, if any.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase on the Closing Date (as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter on the Closing Date, the \$_____ aggregate principal amount of Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 (the "Bonds").

The Bonds shall be dated their date of delivery, and shall have the maturities, bear interest at the rates, have reoffering yields, and be subject to the redemption terms as shown on Exhibit A hereto.

The aggregate purchase price to be paid by the Underwriter for the Bonds is hereby agreed to be \$_____, which amount represents the principal amount of the Bonds of \$_____, less \$_____, representing the Underwriter's discount, plus \$_____, representing an original issue premium. Such payment and delivery of the Bonds and the other actions contemplated hereby to take place at the time of such payment and delivery are herein sometimes called the "Closing" or "Closing Date."

The Bonds are being issued pursuant to Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "Marks-Roos Act"), a resolution of the Authority authorizing the issuance of the Bonds, adopted on November 18, 2020 (the "Authority Resolution"), and a Trust Indenture, dated as of December 1, 2020 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Section 1.01 of the Indenture.

The Bonds are being issued by the Authority to (a) finance the acquisition and construction of additions, betterments, extensions and improvements to the City's municipal sewer system (the "Sewer System"), and (b) pay costs of issuance of the Bonds.

The Bonds are special obligations of the Authority payable from revenues (the "Revenues"), consisting primarily of installment payments (the "Installment Payments") payable by the City under an installment purchase agreement, dated as of December 1, 2020, between the Authority, as seller, and the City, as purchaser (the "Installment Purchase Agreement"). The City's obligation to make the Installment Payments will be on a parity with its obligation to make installment payments under an installment purchase agreement, dated as of June 1, 2015 (the "2015 Installment Purchase Agreement"), by and between the Authority and the City, which secure the Authority's outstanding Sewer Revenue Bonds, Series 2015.

The City is legally required under the Installment Purchase Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Sewer System. "Net Revenues" with respect to the Sewer System as, for any period of computation, the amount of the Gross Revenues during such period, less the amount of Operation and Maintenance Costs of

the Sewer System during such period. The Installment Payments are scheduled in an amount sufficient to pay, when due, the principal of and interest on the Bonds. In addition to the Installment Payments, Net Revenues are pledged, ~~as a first and prior lien thereon,~~ to payments with respect to payments with respect to any parity obligations hereafter issued or incurred by the City. The City has covenanted under the Installment Purchase Agreement to prescribe, revise and collect such charges from the services and facilities of the Sewer System which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times the aggregate of the payments with respect to the Installment Payments and payments with respect to any parity obligations heretofore or hereafter issued or incurred by the City in such Fiscal Year. The Installment Payments are not subject to abatement.

All of the Authority's right, title and interest in and to the Installment Purchase Agreement (except for the right to receive Additional Payments to the extent payable to the Authority and certain rights to indemnification), including the right to receive Installment Payments under the Installment Purchase Agreement, are assigned to the Trustee for the benefit of the Owners of the Bonds.

A preliminary official statement of the Authority and the City, dated November 25, 2020 (together with the Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"), has been prepared for use in marketing the Bonds, and a final Official Statement of the Authority and the City to be dated the date hereof, as amended to conform to the terms of this Bond Purchase Agreement, and with such changes and amendments as are mutually agreed to by the Authority, the City and the Underwriter, including the cover page, the appendices and all information incorporated therein by reference, is herein collectively referred to as the "Official Statement," will be prepared which shall be in substantially the form of the Preliminary Official Statement, with such changes and amendments thereto as may be mutually agreed upon by the Underwriter, the Authority and the City.

It shall be a condition to the Authority's obligation to sell and to deliver the Bonds to the Underwriter and to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds that the entire \$_____ aggregate principal amount of the Bonds as authorized by the Indenture shall be sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter may change the offering prices (or yields) of the Bonds from time to time at any time. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The obligation of the Authority to sell and deliver the Bonds to the Underwriter shall also be conditioned upon the delivery by Norton Rose Fulbright LLP, Bond Counsel ("Bond Counsel"), of its approving legal opinions with respect to the Bonds.

The Authority and the City hereby authorize the Underwriter to use and distribute the Installment Purchase Agreement, the Indenture, the Preliminary Official Statement and the Official Statement and the information contained in such documents in connection with the public offering and sale of the Bonds. The Authority and the City have authorized the use of the Preliminary Official Statement in connection with the public offering of the Bonds by the Underwriter prior to the date hereof.

2. Bona Fide Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement (defined below) and in accordance with the priority of order instructions from the City or Authority, if any, or as otherwise applicable in accordance with the rules of the MSRB. The Underwriters shall take all required steps to ensure that orders

submitted during any retail order period meet the requirements of the City or the Authority, if any, and the requirements of the MSRB rules. Subject to Section 3(c), the Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices; provided, however, that the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to resell the Bonds to the public on terms consistent with this Bond Purchase Agreement, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriters to the Authority for the Bonds.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority and the City in establishing the issue price of the Bonds and shall execute and deliver to the Authority and the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority and the City under this Section 3 to establish the issue price of the Bonds may be taken on behalf of the Authority and the City by the City's municipal advisor identified herein and any notice or report to be provided to the Authority and the City may be provided to the City's municipal advisor.

(b) The Authority and the City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority and the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority and the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) The Underwriter confirms that any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority and the City acknowledge that, in making the representation set forth in this subsection, the Underwriter

will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Authority and the City further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(d) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section 3. Further, for purposes of this Section 3:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority and the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

4. The Bonds. The Bonds will be issued, executed and delivered pursuant to the Indenture. The City Council of the City adopted a resolution on November 18, 2020, relating to the Bonds (the “City Resolution”). This Bond Purchase Agreement, the Installment Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined), are collectively referred to as the “City Documents.” This Bond Purchase Agreement, the Indenture and the Installment Purchase Agreement are collectively referred to as the “Authority Documents.”

5. Official Statement, Continuing Disclosure.

(a) The Authority and the City represent that they have deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount,

principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

(b) The Underwriter agrees that, prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent electronically or by first class mail (or other equally prompt means) not later than the second business day following the date upon which each such request is received.

(c) The Authority agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the final Official Statement relating to the Bonds as the Underwriter shall reasonably request as necessary for the Underwriter to comply with paragraph (b)(4) of the Rule and with Rule G-32, Rule G-36 and all other applicable rules of the MSRB. The Authority agrees to deliver such Official Statements within seven business days after the execution hereof. The Underwriter agrees to give notice to the Authority on the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule, which date shall be no earlier than 25 days after the "end of the underwriting period," as determined in accordance with subsection (e) herein.

(d) Prior to the earlier of (i) receipt of notice from the Underwriter that no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule or (ii) 25 days after the date of the Closing, the Authority and the City shall provide the Underwriter with such information regarding the Authority and the City, each of their current financial conditions and ongoing operations as the Underwriter may reasonably request.

(e) The Authority and the City agree that, for a period of 25 days after the "end of the underwriting period" (as defined in the Rule), if any event of which it has actual knowledge occurs as a result of which the information in the Official Statement as then in existence would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Authority and the City shall promptly prepare, or cooperate in the preparation of, an amendment or supplement to the Official Statement which will correct such statement or omission. The Authority and the City shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. The Authority and the City shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. Unless the Underwriter otherwise advises the Authority and the City that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date. If such notification shall be subsequent to the Closing, the Authority and the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The Authority and the City hereby covenant and agree that it is a condition precedent to the Underwriter's obligation to purchase the Bonds that, on or prior to the Closing Date, it will enter into an agreement or contract for the benefit of the owners of the Bonds in which the

Authority and the City will undertake to provide financial information, operating data and notices of material events as required by paragraph (d)(2)(ii) of the Rule substantially in the applicable form in Appendix C to the Official Statement (the "Continuing Disclosure Certificate").

(g) The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system or as otherwise provided by the Securities Exchange Commission or MSRB within one business day after receipt thereof from the Authority, but in no event later than the Closing Date.

6. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees as follows:

(a) The City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority (i) to enter into, execute and deliver the City Documents; and (ii) to carry out and consummate the transactions on its part contemplated by the City Documents and the Official Statement.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents, and the consummation by it of all other transactions contemplated by the City Documents, all pursuant to the City Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the members of the City Council of the City was continuously present. The City Resolution has not been modified, amended or rescinded since the date of its adoption. When executed and delivered by the City, the City Documents will constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the City Documents) or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as provided by the City Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents or the consummation by it of all other transactions contemplated by the City Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Bond Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the City the validity or enforceability of the Bonds or the City Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the City to cause the execution and delivery by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the City of the City Documents.

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(h) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (k) of this Section 6) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the City executing this Bond Purchase Agreement has knowledge shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(l) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the City Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(m) So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the City will not issue or sell, or cause to be issued or sold, any bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from Installment Payments.

(n) The City shall honor all other covenants on its part contained in the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

(o) Except as described in the Preliminary Official Statement and Official Statement, the City has never failed to comply in all material respects with any undertaking of the City pursuant to the Rule.

(p) The audited financial statements of the City appended to the Official Statement for the year ended June 30, 2020, and any unaudited financial information presented in the body thereof, fairly present the financial position and results of the City as of the dates and for the periods set forth. Prior to the Closing Date, there will have been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City. The City is not a party to any litigation or other proceeding pending, or to its knowledge, threatened, which if, decided adversely to the City, would have a materially adverse effect on the financial condition of the City.

7. Representations, Warranties and Agreements of the Authority. The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to a Joint Exercise of Powers Agreement between the City and the Parking Authority of the City of Morgan Hill, dated as of May 1, 2015 (the "JPA Agreement").

(b) The Authority has full legal right, power and authority (i) to enter into, execute and deliver the Authority Documents and to sell and deliver the Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the issuance of the Bonds and the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the execution and delivery of the Bonds on its part contained in the Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the execution and delivery of the Bonds, all pursuant to the Authority Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the board members of the Authority was continuously present. The Authority Resolution has not been modified, amended or rescinded since the date of its adoption and each Authority Document is the valid and binding obligation of the Authority. When executed and delivered by the Authority, the Authority Documents will constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or the JPA Agreement, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Authority Documents) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Bonds or the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, Bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Authority Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of

the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the execution and delivery of the Bonds under the Authority Documents or the consummation by it of all other transactions contemplated by the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Bonds and the Authority Documents have been duly obtained.

(f) The Bonds, when executed, issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly executed and outstanding obligations, entitled to the benefits of the Indenture, and upon such execution and delivery, the Indenture will provide, for the benefit of the Owners from time to time of the Bonds, the legally valid and binding security interest it purports to create.

(g) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bonds or the Authority Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority to cause the execution and delivery of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the Authority of the Bonds or the Authority Documents.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(i) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (l) of this Section 7) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended pursuant to paragraph (l) of this Section 7, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the Authority executing this Bond Purchase Agreement has knowledge shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(m) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(n) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any Bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from the Revenues.

(o) The Authority shall honor all other covenants on its part contained in the Indenture and the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

8. Closing. At 8:00 A.M., Pacific Standard time, on December 22, 2020, or on such other date time, as may be mutually agreed upon by the Authority, the City and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC"), or at such other place as the Authority, the City and the Underwriter may mutually agree, the Bonds in definitive, fully registered form (one Bond for each maturity), duly executed and registered in the name of Cede & Co. as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter shall wire to the Trustee Federal Reserve Bank funds in the amount of the purchase price of the Bonds.

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements the officers and other officials of the Authority and of the City, authorized Representative of Bond Counsel, the Trustee, counsel to the Authority and counsel to the City made in any certification or other documents furnished pursuant to the provisions hereof, and shall also be subject to the following additional conditions:

(a) The respective representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) All necessary official action of the Authority, the City and of the other parties thereto relating to the City Documents and the Authority Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the City or the Bonds, as the foregoing are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds; and

(e) At or prior to the Closing Date, the Underwriter shall have received copies of each of the following documents:

- (i) the Bonds;
- (ii) the Official Statement and each supplement or amendment, if any, thereto, executed by authorized officers of the Authority and the City;
- (iii) a copy of the Indenture, executed by the parties thereto;
- (iv) a copy of the Installment Purchase Agreement, executed by the parties thereto;
- (v) a copy of the Continuing Disclosure Certificate, executed by the City;
- (vi) a certified copy of the JPA Agreement;
- (vii) receipts for Bonds and the Bond proceeds;

that: (viii) a certificate or certificates of the City, dated the Closing Date, to the effect

(A) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the City has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the City at or prior to the Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the City Resolution, or (iii) the execution and delivery of the City Documents and performance of its obligations thereunder, has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2020, and prior to Closing, there have been no material adverse changes in the financial position of the City;

(D) no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(E) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(F) no consent is required for the inclusion of the City's audited financial statements for the Fiscal Year ended June 30, 2020, in the Official Statement;

(G) The City has the power and authority to operate the Sewer System and has complied, and is in compliance in all material respects, with the terms of the Act and the City Documents;

(H) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE 2020 BONDS" and the proceeds of sale of the Bonds will be applied as described in the Official Statement under the caption "FINANCING PLAN—Wastewater Projects;" and

(I) Except as described in the Preliminary Official Statement and Official Statement, there is no lawsuit, regulatory or other action now pending, or, to the best knowledge of the City, threatened, to attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting revenues, including Net Revenues, and other income, or the anticipated receipt of Net Revenues;

(ix) a certificate or certificates of the Authority, dated the Closing Date, to the effect that:

(A) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the Authority has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the Authority at or prior to Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the Authority Resolution, or (iii) the execution and delivery of the Authority Documents, has been repealed, modified, amended, revoked or rescinded;

(C) no event affecting the Authority has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and

(D) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(x) an opinion, dated the Closing Date and addressed to the Underwriter and the Authority, of the City Attorney, to the effect that:

(A) the City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the City Documents have been duly approved by resolutions of the City adopted at meetings duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at

which a quorum of the members of the City Council of the City was continuously present and such resolutions have not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the City Council of the City or officer of the City to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the City Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the City of, or the performance by the City of its legal obligations under, the City Documents or in which a final adverse decision could materially adversely affect the operations of the City; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the City of, and the performance by the City of its obligations under, the City Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the City is a party or by which it is bound and of which such counsel has knowledge;

(E) the City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery of the City Documents by the parties thereto other than the City, the City Documents constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency within the State having jurisdiction over the City required for the issuance of the Bonds or the consummation by the City of the other financial transactions contemplated by the Official Statement and the City Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the City, (ii) the representations and warranties contained in each closing certificate of the City, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the City.

(xi) an opinion or opinions, dated the Closing Date and addressed to the Underwriter, of counsel for the Authority, to the effect that:

(A) the Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to the JPA Agreement;

(B) the Authority Documents have been duly approved by a resolution of the Authority adopted at a meeting duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at which a quorum of the members of the Board of Directors of the Authority was continuously present and such resolution has not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the Board of Directors of the Authority or officer of the Authority to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the Authority Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the Authority of, or the performance by the Authority of its legal obligations under, the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the Authority of, and the performance by the Authority of its obligations under, the Authority Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Authority is a party or by which it is bound and of which such counsel has knowledge;

(E) the Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Authority Documents by the parties thereto other than the Authority, the Authority Documents constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency having jurisdiction over the Authority required for the issuance of the Bonds or the consummation by the Authority of the other financial transactions contemplated by the Official Statement and the Authority Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the Authority, (ii) the representations and warranties contained in each closing certificate of the Authority, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the Authority.

(xii) an opinion, dated the Closing Date and addressed to the Authority, of Bond Counsel, substantially in the form set forth in Appendix E to the Official Statement,

together with a letter from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(xiii) a supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that:

(A) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(B) the Bond Purchase Agreement has been duly executed and delivered by the Authority and the City and is a valid and binding agreement of the Authority and the City; and

(C) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS" and "TAX MATTERS," in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" and in APPENDIX E—"FORM OF OPINION OF BOND COUNSEL," insofar as such statements expressly summarize certain provisions of the Indenture, the Installment Purchase Agreement, certain tax matters relating to the Bonds and the final opinion of Bond Counsel, are accurate in all material respects;

(xiv) a letter, dated the Closing Date and addressed to the Authority and the Underwriter of Nixon Rose Fulbright LLP, as disclosure counsel ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement, and except to the extent set forth in their supplemental opinions such counsel advises that during the course of such representation of the Authority as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement and the Official Statement as of its respective date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion (except opinions of Bond Counsel), the information in Appendices B or F to the Preliminary Official Statement and the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xv) the opinion of Quint & Thimmig LLP, as Underwriter's counsel, satisfactory to Underwriter;

(xvi) a certificate of an authorized officer of the Trustee satisfactory to the Underwriter, certifying substantially as follows:

(A) the Trustee is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into the Indenture and to perform its duties under the Indenture;

(B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture and, when executed by the other parties thereto, the Indenture will constitute a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms;

(C) the Bonds have been duly authenticated and delivered to the Underwriter pursuant to direction from the Authority;

(D) the Trustee is not in breach of or default under any law or administrative rule or regulation of the State of California or of any department, division, agency or instrumentality thereof, of any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Indenture;

(E) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the execution, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds or the Indenture;

(F) the execution and delivery of the Indenture will not conflict with or constitute a breach of or default under the Trustee's duties under such documents, or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(G) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication and delivery of the Bonds, the execution and delivery of the Indenture, the performance of the Trustee's duties under the Indenture or the consummation by the Trustee of the other transactions contemplated by the Indenture, except as such may be required under the state securities or blue sky laws in connection with the distribution of the Bonds by the Underwriter;

(xvii) an opinion of counsel to the Trustee in form and substance acceptable to the Underwriter and Disclosure Counsel;

(xviii) 15c2-12 certificates of the City and the Authority;

(xix) certified copies of the City Resolution and the Authority Resolution;

(xx) evidence that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, has assigned the rating of "___" to the Bonds;

(xxi) evidence required filings with the California Debt and Investment Advisory Commission;

(xxii) an Arbitrage Certificate relating to the Bonds in a form satisfactory to Bond Counsel;

(xxiii) an issue price certificate substantially in the form attached to this Bond Purchase Agreement as Exhibit B;

(xxiv) a certificate or certificates of the City, dated the Closing Date, evidencing satisfaction of the requirements of the 2015 Installment Purchase Agreement for the incurrence of the Installment Purchase Agreement as a Parity Obligation (as defined in the 2015 Installment Purchase Agreement);

(xxv) transcripts of all proceedings relating to the authorization, issuance, execution and delivery of the Bonds; and

(xxvi) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's and the Authority's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City and the Authority on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by each of them.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel, Disclosure Counsel and the Underwriter.

If the Authority and the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter, the Authority or the City shall be under any further obligation hereunder.

10. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City in writing, of its election to do so, if, after the execution hereof and prior to the Closing:

(a) the United States has become engaged in, or there has been an escalation of, hostilities which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(c) an event shall have occurred, or been discovered as described in paragraph (k) of Section 6 or paragraph (l) of Section 7 hereof, which in the opinion of the Underwriter requires

the preparation and publication of disclosure material or a supplement or amendment to the Official Statement;

(d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the Authority's or the City's obligations;

(f) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the execution, issuance, delivery, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement;

(g) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(h) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers;

(i) trading in securities on the New York Stock Exchange or other national securities exchange or association shall have been suspended or limited or minimum prices have been established on either such exchange;

(j) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States municipal securities market; or as of the date hereof that in the Underwriter's reasonable opinion materially adversely affects the marketability or market price of the Bonds; or

(k) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets.

If this Bond Purchase Agreement shall be terminated pursuant to this Section 10, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligations hereunder is not satisfied or because of any refusal, inability or failure on the part of the City or the Authority to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the City or the

Authority shall be unable to perform all of its respective obligations under this Bond Purchase Agreement, neither the City nor the Authority shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement. The Underwriter may, in its sole discretion, waive any of the conditions set forth in Section 9 or this Section 10.

11. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing.

12. Payment of Costs and Expenses.

(a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter shall be payable by the Authority from the proceeds of the Bonds, including, but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) reasonable meals and travel expenses of the City and Authority paid for by the Underwriter, but not entertainment expenses; (iii) the fees and expenses of the City, its counsel, municipal advisor and consultants; (iv) the fees and expenses of the Authority, its counsel and consultants; (v) the fees and expenses of Bond Counsel; (vi) the fees and expenses of Disclosure Counsel; (vii) all expenses in connection with the preparation and printing of the Bonds; (viii) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (ix) the initial fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel; and (x) the fees and expenses of any rating agency rating the Bonds.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's Counsel, and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, including, air travel and hotel accommodations in connection with the pricing of the Bonds; investor meetings, rating agency trips and meetings; the Closing; meals and transportation for the Underwriter during rating agency, investor meetings; pricing and Closing trips; expenses of the Underwriter related to attending working group meetings, such as parking, meals and transportation and any other miscellaneous costs associated with the Closing; (iii) all other expenses incurred by the Underwriter in connection with the public offering and distribution of Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the City; and (iv) the fees of the California Debt and Investment Advisory Commission.

The Authority and the City acknowledge that they have had an opportunity, in consultation with such advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

13. Notices. Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing:

If to Authority and the City:	City of Morgan Hill 17575 Peak Avenue Morgan Hill, CA 95037 Attention: City Manager Phone: (408) 776-7382
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To the Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Ms. Eileen Gallagher, Managing Director
Phone: (415) 364-6829

14. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriter; (b) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (c) any termination of this Bond Purchase Agreement.

15. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the end of the underwriting period for the Bonds shall mean the earlier of (a) the Closing Date unless the City and the Authority have been notified in writing by the Underwriter, on or prior to the Closing Date, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the Closing Date, or (b) the date on which notice is given to the City and the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City and the Authority pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the Closing Date, the Underwriter agrees to notify the City and the Authority in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule. The Underwriter agrees to file a copy of the Official Statement with each of the nationally recognized municipal securities information repositories.

16. No Assignment. This Bond Purchase Agreement is entered into between the City, the Authority and the Underwriter, and is solely for the benefit of the City, the Authority, the Underwriter and their respective successors or assigns, and no person other than the foregoing shall acquire or have any right under or by virtue of this Bond Purchase Agreement. All of the representations, warranties and agreements contained in this Bond Purchase Agreement shall survive the delivery of and payment for the Bonds and any termination thereof.

17. Effectiveness. This Bond Purchase Agreement shall become effective upon the execution of the acceptance by an authorized representative of the City and an authorized representative of the Authority and shall be valid and enforceable at the time of such acceptance.

18. Headings. The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

19. Governing Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

20. Counterparts; Electronic Delivery of Documents. This Bond Purchase Agreement (i) shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance and (ii) contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements, prior writings and representations with respect thereto.

This Bond Purchase Agreement may be executed in several counterparts, including counterparts that are manually executed and counterparts that executed with an electronic signature, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. The person associated with any such signature shall be deemed to have had the intent to sign this Bond Purchase Agreement with an electronic signature and that agrees that execution of this Bond Purchase Agreement by electronic signature is attributable to such person. All parties executing this Bond Purchase Agreement expressly agree under the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that this Bond Purchase Agreement and all other agreements, certificates, opinions and similar records ("documents") relating to the Bonds constitute a "transaction" under the UETA and expressly agree to allow all aspects of the transaction to which the UETA can apply to be conducted by electronic means. For these purposes, a signature by fax, e-mail, or other electronic technology on a document relating to the Bonds shall constitute an "electronic signature" to an "electronic record" under the UETA with respect to this specific transaction.

An electronic signature means a signature that is executed by symbol attached to or logically associated with a record and includes facsimile signatures or signatures transmitted by electronic mail in so-called PDF format. All parties to this Bond Purchase Agreement (a) agree that an electronic signature, whether digital or encrypted, of a party to this Purchase Bond Agreement or any other electronic record associated with the Bonds is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document relating to the Bonds sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Bond Purchase Agreement or any other document related to Series 2020 Bonds based on the foregoing forms of signature.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the City, the Authority and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher,
Managing Director

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

MORGAN HILL FINANCING
AUTHORITY

By _____
Christina Turner
City Manager

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

CITY OF MORGAN HILL

By _____
Christina Turner
Executive Director

EXHIBIT A

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
_____	_____	_____	_____	_____

* Term Bond

Redemption Provisions*Optional Redemption*

The Bonds maturing on or before October 1, ____, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, ____, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after October 1, ____, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Special Mandatory Redemption from Insurance and Sale Proceeds

The Bonds are subject to mandatory redemption, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the City under the Installment Purchase Agreement, at a redemption price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the redemption date.

Mandatory Sinking Account Redemption

The Bonds maturing on October 1, ____, and October 1, ____, (the "Term Bonds") are also be subject to redemption, by lot, on October 1 in each of the years as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to paragraphs described above, the total amount of all future payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

EXHIBIT B

ISSUE PRICE CERTIFICATE

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), based on the information available to the Underwriter, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (collectively, the “Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated the Sale Date, between the Underwriter and the Issuer, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Underwriter has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) “*General Rule Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “*Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “*Issuer*” means the Morgan Hill Financing Authority.

(e) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than the Underwriter or a related party to the Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means December 8, 2020.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation of the Underwriter of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter makes no representation as to the legal sufficiency of the factual matters set forth herein.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Managing Director

Dated: December 22, 2020

SCHEDULE A TO ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

Hold-the- Offering Price Maturities	General Rule Maturities	Maturity Date (June 1)	Principal Amount	Interest Rate	Reoffering Price
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* Term Bond

Attachment: Bond Purchase Agreement (2015 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)

SCHEDULE B TO ISSUE PRICE CERTIFICATE
PRICING WIRE OR EQUIVALENT COMMUNICATION

Attachment: Bond Purchase Agreement (2015 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Michelle Bigelow, Deputy City Clerk
APPROVED BY: City Manager

ADOPT RESOLUTION ACCEPTING THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL 571

RECOMMENDATION(S)

Adopt resolution accepting the State of California's campaign contribution limits for local campaigns as set forth in the provisions of AB 571.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Fostering a Positive Organizational Culture
Preserving and Cultivating Public Trust

REPORT NARRATIVE:

The 1974 Political Reform Act (the "Act") requires disclosure of campaign contributions and expenditures in connection with state and local elections. The Act authorizes local agencies to enact campaign regulations that do not prevent compliance with the Act itself, and a number of local jurisdictions do so.

In 2019, Assembly Bill 571 (AB 571) was signed into law amending the Act to create default campaign contribution limits for elective city office candidates. This assembly bill requires cities to adopt their own limits by January 1, 2021 or default to the State limit. Under State law the default campaign contribution limit is \$4,700 (Cal. Gov. Code Section 85306) from an individual, business entity, or committee/PAC. This Statewide default contribution limit will be adjusted for inflation in January of every odd-numbered year and is based on the change in the Consumer Price Index.

Prior to AB 571, while State law established contribution limits for candidates running for State office, there were no contribution limits in place for candidates running for local office in 78% of the cities and 72% of the counties in California. Under AB 571, jurisdictions adopting their own contribution limits, whether higher or lower, would not be subject to the State default limit.

An additional notable characteristic of AB 571 is that it extends contribution restrictions regarding personal loans and committees created to oppose recall measures to elective county or city office. Unless a city adopts its own limits, AB 571 would impose a limit of \$100,000 on personal loans from a candidate to the candidate's campaign.

The City currently does not have any established campaign contribution limits. There are several options that may be considered when discussing campaign contribution limits.

- The first option would be to set no campaign contribution limit and default to the State limit. Under this scenario, as of January 1, 2021, assuming the City has not adopted its own local limitations, the Statewide campaign contribution restriction of \$4,700 per calendar year shall be imposed by default on those running for elective City office. Under AB 571, the Fair Political Practices Commission (FPPC) will have expanded administration and enforcement authority regarding the default contribution limits and violations of default contribution limits within the FPPC's purview would be punishable as a misdemeanor. Under the State limit, a local candidate may lend their own campaign a balance of up to \$100,000 from the candidate's personal funds.
- The second option would be to set campaign contribution limits that are higher or lower than the State limits. AB 571 permits the City to establish its own campaign contribution limits by resolution or ordinance. Should the Council recommend setting campaign contribution limits for the City, a sample resolution (attachment 3) without a set contribution limit amount has been attached for your reference.

It should be noted that under AB 571 the City cannot remove the contribution limit altogether. If no local contribution limit is established, the City limit will default to the State limit. The Council may provide direction on a campaign contribution limit that is higher or lower than the State.

If the City adopts its own limit, the Council will also need to establish how those restrictions would be enforced. AB 571 does not permit the FPPC to enforce locally established campaign contribution limitations. The sample resolution does not address this issue. If the Council desires to set a limit, staff will return with a revised resolution for the Council's consideration at the December 2, 2020 City Council meeting.

Staff recommends that the City Council adopt the attached resolution (attachment 2) accepting and defaulting to the State of California's campaign contribution limits effective January 1, 2021.

COMMUNITY ENGAGEMENT: Inform

This report serves to inform the public of the City Council's consideration of local campaign contribution limits.

ALTERNATIVE ACTIONS:

The Council could direct staff to bring back a resolution setting campaign contribution limits for the City of Morgan Hill.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Not applicable.

FISCAL AND RESOURCE IMPACT:

There is no fiscal impact associated with defaulting to the State limit as the duty to enforce the limit is imposed on the FPPC. If the Council chooses to set a limit, enforcement responsibilities would shift to the City and may require the use of additional staff time and resources. Those costs cannot be estimated at this time without further direction regarding campaign contribution limitations and enforcement standards, but they would be analyzed, developed, and reported on once those variables were known.

CEQA (California Environmental Quality Act):

Not a Project. This is an administrative activity that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. AB 571
2. Resolution accepting State contribution limits
3. Sample Resolution setting campaign contribution limits

Assembly Bill No. 571

CHAPTER 556

An act to amend and repeal Sections 10003 and 10202 of the Elections Code, and to amend Section 85301 of, to amend, repeal, and add Sections 85305, 85306, 85307, 85315, 85316, 85317, and 85318 of, and to add Section 85702.5 to, the Government Code, relating to the Political Reform Act of 1974.

[Approved by Governor October 8, 2019. Filed with Secretary of State October 8, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

AB 571, Mullin. Political Reform Act of 1974: contribution limits.

The Political Reform Act of 1974 prohibits a person, other than a small contributor committee or political party committee, from making to a candidate for elective state office, for statewide elective office, or for the office of Governor, and prohibits those candidates from accepting from a person, a contribution totaling more than a specified amount per election. For a candidate for elective state office other than a candidate for statewide elective office, the limitation on contributions is \$3,000 per election, as that amount is adjusted by the Fair Political Practices Commission in January of every odd-numbered year.

Existing law authorizes a county, city, or district to limit campaign contributions in local elections. Existing law authorizes the governing board of a school district or of a community college district to limit campaign expenditures or contributions in elections to district offices. The act specifies that it does not prevent the Legislature or any other state or local agency from imposing additional requirements on a person if the requirements do not prevent the person from complying with the act, and that the act does not nullify contribution limitations or prohibitions by any local jurisdiction that apply to elections for local elective office, as specified.

This bill, commencing January 1, 2021, instead would prohibit a person from making to a candidate for elective county or city office, and would prohibit a candidate for elective county or city office from accepting from a person, a contribution totaling more than the amount set forth in the act for limitations on contributions to a candidate for elective state office. This bill would also authorize a county or city to impose a limitation that is different from the limitation imposed by this bill. This bill would make specified provisions of the act relating to contribution limitations applicable to a candidate for a elective county or city office, except as specified.

The act makes a violation of its provisions punishable as a misdemeanor and subject to specified penalties.

This bill would add the contribution limitation imposed by the bill to the act's provisions, thereby making a violation of the limitation punishable as a misdemeanor and subject to specified penalties. However, the bill would specify that a violation of a limitation imposed by a local government is not subject to the act's enforcement provisions. The bill would authorize a local government that imposes a limitation that is different from the limitation imposed by this bill to adopt enforcement standards for a violation of the limitation imposed by the local government agency, including administrative, civil, or criminal penalties. By expanding the scope of an existing crime with regard to a violation of a contribution limitation imposed by the bill, the bill would impose a state-mandated local program.

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

This bill would provide that no reimbursement is required by this act for a specified reason.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes upon a $\frac{2}{3}$ vote of each house of the Legislature and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

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

SECTION 1. The Legislature finds and declares all of the following:

(a) Most states impose limitations on contributions to candidates for elective county and city offices. California is among the minority of states without these contribution limitations.

(b) Most counties and cities in this state have not independently imposed limitations on contributions to candidates for elective offices in those jurisdictions.

(c) In counties and cities in this state that have not imposed limitations on contributions, candidates for elective offices in those jurisdictions often receive contributions that would exceed the limitations for a state Senate campaign, even though most counties and cities contain far fewer people than the average state Senate district.

(d) In counties and cities in this state that have not imposed limitations on contributions, candidates for elective office in those jurisdictions sometimes raise 40 percent or more of their total campaign funds from a single contributor.

(e) A system allowing unlimited contributions to a candidate for elective county or city office creates the risk and the perception that elected officials in those jurisdictions are beholden to their contributors and will act in the best interest of those contributors at the expense of the people.

(f) This state has a statewide interest in preventing actual corruption and the appearance of corruption at all levels of government.

(g) This act establishes a limitation on contributions to a candidate for elective office in a city or county in which the local government has not established a limitation. However, a local government may establish a different limitation that is more precisely tailored to the needs of its communities.

SEC. 2. Section 10003 of the Elections Code is amended to read:

10003. (a) A county may by ordinance or resolution limit campaign contributions in county elections.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 3. Section 10202 of the Elections Code is amended to read:

10202. (a) A city may, by ordinance or resolution, limit campaign contributions in municipal elections.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 4. Section 85301 of the Government Code is amended to read:

85301. (a) A person, other than a small contributor committee or political party committee, shall not make to a candidate for elective state office other than a candidate for statewide elective office, and a candidate for elective state office other than a candidate for statewide elective office shall not accept from a person, a contribution totaling more than three thousand dollars (\$3,000) per election.

(b) Except to a candidate for Governor, a person, other than a small contributor committee or political party committee, shall not make to a candidate for statewide elective office, and except a candidate for Governor, a candidate for statewide elective office shall not accept from a person other than a small contributor committee or a political party committee, a contribution totaling more than five thousand dollars (\$5,000) per election.

(c) A person, other than a small contributor committee or political party committee, shall not make to a candidate for Governor, and a candidate for Governor shall not accept from any person other than a small contributor committee or political party committee, a contribution totaling more than twenty thousand dollars (\$20,000) per election.

(d) (1) A person shall not make to a candidate for elective county or city office, and a candidate for elective county or city office shall not accept from a person, a contribution totaling more than the amount set forth in subdivision (a) per election, as that amount is adjusted by the Commission pursuant to Section 83124. This subdivision does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(2) This subdivision shall become operative on January 1, 2021.

(e) The provisions of this section do not apply to a candidate's contributions of the candidate's personal funds to the candidate's own campaign.

SEC. 5. Section 85305 of the Government Code is amended to read:

85305. (a) A candidate for elective state office or committee controlled by that candidate shall not make any contribution to any other candidate for elective state office in excess of the limits set forth in subdivision (a) of Section 85301.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 6. Section 85305 is added to the Government Code, to read:

85305. (a) A candidate for elective state, county, or city office or committee controlled by that candidate shall not make a contribution to any other candidate for elective state, county, or city office in excess of the limits set forth in subdivision (a) of Section 85301. This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(b) This section shall become operative on January 1, 2021.

SEC. 7. Section 85306 of the Government Code is amended to read:

85306. (a) A candidate may transfer campaign funds from one controlled committee to a controlled committee for elective state office of the same candidate. Contributions transferred shall be attributed to specific contributors using a “last in, first out” or “first in, first out” accounting method, and these attributed contributions when aggregated with all other contributions from the same contributor may not exceed the limits set forth in Section 85301 or 85302.

(b) Notwithstanding subdivision (a), a candidate for elective state office, other than a candidate for statewide elective office, who possesses campaign funds on January 1, 2001, may use those funds to seek elective office without attributing the funds to specific contributors.

(c) Notwithstanding subdivision (a), a candidate for statewide elective office who possesses campaign funds on November 6, 2002, may use those funds to seek elective office without attributing the funds to specific contributors.

(d) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 8. Section 85306 is added to the Government Code, to read:

85306. (a) A candidate may transfer campaign funds from one controlled committee to a controlled committee for elective state, county, or city office of the same candidate. Contributions transferred shall be attributed to specific contributors using a “last in, first out” or “first in, first out” accounting method, and these attributed contributions when aggregated with all other contributions from the same contributor shall not exceed the limits set forth in Section 85301 or 85302.

(b) Notwithstanding subdivision (a), a candidate for elective state office, other than a candidate for statewide elective office, who possesses campaign funds on January 1, 2001, may use those funds to seek elective office without attributing the funds to specific contributors.

(c) Notwithstanding subdivision (a), a candidate for statewide elective office who possesses campaign funds on November 6, 2002, may use those funds to seek elective office without attributing the funds to specific contributors.

(d) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(e) This section shall become operative on January 1, 2021.

SEC. 9. Section 85307 of the Government Code is amended to read:

85307. (a) The provisions of this article regarding loans apply to extensions of credit, but do not apply to loans made to a candidate by a commercial lending institution in the lender's regular course of business on terms available to members of the general public for which the candidate is personally liable.

(b) Notwithstanding subdivision (a), a candidate for elective state office shall not personally loan to the candidate's campaign, including the proceeds of a loan obtained by the candidate from a commercial lending institution, an amount, the outstanding balance of which exceeds one hundred thousand dollars (\$100,000). A candidate shall not charge interest on any loan the candidate made to the candidate's campaign.

(c) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 10. Section 85307 is added to the Government Code, to read:

85307. (a) The provisions of this article regarding loans apply to extensions of credit, but do not apply to loans made to a candidate by a commercial lending institution in the lender's regular course of business on terms available to members of the general public for which the candidate is personally liable.

(b) Notwithstanding subdivision (a), a candidate for elective state, county, or city office shall not personally loan to the candidate's campaign, including the proceeds of a loan obtained by the candidate from a commercial lending institution, an amount, the outstanding balance of which exceeds one hundred thousand dollars (\$100,000). A candidate shall not charge interest on any loan the candidate made to the candidate's campaign. This subdivision does not apply to a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(c) This section shall become operative on January 1, 2021.

SEC. 11. Section 85315 of the Government Code is amended to read:

85315. (a) Notwithstanding any other provision of this chapter, an elected state officer may establish a committee to oppose the qualification of a recall measure, and the recall election. This committee may be established when the elected state officer receives a notice of intent to recall pursuant to Section 11021 of the Elections Code. An elected state officer may accept campaign contributions to oppose the qualification of a recall measure, and if qualification is successful, the recall election, without regard to the campaign contributions limits set forth in this chapter. The voluntary

expenditure limits do not apply to expenditures made to oppose the qualification of a recall measure or to oppose the recall election.

(b) After the failure of a recall petition or after the recall election, the committee formed by the elected state officer shall wind down its activities and dissolve. Any remaining funds shall be treated as surplus funds and shall be expended within 30 days after the failure of the recall petition or after the recall election for a purpose specified in subdivision (b) of Section 89519.

(c) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 12. Section 85315 is added to the Government Code, to read:

85315. (a) Notwithstanding any other provision of this chapter, an elected state, county, or city officer may establish a committee to oppose the qualification of a recall measure, and the recall election. This committee may be established when the elected state, county, or city officer receives a notice of intent to recall pursuant to Section 11021 of the Elections Code. An elected state, county, or city officer may accept campaign contributions to oppose the qualification of a recall measure, and if qualification is successful, the recall election, without regard to the campaign contribution limits set forth in this chapter. The voluntary expenditure limits do not apply to expenditures made to oppose the qualification of a recall measure or to oppose the recall election.

(b) After the failure of a recall petition or after the recall election, the committee formed by the elected state, county, or city officer shall wind down its activities and dissolve. Any remaining funds shall be treated as surplus funds and shall be expended within 30 days after the failure of the recall petition or after the recall election for a purpose specified in subdivision (b) of Section 89519.

(c) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(d) This section shall become operative on January 1, 2021.

SEC. 13. Section 85316 of the Government Code is amended to read:

85316. (a) Except as provided in subdivision (b), a contribution for an election may be accepted by a candidate for elective state office after the date of the election only to the extent that the contribution does not exceed net debts outstanding from the election, and the contribution does not otherwise exceed the applicable contribution limit for that election.

(b) Notwithstanding subdivision (a), an elected state officer may accept contributions after the date of the election for the purpose of paying expenses associated with holding the office provided that the contributions are not expended for any contribution to any state or local committee. Contributions received pursuant to this subdivision shall be deposited into a bank account established solely for the purposes specified in this subdivision.

(1) A person shall not make, and an elected state officer shall not receive from a person, a contribution pursuant to this subdivision totaling more than the following amounts per calendar year:

(A) Three thousand dollars (\$3,000) in the case of an elected state officer of the Assembly or Senate.

(B) Five thousand dollars (\$5,000) in the case of a statewide elected state officer other than the Governor.

(C) Twenty thousand dollars (\$20,000) in the case of the Governor.

(2) An elected state officer shall not receive contributions pursuant to paragraph (1) that, in the aggregate, total more than the following amounts per calendar year:

(A) Fifty thousand dollars (\$50,000) in the case of an elected state officer of the Assembly or Senate.

(B) One hundred thousand dollars (\$100,000) in the case of a statewide elected state officer other than the Governor.

(C) Two hundred thousand dollars (\$200,000) in the case of the Governor.

(3) Any contribution received pursuant to this subdivision shall be deemed to be a contribution to that candidate for election to any state office that the candidate may seek during the term of office to which the candidate is currently elected, including, but not limited to, reelection to the office the candidate currently holds, and shall be subject to any applicable contribution limit provided in this title. If a contribution received pursuant to this subdivision exceeds the allowable contribution limit for the office sought, the candidate shall return the amount exceeding the limit to the contributor on a basis to be determined by the Commission. None of the expenditures made by elected state officers pursuant to this subdivision shall be subject to the voluntary expenditure limitations in Section 85400.

(4) The Commission shall adjust the calendar year contribution limitations and aggregate contribution limitations set forth in this subdivision in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index. Those adjustments shall be rounded to the nearest one hundred dollars (\$100).

(c) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 14. Section 85316 is added to the Government Code, to read:

85316. (a) Except as provided in subdivision (b), a contribution for an election may be accepted by a candidate for elective state, county, or city office after the date of the election only to the extent that the contribution does not exceed net debts outstanding from the election, and the contribution does not otherwise exceed the applicable contribution limit for that election.

(b) Notwithstanding subdivision (a), an elected state officer may accept contributions after the date of the election for the purpose of paying expenses associated with holding the office provided that the contributions are not expended for any contribution to any state or local committee. Contributions received pursuant to this subdivision shall be deposited into a bank account established solely for the purposes specified in this subdivision.

(1) A person shall not make, and an elected state officer shall not receive from a person, a contribution pursuant to this subdivision totaling more than the following amounts per calendar year:

(A) Three thousand dollars (\$3,000) in the case of an elected state officer of the Assembly or Senate.

(B) Five thousand dollars (\$5,000) in the case of a statewide elected state officer other than the Governor.

(C) Twenty thousand dollars (\$20,000) in the case of the Governor.

(2) An elected state officer shall not receive contributions pursuant to paragraph (1) that, in the aggregate, total more than the following amounts per calendar year:

(A) Fifty thousand dollars (\$50,000) in the case of an elected state officer of the Assembly or Senate.

(B) One hundred thousand dollars (\$100,000) in the case of a statewide elected state officer other than the Governor.

(C) Two hundred thousand dollars (\$200,000) in the case of the Governor.

(3) Any contribution received pursuant to this subdivision shall be deemed to be a contribution to that candidate for election to any state office that the candidate may seek during the term of office to which the candidate is currently elected, including, but not limited to, reelection to the office the candidate currently holds, and shall be subject to any applicable contribution limit provided in this title. If a contribution received pursuant to this subdivision exceeds the allowable contribution limit for the office sought, the candidate shall return the amount exceeding the limit to the contributor on a basis to be determined by the Commission. The expenditures made by elected state officers pursuant to this subdivision shall not be subject to the voluntary expenditure limitations in Section 85400.

(4) The Commission shall adjust the calendar year contribution limitations and aggregate contribution limitations set forth in this subdivision in January of every odd-numbered year to reflect any increase or decrease in the Consumer Price Index. Those adjustments shall be rounded to the nearest one hundred dollars (\$100).

(c) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(d) This section shall become operative on January 1, 2021.

SEC. 15. Section 85317 of the Government Code is amended to read:

85317. (a) Notwithstanding subdivision (a) of Section 85306, a candidate for elective state office may carry over contributions raised in connection with one election for elective state office to pay campaign expenditures incurred in connection with a subsequent election for the same elective state office.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 16. Section 85317 is added to the Government Code, to read:

85317. (a) Notwithstanding subdivision (a) of Section 85306, a candidate for elective state, county, or city office may carry over contributions raised in connection with one election for elective state, county, or city office to pay campaign expenditures incurred in connection with a subsequent election for the same elective state, county, or city office. This section does not apply

in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(b) This section shall become operative on January 1, 2021.

SEC. 17. Section 85318 of the Government Code is amended to read:

85318. (a) A candidate for elective state office may raise contributions for a general election before the primary election, and for a special general election before a special primary election, for the same elective state office if the candidate sets aside these contributions and uses these contributions for the general election or special general election. If the candidate for elective state office is defeated in the primary election or special primary election, or otherwise withdraws from the general election or special general election, the general election or special general election funds shall be refunded to the contributors on a pro rata basis less any expenses associated with the raising and administration of general election or special general election contributions. Notwithstanding Section 85201, candidates for elective state office may establish separate campaign contribution accounts for the primary and general elections or special primary and special general elections.

(b) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

SEC. 18. Section 85318 is added to the Government Code, to read:

85318. (a) A candidate for elective state, county, or city office may raise contributions for a general election before the primary election, and for a special general election before a special primary election, for the same elective state, county, or city office if the candidate sets aside these contributions and uses these contributions for the general election or special general election. If the candidate for elective state, county, or city office is defeated in the primary election or special primary election, or otherwise withdraws from the general election or special general election, the general election or special general election funds shall be refunded to the contributors on a pro rata basis less any expenses associated with the raising and administration of general election or special general election contributions. Notwithstanding Section 85201, candidates for elective state, county, or city office may establish separate campaign contribution accounts for the primary and general elections or special primary and special general elections.

(b) This section does not apply in a jurisdiction in which the county or city imposes a limit on contributions pursuant to Section 85702.5.

(c) This section shall become operative on January 1, 2021.

SEC. 19. Section 85702.5 is added to the Government Code, to read:

85702.5. (a) A county or city may, by ordinance or resolution, impose a limit on contributions to a candidate for elective county or city office that is different from the limit set forth in subdivision (d) of Section 85301. The limitation may also be imposed by means of a county or city initiative measure.

(b) A county or city that establishes a contribution limit pursuant to subdivision (a) may adopt enforcement standards for a violation of that limit, which may include administrative, civil, or criminal penalties.

(c) The Commission is not responsible for the administration or enforcement of a contribution limit adopted pursuant to subdivision (a).

(d) This section shall become operative on January 1, 2021. A county or city's limit on contributions to a candidate for elective county or city office that is in effect on the operative date of this section shall be deemed to be a limit imposed pursuant to subdivision (a).

SEC. 20. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 21. The Legislature finds and declares that this bill furthers the purposes of the Political Reform Act of 1974 within the meaning of subdivision (a) of Section 81012 of the Government Code.

RESOLUTION NO. 20-0XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ACCEPTING AND DEFAULTING TO THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL (AB) 571

WHEREAS, the City of Morgan Hill does not currently have campaign contribution limits; and

WHEREAS, Assembly Bill No. 571 ("Ab 571") imposes a default campaign contribution limit upon cities and counties without campaign contribution limits beginning January 1, 2021; and

WHEREAS, the default contribution limit amount is set at the same amount as for State elected officials as that amount is adjusted by the Fair Political Practices Commission ("FPPC") pursuant to Government Code Sections 85301 and 83124, which is currently \$4,700 per election; and

WHEREAS, the State limitation on personal loans from a candidate to the candidate's campaign is limited to an outstanding balance of \$100,000; and

WHEREAS, Elections Code Section 10202 (automatically repealed on January 1, 2021) and Government Code Section 85702.5 (effective on January 1, 2021) further permits the City to establish its own campaign contribution limits that are different from what is established by Government Code Sections 85301 and 83124 by resolution or ordinance; and

WHEREAS, based upon the forgoing, the City Council desires to accept and default to the State's contribution limit amount pursuant to Elections Code Section 10202 and Government Code Section 85702.5; and

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

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

Section 2. Approval and Authorization. That the City Council of the City of Morgan Hill does hereby accept and default to the State's contribution limit amount pursuant to Elections Code Section 10202 and Government Code Section 85702.5.

Section 4. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the ___ day of _____ 2020 by the following vote:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TORREZ, City Clerk

∞ **CERTIFICATION** ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No.20-0XX, adopted by the City Council at the meeting held on _____, 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO. 20-0XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ESTABLISHING CAMPAIGN CONTRIBUTION LIMITS

WHEREAS, the City of Morgan Hill does not currently have campaign contribution limits; and

WHEREAS, Assembly Bill No. 571 (“Ab 571”) imposes a default campaign contribution limit upon cities and counties without campaign contribution limits beginning January 1, 2021; and

WHEREAS, the default contribution limit amount is set at the same amount as for State elected officials as that amount is adjusted by the Fair Political Practices Commission (“FPPC”) pursuant to Government Code Sections 85301 and 83124, which is currently \$4,700 per election; and

WHEREAS, the State limitation on personal loans from a candidate to the candidate’s campaign is limited to an outstanding balance of \$100,000; and

WHEREAS, Elections Code Section 10202 (automatically repealed on January 1, 2021) and Government Code Section 85702.5 (effective on January 1, 2021) further permits the City to establish its own campaign contribution limits that are different from what is established by Government Code Sections 85301 and 83124 by resolution or ordinance; and

WHEREAS, based upon the forgoing, the City Council desires to establish a campaign contribution limit amount pursuant to Elections Code Section 10202 and Government Code Section 85702.5; and

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

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

Section 2. Approval and Authorization. That the City Council of the City of Morgan Hill does hereby adopt a campaign contribution limit of XXXX and a candidate for elective city office for the City of Morgan Hill shall not accept from a person, a contribution totaling XXXX per election.

Section 3. That a candidate may personally loan to the candidate’s campaign an amount the outstanding balance of which shall not exceed XXXX.

Section 4. This Resolution shall take effect immediately upon adoption.

City of Morgan Hill
 Resolution No. 20-0XX
 Page 2 of 2

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the ___ day of _____ 2020 by the following vote:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TORREZ, City Clerk

∞ **CERTIFICATION** ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No.20-0XX, adopted by the City Council at the meeting held on _____, 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

Attachment: Sample Resolution setting campaign contribution limits [Revision 2] (2916 : Campaign Contribution Limits)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Angie Gonzalez, Council Services Assistant
APPROVED BY: City Manager

ADOPT ORDINANCE AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2317, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Preserving and Cultivating Public Trust

2020-2021 Strategic Priorities

Economic Development

Fiscal Sustainability

GUIDING DOCUMENTS

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

On October 28, 2020, the City Council introduced Ordinance No. 2317 New Series, by the following roll call vote: AYES: Carr, McKay, Spring, Martinez Beltran, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

The Ordinance, as introduced, prohibits heavy distribution (fulfillment centers), parcel sorting facilities, and local delivery services in all zones within the City. In addition, the Ordinance makes minor changes to the definitions of warehouse and distribution uses to further distinguish traditional warehousing. The Ordinance also clarifies that the Planning Commission must approve site and design review for projects that include more than 75,000 square feet of new floor area, are 40 feet or higher, and/or include more than 100 units of new housing.

COMMUNITY ENGAGEMENT: Inform

Residents on the City's e-mail lists were notified of the proposed ordinance on September 16, 2020. At that time, copies of the staff report and draft ordinance were posted to the City's website. The Planning Commission held a public hearing to consider the proposed ordinance on September 22, 2020.

This staff report was posted to the project webpage, all City social media accounts, and sent to the community via City email blast on October 9, 2020 in advance of the October 21 City Council hearing.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

A public hearing was held before the Planning Commission on September 22, 2020.

A public hearing was held before the City Council on October 21, 2020 and continued to October 28, 2020.

FISCAL AND RESOURCE IMPACT:

Significant staff time will be required from the City Attorney's Office and Development Services Department to implement the ordinance changes. However, this work will be absorbed into the existing work plans.

CEQA (California Environmental Quality Act):

This ordinance is categorically exempt from environmental review pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, the proposed text amendment to the Morgan Hill Zoning Code is not a project with potential for causing a significant effect on the environment requiring California Environmental Quality Act (CEQA) analysis.

LINKS/ATTACHMENTS:

1. 2020 Zoning Code Amendments--City Council Final

ORDINANCE NO. 2317, NEW SERIES

AN ORDINANCE OF THE CITY OF MORGAN HILL AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

Section 1. Table 18.26-1 (Permitted Land Uses in the Industrial Zoning Districts) of Section 18.26.020 (Land Use Regulations) of Chapter 18.26 (Industrial Zoning Districts) of Title 18 (Zoning) is hereby amended to read as follows (additions in underline, deletions in strikeout):

18.26.020– Land Use Regulations

- A. Permitted Land Uses.** Table 18.26-1 identifies land uses permitted in the industrial zoning districts.

TABLE 18.26-1 PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS

Key P Permitted Use A Administrative Use Permit required C Conditional Use Permit required – Use not allowed	Zoning District					Additional Regulations
	CI	IO	IC	IL	IG	
Residential Uses						
Caretaker Quarters	–	–	–	C	C	
Public and Quasi-Public Uses						
Colleges and Trade Schools	C	C	C	C	C	
Community Assembly	C	–	–	C	C	
Instructional Services	A	–	–	–	–	
Medical Offices and Clinics	A	–	–	–	–	
Parks and Recreational Facilities	C	–	–	C	C	
Public Safety Facilities	C	–	–	C	C	
Commercial Uses						

Adult Businesses	-	-	P	P	P	18.92.020
Animal-Related Commercial Uses						
Animal Boarding	C	-	-	C	C	
Veterinarian Clinics and Hospitals	A	A	A	C	C	
Banks and Financial Institutions	C [4]	-	-	-	-	
Business Support Services	P	C	P	P	P	
Cinemas and Theaters	A	-	-	-	-	
Commercial Recreation, Indoor						
≤ 15,000 sq. ft.	P	C	C	C	C	
> 15,000 sq. ft.	C	C	C	C	C	
Eating and Drinking Uses						
Restaurants, Fast Food	C [4]	- [5]	- [5]	- [5]	- [5]	
Restaurants, Sit-Down	C [4]	- [5]	- [5]	- [5]	- [5]	
Tasting Rooms	P [6]	-	-	A [6]	A [6]	
Lodging Facilities						
Hotels and Motels	P	-	-	-	-	
Mini-Storage	-	-	-	C	C	18.92.100
Personal Service	C [4]	- [5]	- [5]	- [5]	- [5]	
Plant Nurseries	C	-	-	P	P	
Professional Offices	P	P	P	P	P	
Retail						
Building Materials	C	-	-	P	P	
Convenience Markets	C [4]	- [5]	- [5]	- [5]	- [5]	
General Retail	C [4]	- [5]	- [5]	- [5]	- [5]	
Home Improvement Centers	C	-	-	C	C	
Large Commodity Retail	C	-	-	C	C	
Vehicle-Related Uses						
Towing and Impound	-	-	-	C	P	
Vehicle Repair and Maintenance, Major	-	-	-	C	P	
Vehicle Repair and Maintenance, Minor	-	-	-	P	P [1]	
Wholesaling	P	-	-	P	P	
Retail						
Building Materials	C	-	-	P	P	
Convenience Markets	C [4]	- [5]	- [5]	- [5]	- [5]	
General Retail	C [4]	- [5]	- [5]	- [5]	- [5]	
Home Improvement Centers	C	-	-	C	C	
Large Commodity Retail	C	-	-	C	C	
Vehicle-Related Uses						
Towing and Impound	-	-	-	C	P	

Vehicle Repair and Maintenance, Major	–	–	–	C	P	
Vehicle Repair and Maintenance, Minor	–	–	–	P	P [1]	
Wholesaling	P	–	–	P	P	
Industrial Uses						
Construction and Material Yards	C	C	C	P	P	18.36.030.C
Food and Beverage Production						
< 5,000 sq. ft. [7]	A [2]	A [2]	A [2]	P [2]	P [2]	
5,000 sq. ft. to 10,000 sq. ft. [7]	C [2]	C [2]	C [2]	P [2]	P [2]	
> 10,000 sq. ft.	C	C	C	P [2,8]	P [2,8]	
Manufacturing, Light	P	C [3]	C	P	P	
Manufacturing, General	–	–	–	–	C	
Research and Development	P	P	P	P	P	
Salvage and Wrecking	–	–	–	–	C	
Warehousing and Distribution						
Warehousing and Distribution, Large	C	C [3]	C [3]	C	P	
Warehousing and Distribution, Small	C	C [3]	C [3]	P	P	
Warehousing and Distribution with Outdoor Storage	C	–	–	C	C	
Heavy Distribution	–	–	–	–	–	
Parcel Sorting Facilities	–	–	–	–	–	
Parcel Hub Small < 75,000 sq. ft.	–	–	–	–	–	
Parcel Hub Large > 75,000 sq. ft.	–	–	–	–	–	
Recycling Facilities						
Reverse Vending Machine	P	C	C	P	P	
Recycling Collection Facility	C	–	–	C	C	
Recycling Processing Facility	–	–	–	–	C	
Utilities, Major	–	–	–	C	C	
Wireless Communications Facilities	See Chapter 18.96					
Agriculture and Natural Resource Uses						
Crop Cultivation	–		–			
Other Uses						
Accessory Uses	See Chapter 18.44					
Temporary Uses	See Section 18.92.150					

Notes:

[1] Retail sale of automotive products allowed only when ancillary to a vehicle repair and maintenance use. Retail display areas for automotive products may not exceed 25 percent of the building floor area.

[2] Must be 150 feet or more from a residential zoning district, otherwise requires a CUP.

[3] Permitted only when ancillary to another permitted use.

[4] Allowed as a primary use only when the Planning Commission finds that the use supports the primary job-generating uses within a business park setting.

[5] Allowed when accessory to a permitted primary use subject to the limitations in Section 18.26.020.D (Accessory Uses).

[6] Allowed only when accessory to a brewery, winery, or other alcoholic beverage production facility. Tasting rooms must be located

within the building occupied by the primary use and may not exceed 5,000 square feet or 10 percent of the gross floor area of the building, whichever is less.

[7] On-site wholesale or retail sales required.

[8] Conditional Use Permit required when the type of food being produced will emit a generally offensive odor. Examples include primary processing of seafood, coffee roasting, pickled foods, or processes involving primarily fat and oils.

Section 2. Section 18.108.040 (Design Permit) of Chapter 18.08 (Specific Permit Requirements) of Title 18 (Zoning) is hereby amended to read as follows:

18.108.040 – Design Permit

A. Purpose. A Design Permit is a discretionary action that enables the City to ensure that proposed development exhibits high quality design consistent with the General Plan and any other applicable specific plan or area plan adopted by the City Council. The Design Permit process is also intended to ensure that new development and uses are compatible with their surroundings and minimize negative impacts on neighboring properties.

B. Review Authority.

1. Except as provided below, the Community Development Director shall review and act on all Design Permit applications.
2. The Community Development Director may elevate any Design Permit application under their authority to the Planning Commission for review and final decision.
3. The City Council shall review and act on all Design Permit applications for new City projects (e.g., new municipal buildings, parks) determined by the Community Development Director to be significant in accordance with Subsection D below.
4. Except for new City projects, the Planning Commission shall act on any Design Permit Application for any other projects determined by the Community Development Director to be significant in accordance with Subsection D below.

C. When Required. The following types of projects require a Design Review permit:

1. Three or more new residential units.
2. One or more new residential unit on a sensitive site as defined in Subsection E (Sensitive Sites) below.
3. New non-residential buildings, structures physical site improvements determined to be significant in accordance with Subsection D (Significant Projects) below.
4. Additions to existing buildings, structures, or other physical site improvements visible from a public right-of-way and determined to be significant in accordance with Subsection D (Significant Projects) below. Single-family homes are exempt unless the home is on a sensitive site as defined in Subsection E below.

5. Additions to existing residences located on a sensitive site as defined in Subsection E below.
6. Site alterations that change the topography of the currently developed site area on a sensitive site as defined in Subsection E below.
7. Relocation of existing buildings, structures or other physical site improvements.
8. Exterior changes to existing buildings, structures or other site improvements determined to be significant in accordance with Subsection D (Significant Projects) below. Single-family homes are exempt unless the home is on a sensitive site as defined in Subsection E below.
9. Grading of more than 50 cubic yards on slopes greater than ten percent.
10. New accessory structures including secondary dwelling units or guest homes on a sensitive site as defined in Subsection E below.
11. City projects, including but not limited to municipal buildings, parks and open spaces, landscaping within the right-of-way, and street furniture.
12. Other projects determined by the Community Development Director to be significant or which may adversely affect the environment or adjacent development.

D. Significant Projects.

1. The Community Development Director shall determine whether a project in Subsection C above is significant and thus requires a Design Review permit. When determining if a project is significant, the Community Development Director shall consider:
 - a. The visual prominence of the project when viewed from the public right-of-way and/or private property;
 - b. The project height, mass, and area of site disturbance;
 - c. The type, character, and proximity of adjacent development; and
 - d. The potential of the project to create adverse impacts on adjacent uses or the community at large.
2. Any structure with more than 75,000 square feet of floor area or a building height greater than 40 feet, not including projections allowed by-right under Table 18.56-1, is presumed to be significant for purposes of this Chapter.
3. Any residential development of more than 100 units is presumed significant for purposes of this chapter.
4. The Community Development Director's determination that a project is significant may be appealed to the Planning Commission in accordance with Chapter 18.112 (Appeals).

E. Sensitive Sites.

1. The Community Development Director may require a Design Permit for a project located on a sensitive site where a Design Permit may not otherwise be required.
2. The Community Development Director's determination that a site is sensitive and that a Design Permit is required may be appealed to the Planning Commission in accordance with Chapter 18.112 (Appeals).
3. The City shall consider a site to be sensitive if the site:
 - a. Contains a notable natural feature such as a hillside, ridgeline, watercourse, major drainage way or floodplain;

Section 3. Section 18.124.050 (Industrial Uses) of Chapter 18.124 (Land Use Definitions) of Title 18 (Zoning) is hereby amended to read as follows:

18.124.050 – Industrial Uses

- A. Construction and Material Yards.** Storage of construction materials and/or heavy equipment on a site other than a construction site.
- B. Food and Beverage Production.** A manufacturing establishment producing or processing food products or beverages for off-site consumption and wholesale distribution where the processing of food is primarily from previously prepared or farmed ingredients.
- C. Heavy Distribution.** A fulfillment center or similar use with a minimum gross floor area of 100,000 square feet and a minimum ceiling height of 24 feet. The fulfillment center's primary purpose is storage and distribution of e-commerce products to consumers or end-users, either directly or through a Parcel Hub. Heavy Distribution is prohibited in all zones in the City of Morgan Hill.
- D. Manufacturing, Light.** The manufacture, predominantly from previously prepared materials, of finished products or parts, including processing, fabrication, assembly, treatment, and packaging of such products, and incidental storage, sales and distribution of such products, but excluding basic industrial processing and custom manufacturing. Includes manufacture of electric and electronic instruments and devices. Excludes saw and planing mills and manufacturing uses involving primary production of wood, metal or chemical products from raw materials.
- E. Manufacturing, General.** Manufacturing of products from extracted or raw materials or recycled or secondary materials, or bulk storage and handling of such products and materials. Includes operations such as agriculture processing, apparel manufacturing; photographic processing plants; leather and allied product manufacturing; wood product manufacturing; paper manufacturing; chemical manufacturing; plastics and rubber products manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product

manufacturing; and automotive and heavy equipment manufacturing.

- F. **Parcel Hub.** A “last mile” facility or similar establishment for the processing and/or re-distribution of parcels or products. A Parcel Hub’s primary function is moving a shipment from one mode of transport to vehicles with rated capacities less than 10,000 pounds, for delivery directly to consumers or end-users primarily within the Morgan Hill zip code.
 - 1. **Parcel Hub, Large.** A parcel hub facility that occupies 75,000 square feet or more in building area.
 - 2. **Parcel Hub, Small.** A parcel hub facility that occupies less than 75,000 square feet in building area.
- G. **Parcel Sorting Facilities.** Establishments for the sorting and or re-distribution of parcels or products from Heavy Distribution (fulfillment centers) to a Parcel Hub via intramodal transit truck to truck.
- H. **Research and Development.** A facility for scientific research and the design, development, and testing of electrical, electronic, magnetic, optical, pharmaceutical, chemical, and biotechnology components and products in advance of product manufacturing. Includes assembly of related products from parts produced off site where the manufacturing activity is secondary to the research and development activities.
- I. **Salvage and Wrecking.** Storage and dismantling of vehicles and equipment for sale of parts, as well as their collection, storage, exchange or sale of goods including, but not limited to, any used building materials, used containers or steel drums, used tires, and similar or related articles or property.
- J. **Warehousing and Distribution.** A use engaged in storage, wholesale and distribution of manufactured products, supplies, and equipment to retailers; to industrial, commercial, institutional, farm, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies. Includes merchant wholesalers; agents, merchandise or commodity brokers, and commission merchants; assemblers, buyers and associations engaged in the cooperative marketing of farm products; and bottling works.
 - 1. **Warehousing and Distribution, Large.** A warehousing distribution facility 75,000 square feet or more in building/or use area.
 - 2. **Warehousing and Distribution, Small.** A warehousing distribution facility less than 75,000 square feet in building area, or as a secondary/companion use of no more than 75,000 sf ancillary to another activity contained within a larger building area.

3. **Outdoor Storage.** Storage of commercial goods in open lots.

Section 4. Subsection B (Light Fleet Based Services) of Section 18.124.060 (Transportation, Communication, and Utility Uses) of Chapter 18.124 (Land Use Definitions) of Title 18 (Zoning) is hereby amended to read as follows:

- A. Light Fleet-Based Services.** Passenger transportation services, medical transport, and other businesses that rely on fleets of three or more vehicles with rated capacities less than 10,000 pounds. Includes parking, dispatching, and offices for taxicab and limousine operations, ambulance services, nonemergency medical transport, local messenger and document delivery services, and similar businesses. Excludes towing operations (see “Towing and Impound”) or delivery services with two or fewer fleet vehicles on site (see “Business Support Services”).

Section 5. Severability. Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 6. Effective Date; Posting. This Ordinance shall take effect on _____, 2020. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 28th DAY OF OCTOBER 2020, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 18th DAY OF NOVEMBER 2020, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

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

APPROVED:

ATTEST:

 RICH CONSTANTINE, Mayor

 IRMA TOREZ, City Clerk

∞ CERTIFICATE OF THE CITY CLERK ∞

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 Ordinance No. 2317, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 18th day of November 2020.

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

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Angie Gonzalez, Council Services Assistant
APPROVED BY: City Manager

ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Preserving and Cultivating Public Trust

2020-2021 Strategic Priorities

Economic Development

GUIDING DOCUMENTS

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

On November 4, 2020, the City Council introduced Ordinance No. 2318 New Series, by the following roll call vote: AYES: Carr, McKay, Spring, Martinez Beltran, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

The applicant applied for a Zoning Map Amendment to establish a Planned Development (PD) Combining District and Master Plan on November 1, 2019. The project, as amended, includes a 4,500 square foot urgent care facility, a 10,000 square foot cancer center, a 100,000 square foot medical office/hospital with 55 beds, a parking deck, a 10,000 square foot commercial retail/restaurant building, and a maximum 150-unit residential development.

Ordinance 2318 would approve Zoning Map Amendment ZA2019-0016: Juan Hernandez – MH Medical Properties (Lillian Commons) and change the zoning designation of the subject parcels (APNs 817-09-041, 817-09-039 and 817-09-040) from Service Commercial (CS) and PD to Mixed-Use Flex (MU-F) and PD and establish

a master plan for a mixed-use development project.

Council conditioned approval of the ordinance on an agreement by the applicant to either 1) construct the infrastructure necessary to support a medical campus, or 2) be halfway through the OSHPD approval process for a hospital prior to issuance of building permits for the housing development.

The OSHPD approval process is not a defined period and continues throughout the construction of a hospital building. Because the halfway point is not something that can be determined, staff is recommending that the second criteria be changed to require a purchase and sale agreement with a hospital system in lieu of having to make a determination that the project is halfway through the OSHPD permitting process.

This agreement has been incorporated into the language of the ordinance. The revised ordinance will be supplemented prior to the November 18th City Council meeting.

COMMUNITY ENGAGEMENT: Inform

The proposed project was publicly noticed including a mailing to property owners within 600 feet of the project and a display ad in the newspaper for the minimum 10-day period and a sign was posted on the project site pursuant to the Planning Division requirements. Residents on the Planning Commission notify me email list were notified of the proposed ordinance on Friday, September 25, 2020. At that time, copies of the staff report and draft ordinance were posted to the City's website. A second notice was sent to residents on the City's e-mail lists on September 28, 2020. The Planning Commission held a public hearing to consider the proposed ordinance on September 29, 2020 and October 13, 2020.

This staff report was posted to the project webpage, all City social media accounts, and send to the community via City email blast on October 29, 2020 in advance of the November 4, 2020 City Council hearing.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Prior to the Planning Commission September 29, 2020 and October 13, 2020 meetings, the Planning Commission reviewed the preliminary application associated with this project at their January 28, 2020 meeting. As required by Section 18.30.050 (Planned Development Combining District) of the Morgan Hill Municipal Code, the applicant submitted an application for preliminary input from the Planning Commission on the proposed Planned Development on November 1, 2019. At the time, the applicant was requesting a Preliminary Review Application for a 4,500 square foot urgent care facility, a 10,000 square foot cancer center, a 100,000 square foot medical office/hospital with 55 beds, a parking deck, a 10,000 square foot commercial retail/restaurant building, and a 200 to 220-unit multifamily residential development.

A public hearing was held before the City Council on November 4, 2020.

FISCAL AND RESOURCE IMPACT:

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

CEQA (California Environmental Quality Act):

An Initial Study/Mitigated Negative Declaration (IS/MND) dated June 2020 was prepared for the project by David J. Powers in conformance with the California Environmental Quality Act (CEQA). The IS/MND was circulated for 30-days from June 30, 2020 to July 30, 2020. In summary, the comments received on the IS/MND did not raise any new issues about the project's environmental impacts, or provide information indicating the project would result in new environmental impacts or impacts substantially greater in severity than disclosed in the IS/MND.

LINKS/ATTACHMENTS:

1. Draft Ordinance 2318 Lillian Commons
2. 2318 Lillian Commons Exhibit A

Ordinance subject to change per direction of City Council from 11/4/2020 Public Hearing

ORDINANCE NO. 2318

AN ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

The project complies with the allowed density range for units and floor area ratio on the site in accordance with the General Plan.

SECTION 2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

The project is a mixed-used development that would provide health care services, retail and housing opportunities within the City.

SECTION 3. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.

The project is a mixed development proposal consisting of medical, retail and residential development. The project builds off the existing medical offices on the site to provide a complete medical services center; provides a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community; provide housing for the medical office/hospital uses that would be affordable to the

employees of these uses; provide housing in proximity to a school, commercial services and employment opportunities.

SECTION 4. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.

The proposed development is consistent with the policies established by the General Plan and Zoning Code.

SECTION 5. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.

The development will allow a mix of compatible uses, including a residential component to provide sustainability to the remainder of the uses, and a retail and medical office/hospital component to provide work opportunities to the neighborhood and community.

SECTION 6. The proposed project will provide a substantial public benefit. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.

Several public benefits include a medical center featuring medical offices, urgent care/pharmacy, and hospital beds; high-density housing to achieve Regional Housing Needs Allocation by providing lower income housing units; open space, courtyards, and plazas available to the public that provide opportunities for people to informally meet and gather; pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood; locate housing in proximity to parks, school, retail and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions; provide green buildings and sustainable development features, including photovoltaic renewable energy and exceeding Title 24 standards by three to five percent; and provide accessible parks and open space beyond the minimum required.

SECTION 7. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

The project site is 19.67-acres and will have a density of 7 to 24 dwelling units per acre and a floor area ratio of 0.42 to 0.5. The size and shape of the site will accommodate the proposed medical, retail, residential and open space uses.

SECTION 8. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

The site fronts Juan Hernandez Drive and Barrett Avenue. There are wet and dry utilities and infrastructure in the surrounding area that will support the project.

SECTION 9. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.

The project is compatible with the surrounding single-family residential uses and Barrett Elementary School and will not have a substantial adverse effect with Conditions of Approval and Mitigation Measures included. The open space and residential uses will provide a suitable buffer between the adjacent single-family residences and school.

SECTION 10. The request was considered by the Planning Commission at its regular meeting of September 29, 2020 and October 13, 2020, at which time the Planning Commission recommended approval of Zoning Amendment application, ZA2019-0016: Juan Hernandez – MH Medical Properties (Lillian Commons) and the Planned Development Master Plan as described in the attached Exhibit “A” dated October 30, 2019, and revised on March 13, 2020, and further revised by applicant on October 6, 2020, and by this reference incorporated herein. The City Council accepts the recommendation of the Planning Commission.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 4th DAY OF NOVEMBER 2020, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 18th DAY OF NOVEMBER 2020, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TOREZ, City Clerk

∞ CERTIFICATE OF THE CITY CLERK ∞

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 Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 18th day of November 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT A

Planned Development Master Plan

**PD Master Plan Zoning Amendment / General Plan Amendment/
Application for Development Permit**

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Lillian Commons, LLC-Applicant

**October 30, 2019
Revised March 13, 2020**



Attachment: 2318 Lillian Commons Exhibit A (2921 : Adopt Ordinance 2318 Lillian Commons)

**Prepared by
EMC Planning Group**

PD MASTER PLAN ZONING AMENDMENT /
GENERAL PLAN AMENDMENT /
APPLICATION FOR DEVELOPMENT PERMIT

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Prepared for

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782 Sleeper Avenue
Mountain View, CA 94040
Tel 650.575.9608

Prepared by

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March 13, 2020

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INTRODUCTION

This Planned Development (PD) Master Plan has been prepared pursuant to the requirements of the City of Morgan Hill Municipal Code, and submittal requirements of the Community Development Department. This PD Master Plan also incorporates the requirements for a General Plan Amendment; the property has been concurrently re-designated from Commercial to Mixed Use Flex.

The PD Master Plan covers an area of approximately 19.7 acres east of Juan Hernandez Drive and north of Tennant Avenue. Refer to PD Master Plan section 4.5 for maps illustrating the plan boundary.

The PD Master Plan presents the following required information:

- Planning objectives;
- Community benefits;
- Land uses and approvals;
- Development standard deviations requested;
- Circulation plan;
- Locations of public facilities and open space;
- Diagrams showing various aspects of planned development;
- Development phasing; and
- Ongoing obligations

The PD Master Plan provides an overlay to the base Commercial Services (CS) zoning district. The purpose of the CS zoning district is to provide an area for commercial services that may be inappropriate in neighborhood or pedestrian-oriented shopping areas, and which generally require automotive access for customer convenience, servicing of vehicles or equipment, loading or unloading, or parking of commercial service vehicles.

The purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in the City of Morgan Hill. Permitted land uses may deviate from the land use regulations of the applicable base zoning district, in this case Service Commercial, provided the PD combining district allows only those land uses permitted in the applicable general plan land use designation.

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2.0

PLANNING OBJECTIVES

The PD Master Plan is designed to achieve the following planning objectives:

- Build off existing medical offices to provide a complete medical services center within the City.
- Provide a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community.
- Provide housing for the medical office/ hospital uses that would be affordable to the employees of these uses.
- Provide high-density housing in proximity to a school, commercial services, and employment opportunities.

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3.0

COMMUNITY BENEFITS AND GENERAL PLAN AMENDMENT JUSTIFICATION

3.1 Planned Development Community Benefits

The PD Master Plan will provide the following community benefits to the City of Morgan Hill:

- Provide the City with a well-rounded medical center featuring medical offices, urgent care/ pharmacy, and hospital beds.
- Provide the City with additional high-density housing to help the City achieve its Regional Housing Needs Allocation for lower income housing, and construct affordable housing units.
- Provide the neighborhood and City with open space, courtyards, and plazas that provide opportunities for people to informally meet and gather.
- Provide the neighborhood and City with pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood.
- Locate housing in proximity to parks, a school, retail, and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions.
- Provide the City with green buildings and sustainable development features. These will include photovoltaic renewable energy and meeting or exceeding Title 24 standards by three to five percent.
- Provide accessible parks and open space beyond the minimum required by the City. Park land will be dedicated to the City and the project will provide a walking/ jogging trail around the perimeter of the property to facilitate healthy living.

3.2 General Plan Amendment Justification

The PD Master Plan incorporates an amendment to the 2035 General Plan designation for the property to Mixed Use Flex (MU-F). The general plan amendment is necessary to permit the residential and hospital uses. Under the PD zoning, only those uses allowed in the property's general plan land use designation may be permitted by the PD zoning, and the general plan amendment to Mixed Use Flex accomplishes that purpose.

The 2035 General Plan defines the Mixed Use Flex district as follows:

The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of Residential or Mixed-Use projects within the Mixed Use Flex designation a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

This definition suits the development planned in the PD Master Plan, as the PD Master Plan conceptual Site Plan incorporates housing near the medical office/hospital uses that is intended to be affordable to the employees of these uses. In addition, the conceptual Site Plan incorporates a small commercial component within a 10,000 square foot building, with retail/restaurant uses to serve the employees and visitors to the hospital as well as the surrounding residential community. The conceptual Site Plan shows how the medical office/hospital, commercial, and high-density residential uses will be arranged and connect with one another.

Best Interest of the Community

Why is the proposed amendment in the best interest of the community?

The residential uses are located within the property to provide a transition in intensity between the existing medical uses, Barrett Avenue Elementary School, and the single family residential uses abutting Juan Hernandez Drive to the west. The commercial, medical office/ hospital uses will be located adjacent to the existing medical offices, providing a campus feel on the property. The structured parking will provide adequate parking to accommodate the medical uses and provide overflow parking for the compatible high-density residential uses on the project site.

The mix of uses will provide convenient retail uses and services adjacent to both the high density residential uses and the medical office/hospital. The medical office/hospital will be located close to a freeway access, and just off two thoroughfares (Tennant Avenue and Butterfield Boulevard) providing convenient access to Morgan Hill residents and those from elsewhere in the region.

Public Need

Is there currently a public need for this amendment?

The Commercial uses outlined in the 2035 General Plan, though appropriate for this property, do not include the “third leg” which provides a sustainable living solution for commercial and institutional employees. Housing, and especially affordable housing, are a critical public need throughout the State, and especially in the Bay Area. Apartments¹ are an affordable housing option for service workers and would provide employees the opportunity to eliminate their commute to work. The one and two bedroom apartments², with 15 percent affordable, would allow younger adults, families, and seniors to live and work in a sustainable manner. Additionally the proposed amendment to the 2035 General Plan for this property would go a long way toward meeting several General Plan policies, as listed below, and addressed in Section 7.0, 2035 General Plan Consistency.

Housing- Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.

Healthy Community- Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.

City & Neighborhood Form- Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.

The proposed hospital would also provide for the public needs, adding a much-needed medical services to the City of Morgan Hill. The hospital will also provide a variety of jobs for the city and surrounding population.

¹ [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

² [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

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4.0

PROPERTY AND DEVELOPMENT DESCRIPTIONS

4.1 Property Description

Location

The property within the PD Master Plan is located in the City of Morgan Hill, California, on Juan Hernandez Drive between Tennant Avenue and Barrett Avenue, adjacent to South Valley Freeway (US Highway 101-Salinas Valley Freeway). [Figure 1, Regional Location Map](#), shows the property location in a regional setting. All figures discussed in this section are presented in Section 4.5. Regional access to the property is provided by US Highway 101, and local access to the property is provided by Tennant Avenue from the south and Barrett Avenue from the north. Ingress and egress to the project site will be primarily from Juan Hernandez Drive, along the western property boundary.

The approximately 19.67-acre property consists of two adjoining undeveloped parcels of land (13.94-acres and 4.04-acres) and one developed parcel (1.69-acres). [Figure 2, Location Map](#), illustrates the location of the property with the parcels delineated. [Figure 3, Assessor's Parcel Map](#), presents the parcel map for the property and the Assessor's Parcels Numbers (APNs) 817-09-041 (13.94-acres), 817-09-039 (4.04-acres) and 817-09-040 (1.69-acres). Legal descriptions are presented in Section 9.0.

Property Characteristics

The undeveloped land is relatively flat, with several trees located on the northern parcel. Most of the property is vacant and has been farmed in the distant past. Two medical office buildings and related site improvements (driveway, parking, landscaping, and utilities) exist on the southern portion of the property as illustrated on [Figure 4, Existing Conditions Map](#).

Existing Land Use Designation and Zoning

The property is designated Commercial in the 2035 General Plan as illustrated in [Figure 5, Existing City General Plan Land Use Diagram](#), and is located in the Service Commercial zoning district with a Planned Development Combining District Overlay (PD) as illustrated in [Figure 6, Existing City Zoning Map](#).

Property Data

Project Location

City of Morgan Hill, CA (East of Juan Hernandez Drive, south of Barrett Avenue and west of US Highway 101 or Salinas Valley Freeway).

Street Address

0 and 16130 Juan Hernandez Drive, Morgan Hill, CA

Existing Assessor's Parcel Numbers

817-09-039, and 817-09-040, and 817-09-041

Acreage

Gross Property Acreage: 4.04, 1.69, and 13.94 (19.67 acres)

Net Property Acreage: 4.03, 1.66, and 13.49 (19.18- acres)

Zoning

Services Commercial District (CS) with Planned Development Combining District (PD) overlay

General Plan Designation

Mixed Use Flex (amended from Commercial)

4.2 PD Master Plan Description

General Plan Amendment

Incorporated into the PD Master Plan is an amendment to the 2035 General Plan land use diagram to change the designation for the property from Commercial to Mixed Use Flex (MU-F). [Figure 7, General Plan Amendment](#) indicated the existing and proposed land use designation.

Zoning Map Amendment

Concurrent with approval of the PD Master Plan, the property will be re-zoned by ordinance to reflect the application of the Planned Development combining district with a base CS district, and incorporation of this PD Master Plan for the property as illustrated in [Figure 8, Zoning Plat](#).

Parcel Map

A parcel map will divide the property's three existing parcels into four parcels to facilitate development or sale. The two vacant parcels would be subdivided into three parcels (A-C). The existing medical office site (Parcel D), would be reconfigured and included as part of the overall PD Master Plan. [Figure 9, Tentative](#)

Parcel Map, prepared by the project engineer indicates how the property will be subdivided. The three existing lots will be re-organized into four parcels. Parcel A, 4.17 acres, Parcel B, 1.78 acres, Parcel C, 9.49 acres, Parcel D, 4.13 acres, and 0.10 acres will be dedicated as right-of-way along Barrett Avenue.

Development

Development anticipated within the PD Master Plan would be in the range of 350,000 – 417,696 square feet of residential, commercial, office, and/or institutional uses, including up to 200-150 multi-family dwelling units. All land uses permitted in the PD Master Plan are presented in Section 5.0.

Figure 10, Site Plan is presented in Section 4.5. The conceptual Site Plan includes five uses. The square footage of each use is that provided on the conceptual Site Plan, and could slightly increase or decrease.

- 4,500 square foot urgent care/pharmacy facility on the existing medical site;
- 10,000 square foot medical office as cancer center;
- 100,000 square foot medical office and hospital with a parking deck (multi-story with 54,000 square-foot footprint);
- 10,000 square foot commercial retail/restaurant building; and
- 200-150-unit multifamily residential development ~~(178,500 square feet living units plus clubhouse, and 32,886 square feet covered carports).~~

All uses will share common driveway access to Juan Hernandez Drive and Barrett Avenue. The conceptual Site Plan illustrates the overall development concept, including the proposed land uses, building placement, circulation patterns, parking, and open space. The descriptions in this section are based on the conceptual Site Plan.

Parcel A

The proposed medical/hospital facility will occupy one building in Parcel A. Two pick-up/drop-off areas are located adjacent to the proposed buildings to assist patients. Development of Parcel A includes a 500-space parking structure that will be shared by the adjacent uses along with access and utility infrastructure. A small park is also located on Parcel A for visitors and employees.

Parcel B

This parcel will be developed with approximately 10,000 square feet of commercial/retail uses, including a 5,000 square-foot sit down restaurant, a 55-space surface parking lot, and access and utility infrastructure. The remaining 5,000 square feet will be available for other personal service or retail uses. The mix of uses within this building will be market driven and could fluctuate over the life of the building.

Parcel C

Parcel C will be developed with 200-150 multifamily residential units ~~in five buildings, a 3,000-square foot leasing office/club house, interior recreation area, covered and uncovered parking for 359-vehicles~~

and bicycles. Additional vehicle parking will be available through a shared parking agreement with the developer of Parcel A. ~~The proposed mix of units consists of 61 one bedroom units and 139 two bedroom units. Two of the five buildings will be three stories, approximately 35 feet tall, and are located closest to Juan Hernandez Drive. The other three buildings will be four stories, approximately 45 feet tall and will be placed around an interior recreation area and swimming pool.~~ Parcel C may also be developed with Single Family attached and detached for-sale dwelling units or other medical office uses.

Parcel D

Parcel D includes two existing medical buildings totaling 15,900 square feet and parking. The existing medical buildings will remain and a new one story 4,500 square foot urgent care/pharmacy medical facility will be constructed on this parcel, located in what is now occupied by a portion of the parking lot, leaving 30 surface parking spaces to remain for the existing medical facility and urgent care/pharmacy. A 10,000 square foot medical office – cancer center and a 66-space surface parking lot will be developed on this reconfigured parcel. Parking for the existing medical building displaced by the proposed urgent care/pharmacy facility will be replaced adjacent to the proposed medical office – cancer center and through a shared parking agreement with the remainder of the medical facility that will be developed on the new Parcel A.

Parkland/Open Space

The PD Master Plan includes the provision of approximately 2.9 acres of parks and open space. Amenities on Parcel C include a swimming pool, hot tub, lounging patio, and tot lot/play area, open play fields, and jogging/walking trail connections to adjacent sidewalk systems. Recreational parkland amenities in Parcel A include passive recreational opportunities with a landscaped area and park benches located between the medical/hospital facility and the commercial uses on Parcel B. Trail connections are provided throughout the property including new pedestrian access to the existing medical campus (Parcel D).

Site Access/Circulation

Access to the project site will be provided by four driveways: the existing driveway to the medical office would be retained and extended to provide secondary access to the medical/hospital facility and cancer center. An additional driveway, approximately 460 feet north of the existing driveway, will provide the primary access to Parcels A-C through the middle of the property. Two additional driveways will provide secondary access to the multifamily residential development from Barrett Avenue. The accessways for all project components are interconnected within the property. All new accessways will be designed to meet City of Morgan Hill design and performance standards for streets, driveways, curb, gutter and sidewalks. The conceptual Site Plan provides a layout of the circulation system for the project.

Juan Hernandez Drive is a two lane street with striping at Barrett Avenue to allow for turn lanes. The street is wide enough to provide on street parking but individual spaces are not marked. Barrett Avenue is a two lane street primarily providing access to Barrett Elementary School. Two left turn lanes from Juan Hernandez Drive into the property are proposed.

Sidewalks will be extended into the property from the existing sidewalks along Juan Hernandez Drive and Barrett Avenue. Connection will be made to the existing sidewalks on Juan Hernandez Drive and Barrett Avenue. Within the project boundary, sidewalks will be provided on all internal driveways to meet Americans with Disabilities (ADA) standards. Bicycle traffic shares the paved area or uses the sidewalk. Pathways and sidewalks designated for bicycle use will meet Caltrans design standards for bikeways. The passive park with a jogging/walking trail for pedestrians, will serve as a passage way from Barrett Avenue to the south side of the property. Additionally, all the uses proposed in the development project will have pedestrian connections to the park.

Parking

Parking will be located on each parcel and a shared parking agreement will be implemented per Municipal Code Section 18.72.050, on-site parking alternative-Section F, to meet the parking needs of the development. Parking below standards for some uses will be met by implementing a shared parking agreement between the newly created parcels within the property. Additionally, the mix of land uses will result in walking trips that will reduce parking demands for some uses.

Signage and Lighting

A detailed signage and lighting plans will be submitted during the Design Review phase of the project review. Signage and lighting will comply with the City of Morgan Hill Municipal Code, Sections 18.88 and 18.72.060G. We anticipate signage will be located at the intersection of Juan Hernandez Drive and the main access drive into the property, currently labeled as Street A on the conceptual Site Plan. Additional internal signage locations have not been determined at this time.

Storm Water Infrastructure

All drainage systems will be designed to comply with City and Regional Water Quality Control Board requirements for storm water management. Bio swales will be dispersed throughout the development, including a 25-foot wide landscape buffer along the east property line and a storm water basin, located in the southeast corner of the property. All drainage improvements will be designed and landscaped to meet City and State design criteria and performance standards. Where necessary, fencing around the ponds will consist of black chain link or decorative fencing and landscaping to shield views from US Highway 101 and onsite patrons.

Other Utilities

Sewer, water, and wastewater infrastructure will be designed and constructed in conformance with City standards. Ownership and maintenance will generally correspond to location within public or private property. Where utilities cross private property, easements will be established as necessary to provide access. Other utility infrastructure (gas, electric, communications, etc.) will be designed and constructed in conformance with State or utility standards. Ownership of these utilities will remain with the utility, with easements established as necessary to provide access.

Phasing

The proposed project would likely be constructed in phases starting with development of Parcel C, followed by development of Parcels B and D, and closing with the development of Parcel A. The hospital use will require approvals by the Office of Statewide Health Planning and Development (OSHDP) and the Division of the State Architect, some approvals could take as long as seven years, which is why it is expected to be the final element of the project to be developed. Full occupancy of all uses is assumed to occur in the year 2025-2027. Market factors could result in a changed phasing sequence.

Conceptual Development Plans

Figure 10, *Conceptual Site Plan*, illustrates the overall development concept, including the proposed land uses, buildings, circulation patterns, parking, and open space and common areas. This plan documents the percentage of site area that will be dedicated for all types of open space.

Figure 11, *Pedestrian Circulation/Open Space Plan*, illustrates the connectivity of the project, how it relates to the surrounding pedestrian network, and open space proposed on the project site.

Figure 12, *Illustrative Site Plan*, is a conceptual color rendering of how all the elements come together on the property.

Figure 13, *Conceptual Site and Utility Plan*, provides locations of sewer, water and fire connection on the site plan and also shows the proposed storm water management areas.

Figure 14, *Conceptual Grading Plan*, provides conceptual contour grading, drainage and flood control facilities, easement, property lines, rights-of-ways, and existing features beyond the site boundaries. Structures, building footprint and floor elevations are also depicted on the conceptual Grading Plan.

Full Size Plans, Illustrative Building Elevations, provided under separate cover, illustrate the building elevations and provide perspective renderings for each building. The building architecture and design are inspired by a distinctly modern and geometric aesthetic, using classical materials for a timeless appearance. The elevations are crafted of warm wood, grey stone and contrasting light stucco. The transparent glazing panes will provide ample daylight and animate the buildings, flooding the interior spaces with natural light and the orthogonal volumes and surfaces complement each other. The parking deck form is reduced in mass by using landscape screens facing US Highway 101.

Full Size Plans, The Conceptual Landscape Plans, provided under separate cover, identify landscaped areas throughout the PD Master Plan and explain the main landscape concepts to be achieved for the project. The conceptual Landscape Plans identify the major types of plant material to be used including street trees, parking lot trees, shrubbery to be used to screen the parking lots, and buffer plantings.

Conceptual Site Development Data

The PD Master Plan's conceptual Site Plan (see Figure 10) is used to provide the numbers that were used to prepare the project description and CEQA documentation. Additional dwelling units or floor area may be achieved on the property. The PD Master Plan allows a range of 350,000 – 417,696 square

feet of commercial, office, and/or institutional floor space and a maximum of ~~200~~ 150 multi-family or single family dwelling units. It is expected the conceptual Site Plan will be modified prior to Design Review. Modification will be kept to a limit acceptable to not trigger additional CEQA impacts or mitigation measures. If the conceptual Site Plan changes exceed this limit, additional CEQA documentation may be necessary.

Medical Office/Cancer Center

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot maximum)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 2 EV spaces, and 5 bicycle spaces

Medical/Hospital

Building Coverage: 33,333 square feet

Floor Area: 100,000 square feet

Building Height: Three story (52-foot maximum including rooftop equipment)

Parking: 500 shared spaces within deck, including 9 ADA spaces, 10 EV spaces, and 25 bicycle spaces

Decked Parking

Building Coverage: 54,000 square feet

Building Height: Three story (32-foot)

Retail/Restaurant

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot)

Parking: 55 spaces, including 3 ADA spaces, 2 EV spaces, and 5 uncovered bicycle spaces

Multi-Family Housing

Building Coverage: 51,750 square feet (apartments and clubhouse/leasing office)³

Floor Area: 175,500 square feet – apartments; 3,000 square feet – club house⁴

Building Height: Varies by building: Three story (35-foot maximum); ~~Four-story (45-foot)~~

³ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

⁴ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Dwelling Units: 200-150 Units (~~conceptual Site Plan assumes 61 at 1 bedroom and 139 at 2 bedroom, or 200 units~~)

Parking: 359 spaces, including 8 ADA spaces, 200 covered spaces, and 7 EV spaces

Bicycle Parking: 36 covered bicycle spaces, 40 uncovered bicycle spaces

Urgent Care and Pharmacy

Building Coverage: 4,500 square feet

Floor Area: 4,500 square feet

Building Height: One story (25-foot)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 3 uncovered bicycle spaces

Existing Medical Buildings

Building Coverage: 15,900 square feet (12,300 square feet and 3,600 square feet)

Floor Area: 15,900 square feet

Building Height: One story

Parking: 96 shared spaces, including 30 existing spaces, 4 ADA spaces, 2 EV spaces and 4 uncovered bicycle spaces.

Park

Open Space / Passive Park Acreage: +/- 2.2 acres

Recreation exclusive for Multi-Family: +/- 0.70 acres

Additional open space is provided on site in landscaped buffers including walking/jogging trails.

Total Building Coverage

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Allowed: 417,696 square feet (50% of net land area)

Proposed: Not to exceed 50% (conceptual Site Plan indicates 212,319 square feet (25% of net land area)

Floor Area Ratio (FAR)

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Maximum FAR (per MU-F 0.5): 417,696 square feet

Proposed FAR: (0.42-0.5) 350,000 to 417,696 square feet (conceptual Site Plan indicates 351,786 square feet)

Total Square Feet

(Within buildings/carports on conceptual Site Plan)

Retail/Restaurant: 10,000 square feet

Medical Offices (4): 30,400 square feet

Medical/Hospital: 100,000 square feet

Residential: 178,500 square feet (includes club house/leasing office at 3,000 square feet)

Covered Residential Parking: 32,886 square feet – expected to be carports

Total: 351,786 square feet – (does not include the commercial parking structure)

Total Parking

Proposed Vehicle Parking: 1,010 spaces total (96 compact spaces at bio swales)

Covered Vehicle Parking: 700 spaces (500 spaces within parking structure)

Bicycle Parking: 118 (36 covered spaces, 82 uncovered spaces)

ADA Parking: 28 spaces

Electric Vehicle (EV): 23 spaces

4.3 Implementing Approvals

After the actions noted above are complete (General Plan Amendment, Zoning Map Amendment, and Parcel Map), the following implementing actions will remain to be taken by the City prior to construction. These approvals will most likely be separate actions for each parcel within the PD Master Plan.

Final Maps. After the tentative parcel map is approved, final maps will be filed. It is anticipated that a separate final map may be filed for each parcel, along with a corresponding improvement plan.

Design Review Permits. Prior to construction, each structure will be required to obtain a design review permit. Each design review permit will be approved by resolution by the Planning Commission.

Conditional Use Permits. Some uses that are allowed within the PD Master Plan will require a conditional use permit. Each conditional use permit will be approved by resolution by the Planning Commission.

4.4 Ownership and Ongoing Obligations

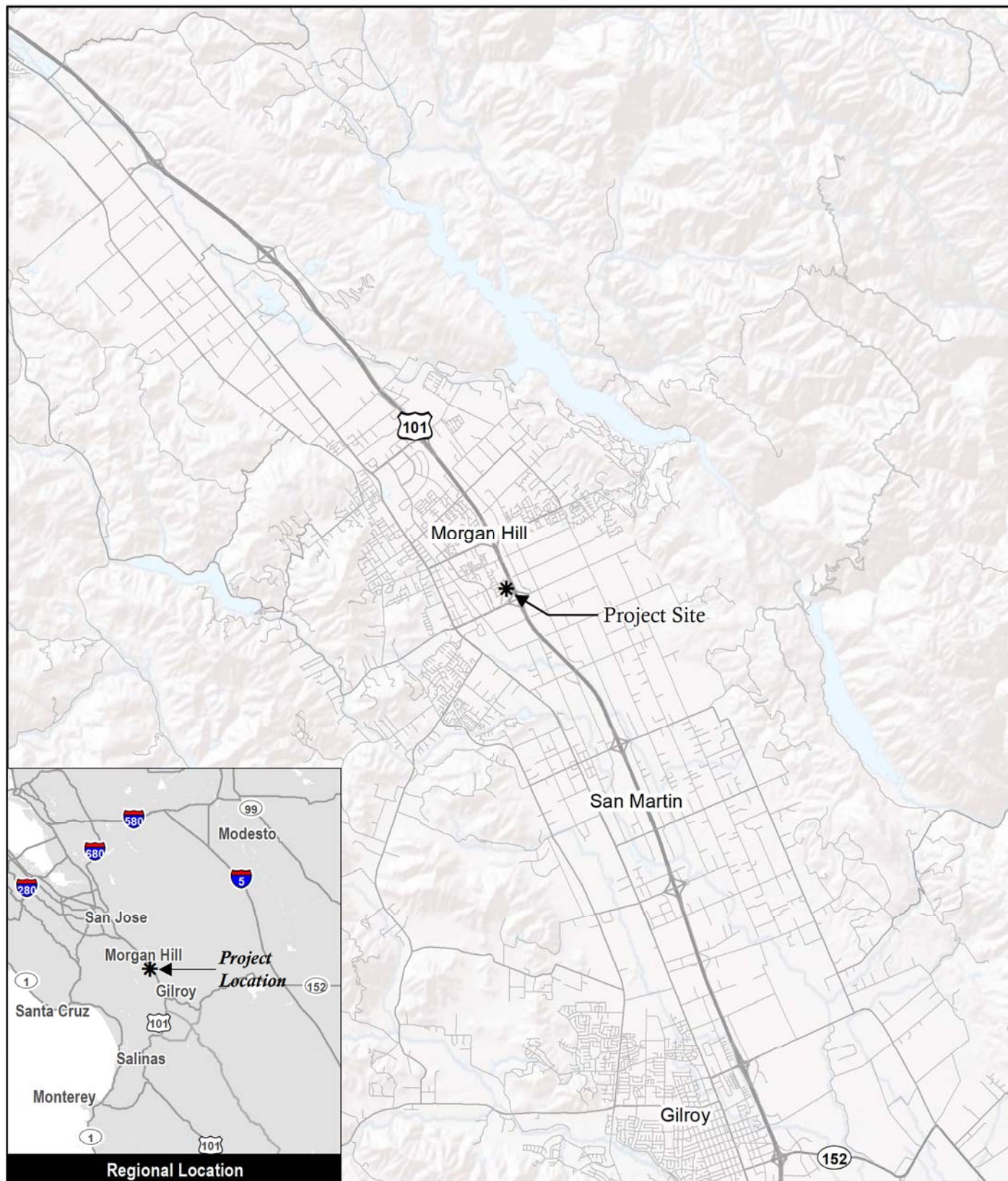
The PD Master Plan, General Plan Amendment, and subdivision proponent seeks to obtain City approval of the General Plan Amendment, PD Master Plan and subdivision entitlements. The applicant/proponent intends to develop Parcel D with the Medical Center (e.g. urgent care/pharmacy, cancer center, medical offices, etc.). The medical /hospital parcel, retail/restaurant parcel, and residential parcel will most likely be sold to end users or to specialized developers.

Park land will be set aside within an easement upon filing of the final parcel map(s). Infrastructure will be constructed by future developers. Dedication and long-term maintenance financing of circulation, water, wastewater, and storm water infrastructure will be determined when development applications are processed.

A memorandum of agreement (MOA) or development agreement (DA) will be drafted by the applicant and distributed to the developers of each lot to allow for an orderly manner in which to provide capital improvements and maintenance of the infrastructure and common areas located throughout the property. It is expected that a shared parking agreement will be prepared as part of the MOA/DA to allow shared parking among the end users of the PD Master Plan development.

4.5 Maps and Diagrams

Maps and Diagrams are presented on the following pages.



Source: ESRI 2019

Figure 1

Regional Location Map

Lillian Commons/Morgan Hill Medical Campus

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0 300 feet



Subject Property



Morgan Hill
City Limits

Source: ESRI 2019, Santa Clara County GIS 2018

Figure 2

Vicinity Map

Lillian Commons/Morgan Hill Medical Campus

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Assessor's Parcel Map

Lillian Commons/Morgan Hill Medical Campus

Attachment: 2318 Lillian Commons Exhibit A (2921 : Adopt Ordinance 2318 Lillian Commons)



0 575 feet

Subject Property

Packet Pg. 277



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SURVEY NOTES

1. THIS MAP REPRESENTS AN AERIAL TOPOGRAPHIC SURVEY PERFORMED BY WHITSON ENGINEERS ON JUNE 26, 2019. MAPING SCALE IS 20' PER INCH WITH CONTOURS AT ONE FOOT INTERVALS.
2. THIS MAP PORTRAYS THE SITE AT THE TIME OF THE SURVEY AND DOES NOT SHOW SOILS OR GEOLOGY INFORMATION, UNDERGROUND CONDITIONS, EASEMENTS, ZONING OR REGULATORY INFORMATION OR ANY OTHER ITEMS NOT SPECIFICALLY REQUESTED BY THE CLIENT.
3. BOUNDARY LOCATIONS SHOWN HEREON WERE DETERMINED WITH THE BENEFIT OF A FIELD SURVEY SUPPLEMENTED BY RECORD DATA. ALL BOUNDARY SHOWN IS FROM RECORD DATA. THIS TOPOGRAPHY DOES NOT CONSTITUTE A BOUNDARY SURVEY. THERE MAY BE EASEMENTS OR OTHER RIGHTS, RECORDED OR UNRECORDED, AFFECTING THE SUBJECT PROPERTY WHICH ARE NOT SHOWN HEREON.
4. DISTANCES AND DIMENSIONS SHOWN ARE EXPRESSED IN FEET AND DECIMALS THEREOF, UNLESS OTHERWISE NOTED.
5. LOCATING OF UNDERGROUND UTILITIES WAS NOT WITHIN THE SCOPE OF THE TOPOGRAPHIC SURVEY. WITH THE EXCEPTION OF OBSERVED FACILITIES, SIZE AND LOCATION OF UNDERGROUND UTILITIES ARE SHOWN BASED ON AS-BUILT DOCUMENTS PROVIDED BY THE CITY OF MORGAN HILL.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NAVD88 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600, SHOWN HEREON.

LEGEND

- SUBJECT PROPERTY LINE
- ADJACENT PROPERTY LINE
- CENTERLINE
- SANITARY SEWER LINE
- WATER LINE
- STORM DRAIN
- EXISTING CONTOUR
- UTILITY MANHOLE
- STORM DRAIN CATCH BASIN
- FIRE HYDRANT
- WATER VALVE
- SURVEY MONUMENT (FOUND)

ABBREVIATIONS

- AC ACRE
- BW BACK OF WALK
- CB CATCH BASIN
- CH-LNK CHAIN LINK
- CONC CONCRETE
- EP EDGE OF PAVEMENT
- FL FLOWLINE
- GR GRATE
- HP HIGH POINT
- INV INVERT
- JP JOINT POLE
- LP LOW POINT
- MH MANHOLE
- OH OVERHEAD
- PL PROPERTY LINE
- SD STORM DRAIN
- SS SANITARY SEWER
- TC TOP OF CURB
- TS TRAFFIC SIGNAL
- WV WATER VALVE
- WM WATER METER
- x271.19 EXISTING SPOT ELEVATION

PROJECT TEAM

CIVIL ENGINEER / SURVEYOR

WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940

(831) 649-5225

ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEEN AVENUE, SUITE 210
SOUTH SAN FRANCISCO, CA 94080

(415) 312-0454

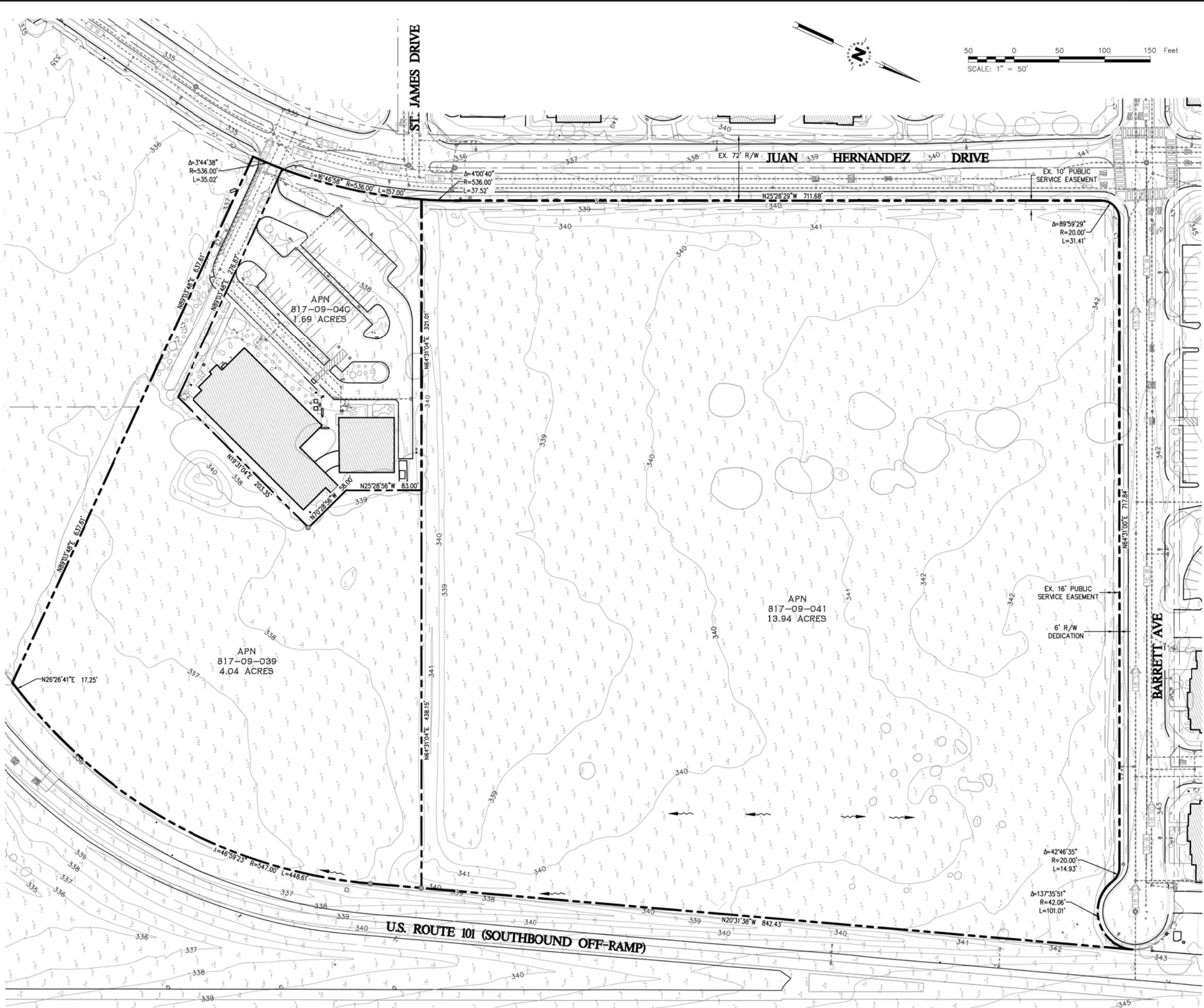
LANDSCAPE ARCHITECT

W. JEFFREY HEID LANDSCAPE ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

(408) 691-5207

SHEET INDEX

- C1.0 EXISTING CONDITIONS MAP
- C2.0 CONCEPTUAL SITE AND UTILITY PLAN
- C2.1 CONCEPTUAL GRADING PLAN



Civil Engineering
Land Surveying
6 Harris Court
Monterey, California
93940
whitsonengineers.com



NOT VALID
WITHOUT
SIGNATURE

SUBMITAL / REVISION

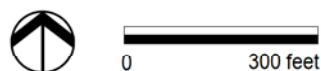
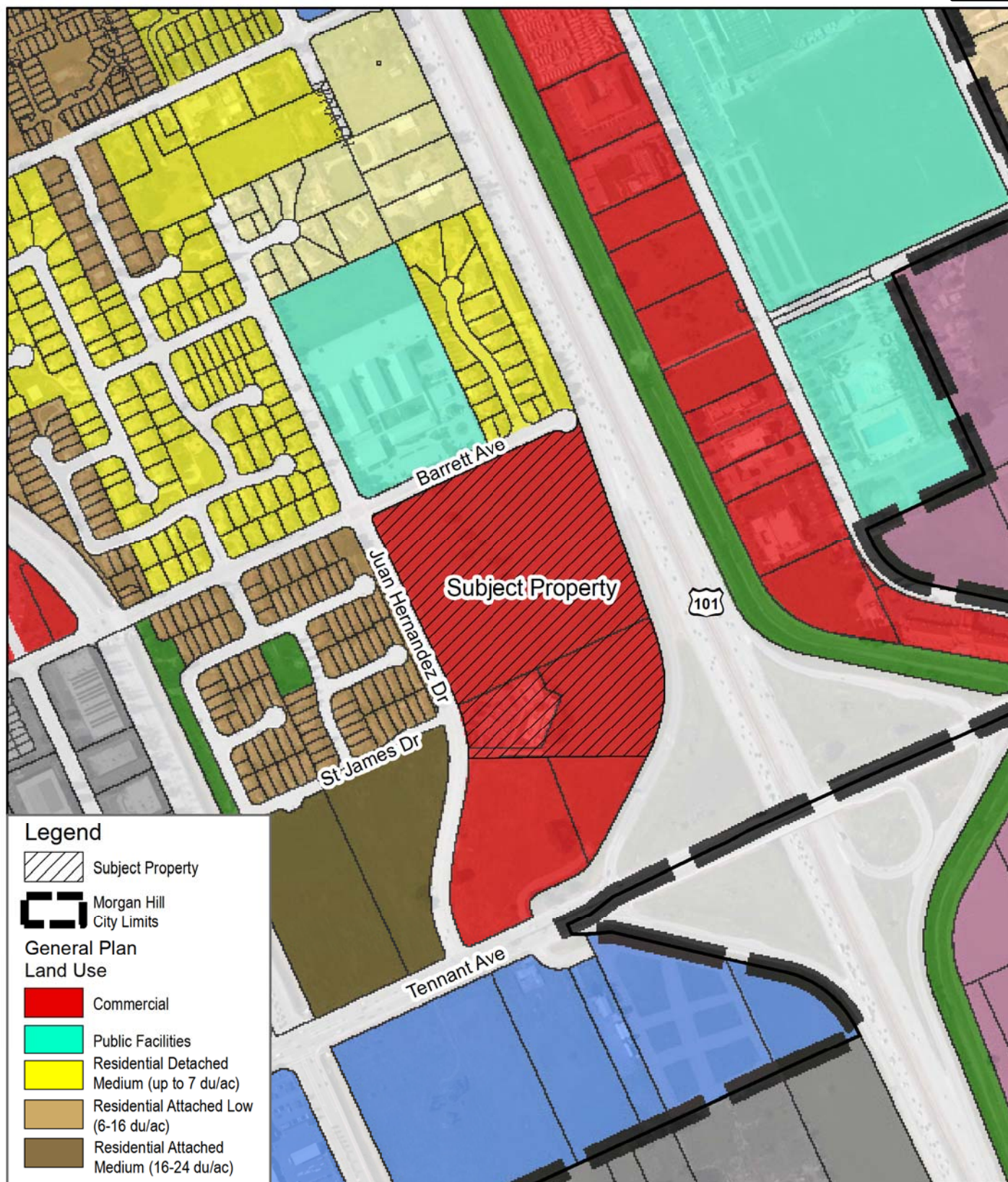
LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California

EXISTING CONDITIONS MAP
APN 817-09-039, -040, -041

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01

SHEET
C1.0

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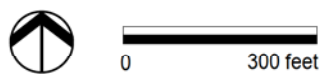
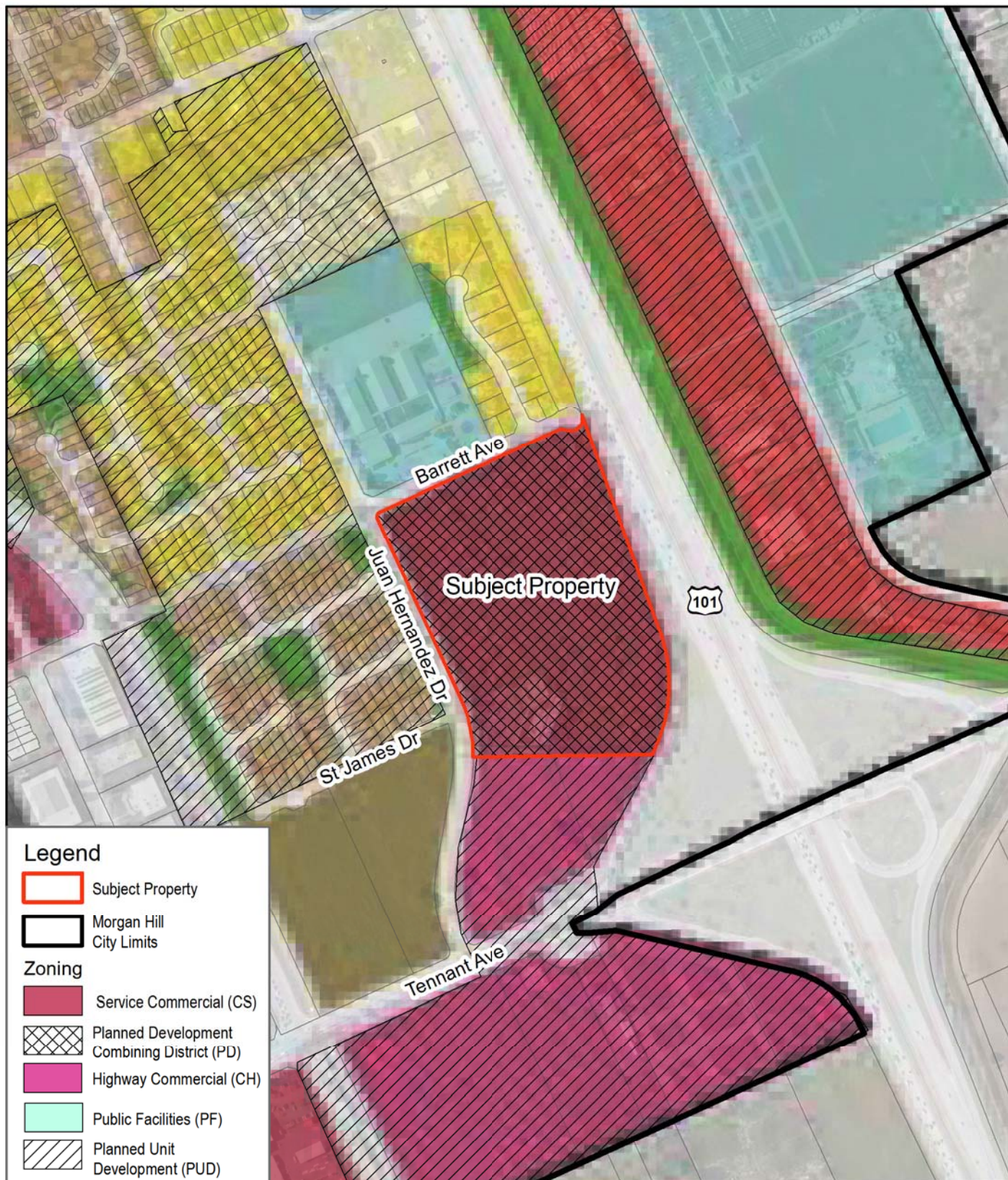
Source: ESRI 2019, Santa Clara County 2017

Figure 5

Existing City General Plan Land Use Map

Lillian Commons/Morgan Hill Medical Campus

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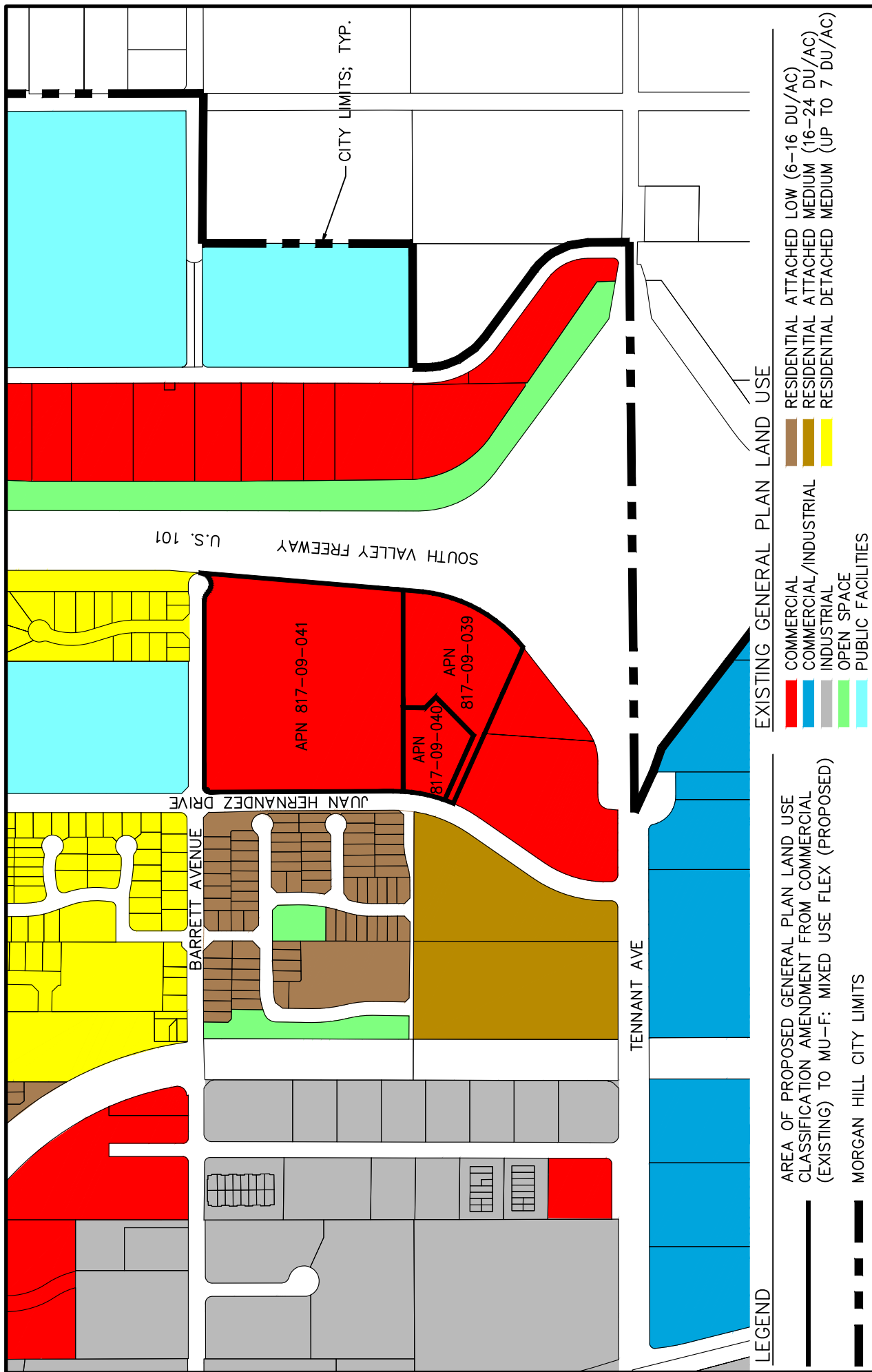
Source: ESRI 2019, Santa Clara County 2017

Figure 6

Existing City Zoning Map

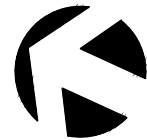
Lillian Commons/Morgan Hill Medical Campus

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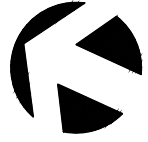
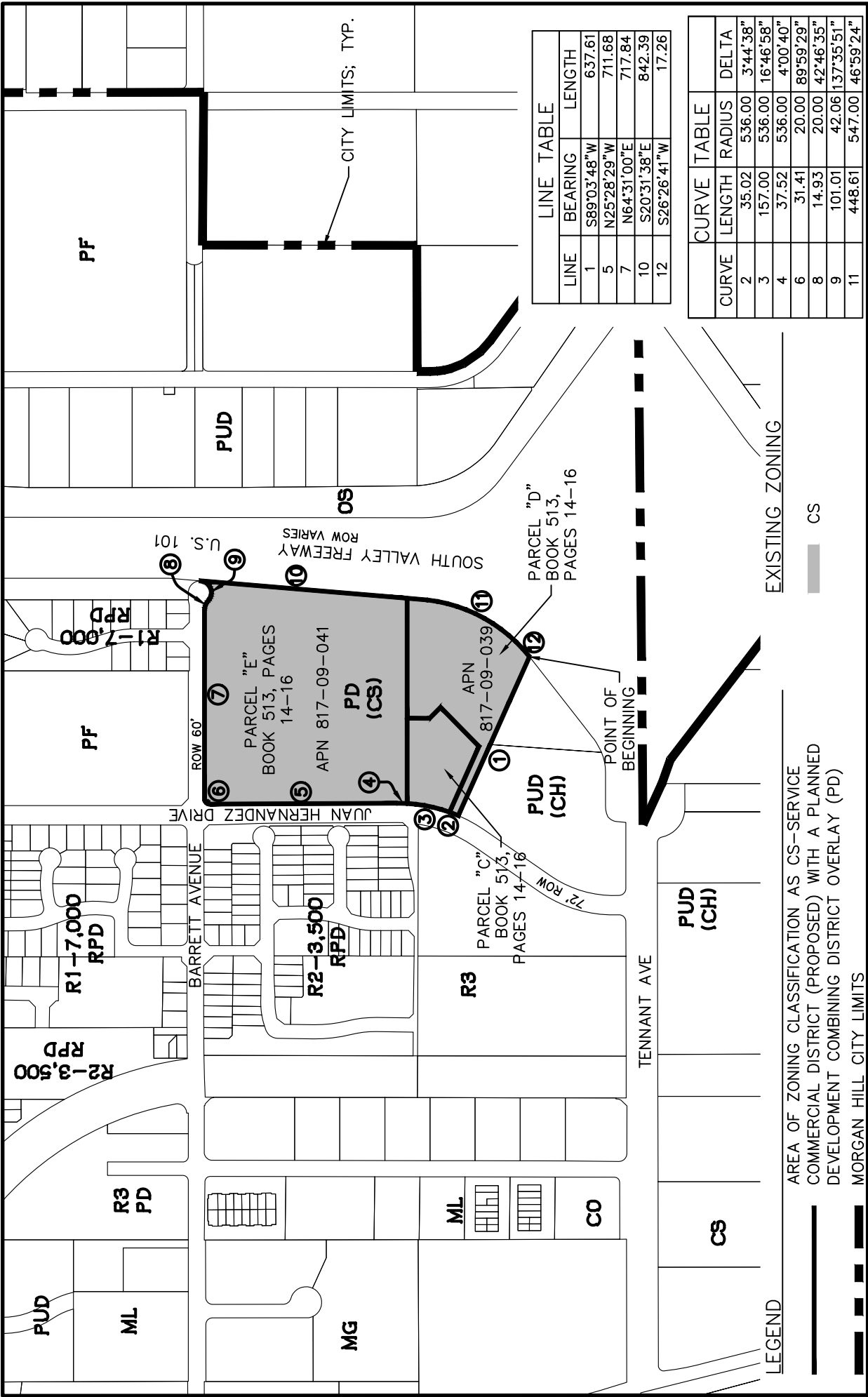


PREPARED BY:
 HITSON ENGINEERS
 HARRIS COURT
 SAN JOSE, CA 95128
 (408) 649-5225

**FIGURE 7 - PROPOSED GENERAL
 PLAN AMENDMENT TO THE CITY
 OF MORGAN HILL ENTITLED
 0 JUAN HERNANDEZ DRIVE,**



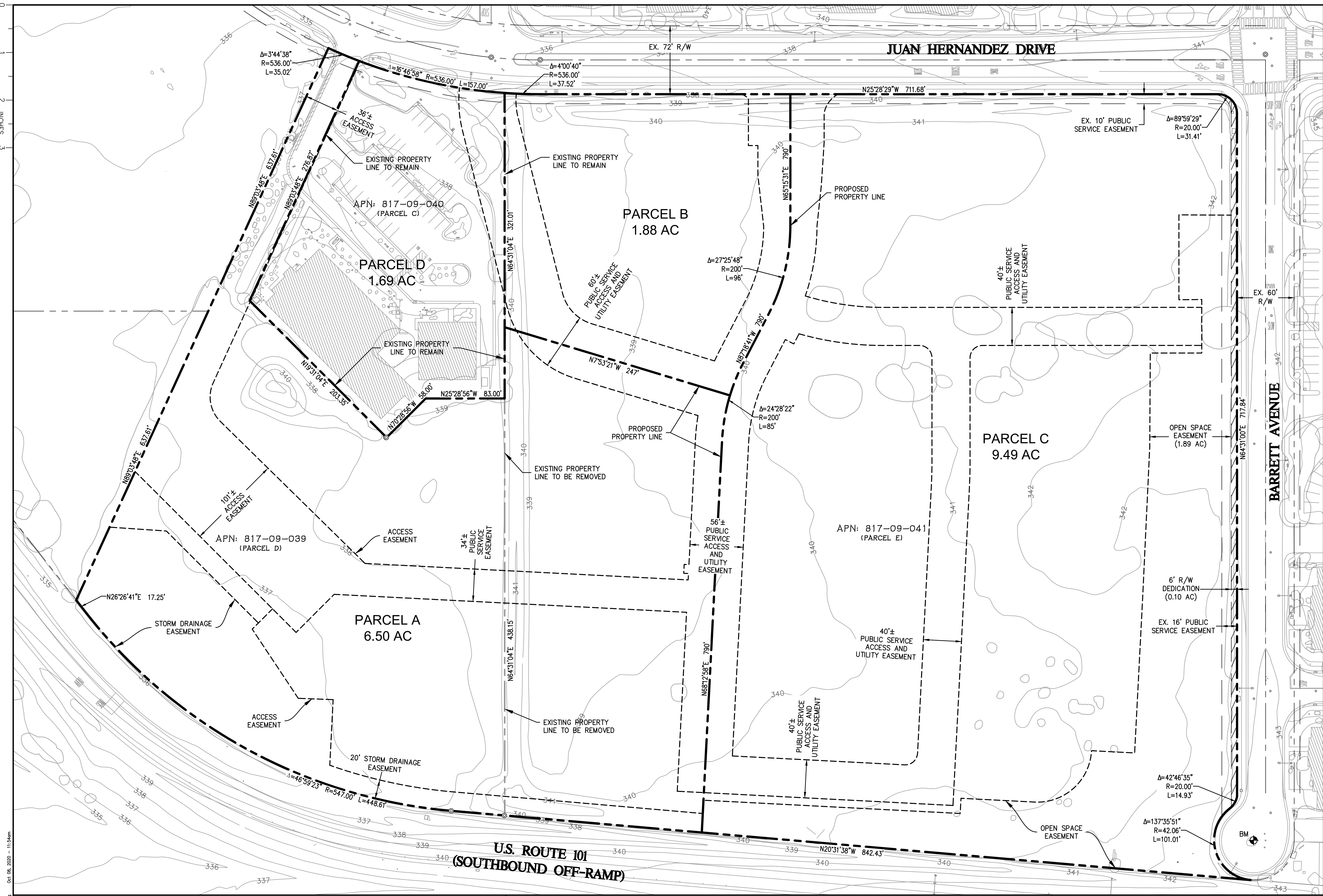
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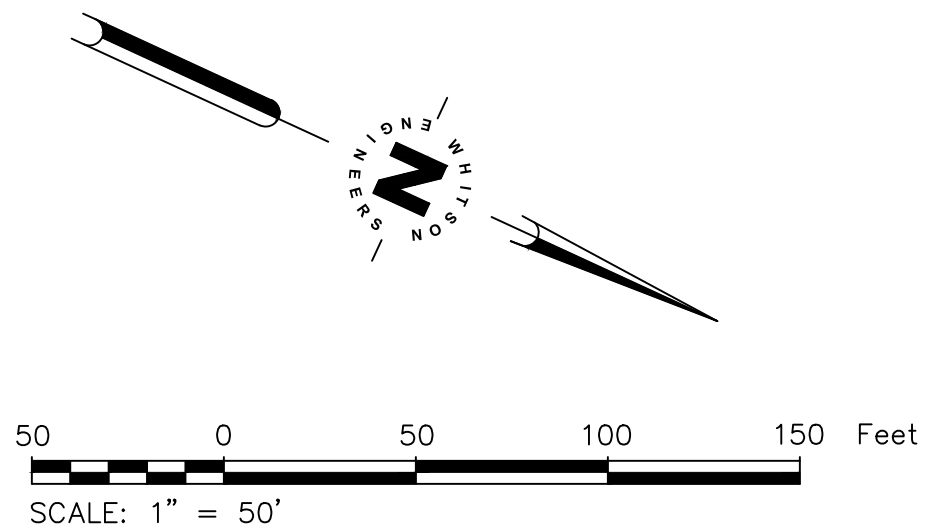
PREPARED BY:
 HUTTON ENGINEERS
 HARRIS COURT
 SAN JOSE, CA 95128
 (408) 649-5225

FIGURE 8 - MAP SHOWING ZONING LANDS OF 0 JUAN HERNANDEZ DRIVE, MORGAN HILL, BEING A PART OF ORDINANCE No. 2318 Lillian Commons Exhibit A (2021 : Adopt Ordinance 2318 Lillian Commons)

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T:\Monterey\Projects\2690.01 - Morgan Hill\CAD\PLANS\2690.01-11.dwg Oct 08, 2020 - 11:54am



SUBDIVISION NOTES

PROPERTY DATA ASSESSORS' PARCEL NO.:	817-09-039 817-09-040 817-09-041
LOCATION OF PROPERTY:	0 JUAN HERNANDEZ DRIVE
EXISTING LAND USE:	COMMERCIAL
PROPOSED LAND USE:	MIXED USE-FLEX (MU-F)
EXISTING AND PROPOSED ZONING:	SERVICE COMMERCIAL (CS) WITH A PLANNED DEVELOPMENT (PD) OVERLAY

OFF-SITE UTILITIES:
STORM DRAINAGE
SANITARY SEWER
WATER
GAS & ELECTRIC
TELEPHONE

CITY OF MORGAN HILL
CITY OF MORGAN HILL
CITY OF MORGAN HILL
PACIFIC GAS & ELECTRIC
VERIZON

NOTES:

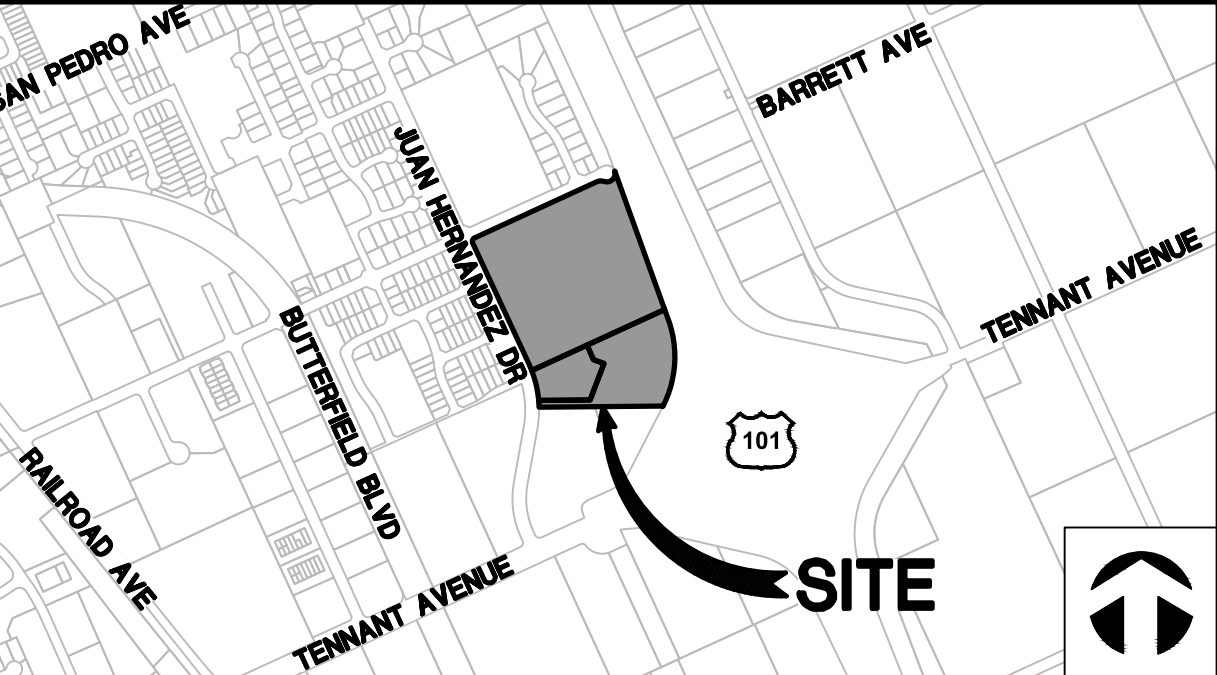
- SUBDIVIDER SHALL CONFORM TO THE REQUIREMENTS OF THE CITY OF MORGAN HILL CODE OF ORDINANCES CHAPTER 17.32 IN REGARDS TO SUBDIVISION IMPROVEMENTS.
- LOT DIMENSIONS AND EASEMENT LOCATIONS ARE PRELIMINARY AND SUBJECT TO CHANGE PENDING FINAL ENGINEERING DESIGN.
- THE PROJECT WILL BE PHASED.

ON-SITE UTILITIES:
STORM DRAINAGE
SANITARY SEWER
WATER
GAS & ELECTRIC
TELEPHONE

PRIVATE
PRIVATE
CITY OF MORGAN HILL
PACIFIC GAS & ELECTRIC
VERIZON

PARCEL SUMMARY

DESCRIPTION	AREA (AC)
PARCEL A	6.50
PARCEL B	1.88
PARCEL C	9.49
PARCEL D	1.69
R/W DEDICATION	0.10
TOTAL	19.67



VICINITY MAP

SCALE: 1" = 1000'

ABBREVIATIONS/LEGEND

	GROUND CONTOUR
	PROPOSED PROPERTY LINE
	EXISTING PROPERTY LINE TO BE REMOVED
	ADJACENT PROPERTY LINE
	CENTERLINE
	EXISTING EASEMENT
	PROPOSED EASEMENT
	TREE DRIP LINE
	BENCHMARK
	SURVEY MONUMENT
	RIGHT OF WAY DEDICATION

LEGAL DESCRIPTION

PARCELS C, D AND E, AS SAID PARCELS ARE SHOWN AND SO DESIGNATED ON THE PARCEL MAP FILED FOR RECORD MAY 24, 1983, IN BOOK 513 OF MAPS, PAGE 16, SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NAVD88 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600, SHOWN HEREON.

PROJECT TEAM

OWNER/APPLICANT

LILLIAN COMMONS, LLC
782 SLEEPER AVENUE
MOUNTAIN VIEW, CA 94040

(605) 575-9608

PLANNER

EMC PLANNING GROUP, INC.
301 LIGHTHOUSE AVENUE
SUITE 210
MONTEREY, CA 93940

MICHAEL GROVES
(831) 649-1799

LANDSCAPE ARCHITECT

W. JEFFREY HEID LANDSCAPE
ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

JEFFREY HEID
(408) 691-5207

CIVIL ENGINEER

WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940

RICHARD WEBER, RCE 55219
(831) 649-5225

ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEN AVENUE
SUITE 210
SOUTH SAN FRANCISCO, CA 94080

DEEPAK PATANKAR
(415) 312-0454



TENTATIVE PARCEL MAP
0 JUAN HERNANDEZ DRIVE
PROPOSED SUBDIVISION OF
PARCELS C, D, AND E AS SHOWN ON
BOOK 513 OF MAPS ON PAGE 16
CITY OF MORGAN HILL, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA



Civil Engineering
Land Surveying
6 Harris Court
Monterey, California
831.649.5225
whitsonengineers.com

ORIGINAL: SEPTEMBER 25, 2020

REVISED: OCTOBER 6, 2020

PROJECT No. 2690.01

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:

APN: 817-09-039, 040 and 041

Site Area: GLA -19.67 AC, 856,782 SF

Structure Size:

Parcel A - Proposed Medical Office / Hospital - 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park

Parcel B - Proposed Commercial/Restaurant - 1.78 AC
10,000 SF, 55 Pkg. Spaces

Parcel C - Proposed Residential Apartments - 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/Recreation

Parcel D - Proposed Urgent Care/ Existing Medical - 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces

Right-of-way Dedication - 0.10 AC

Zoning: Service Commercial - CS w/ PD Overlay

Existing General Plan Designation: Commercial

Proposed General Plan Amendment: Mixed Use Flex

Parking: Total Required 1,161 spaces/ Provided 1,010 spaces*

Required: Medical Office / Hospital @ 1/200 = 652 spaces

Proposed: Medical Office / Hospital @ 1/219 = 596 spaces

Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)

Proposed: Retail/Restaurant 55 spaces

Required: Apartments @ 1.5/1 bdrm and 2.0/2 bdrm = 375 spaces

Guest Parking at 1/3 DU = 68 spaces Total = 443 (203 covered)

Proposed: Apartments 359 spaces

*Shared parking proposed per Municipal Code Section 18.72.050

Lot Coverage:

Building = 212,319 SF (25% NLA)

Parking/Driveways = 227,804 SF

Landscape/Storm Water Mgmt. = 335,045 SF

Hardscape = 81,614 SF

Floor Area Ratio: 351,786 SF (0.42%)

LEGEND:

- Site Boundary (Whitson Engineering)
- ▒ Structures on Site
- ▒ Parking Carports



0 50' 100'

Figure 10

SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019

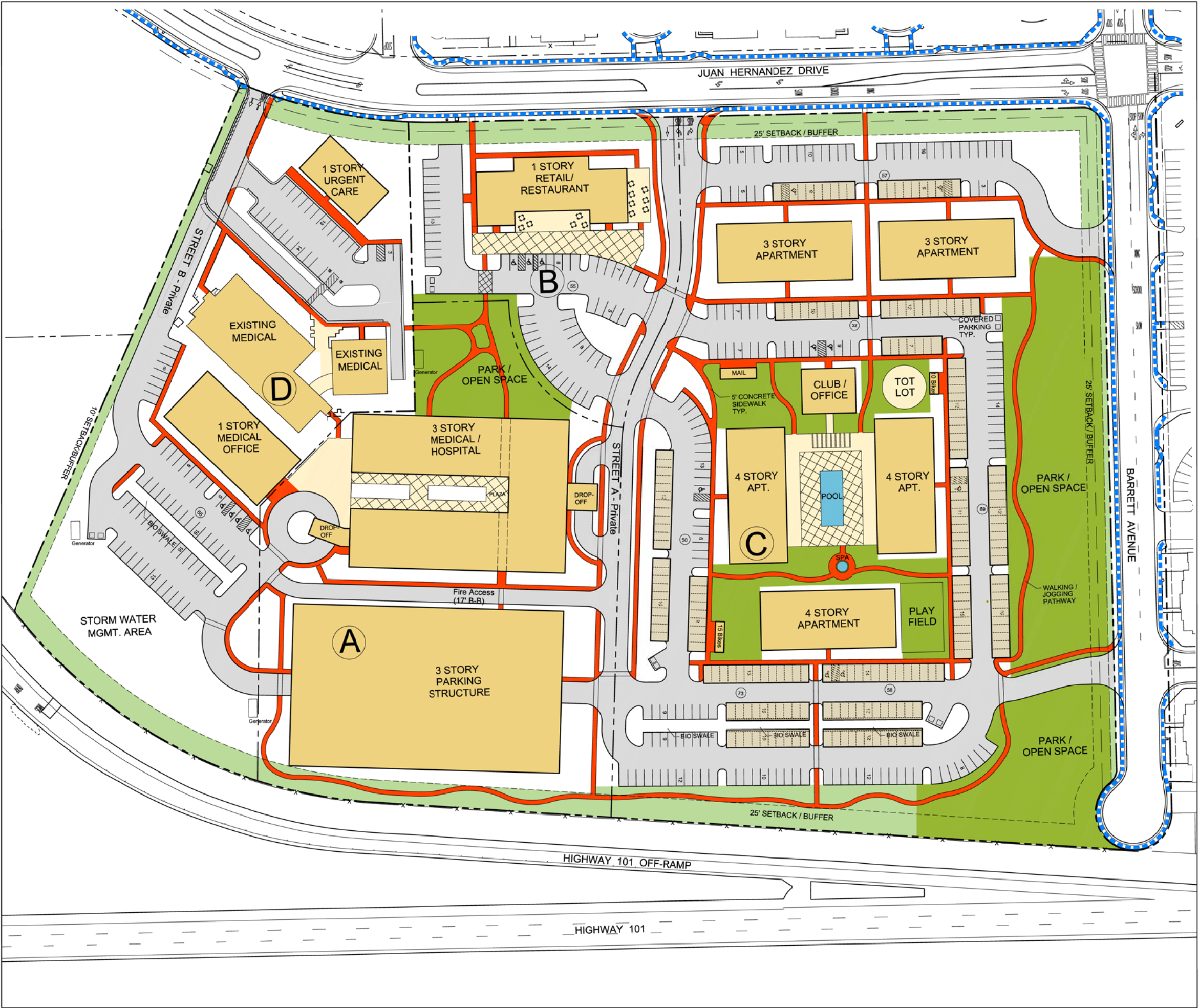


EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM

Monterey, CA 831.649.1799 www.emcplanning.com

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Lillian Commons / Morgan Hill Medical Campus



- LEGEND
- Buildings / Carports
 - Existing Sidewalks
 - Walkways / Jogging Paths
 - Gathering Areas
 - Park / Recreation / Open Space
 - Landscape Buffers / Open Space

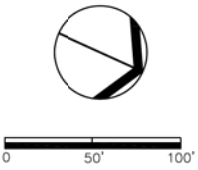


Figure 11
PEDESTRIAN CIRCULATION /
OPEN SPACE PLAN
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019



EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:

APN: 817-09-039, 040 and 041

Site Area: GLA -19.67 AC, 856,782 SF

Parcel A - Proposed Medical Office / Hospital - 6.50 AC
100,000 - 130,00 SF, 566 Pkg. Spaces

Parcel B - Proposed Commercial/Restaurant - 1.88 AC
10,000 SF, 50 Pkg. Spaces

Parcel C - Proposed Residential - 9.49 AC
150 Dwelling Units Maximum
1.98 AC Park/Recreation
School Drop-off/Pick-up Lot

Parcel D - Proposed Urgent Care/ Existing Medical - 1.69 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
31 Pkg. Spaces

Right-of-way Dedication - 0.10 AC

Zoning: Service Commercial - CS w/ PD Overlay

Existing General Plan Designation: Commercial

Proposed General Plan Amendment: Mixed Use Flex

Parking: Total Required 790 spaces/ Provided 895 spaces*

Required: Medical Office / Hospital @ 1/200 & other = 452 spaces

Proposed: Medical Office / Hospital @ 1/200 & other = 597 spaces

Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces

(Assumes 5,000 Retail and 5,000 Restaurant)

Proposed: Retail/Restaurant 50 spaces

Required: SF Residential (2 covered per DU + guest pkg.) 268 spaces

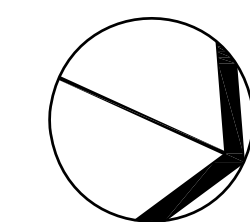
Proposed: SF Residential (2 covered per DU + guest pkg.) 268 spaces

*Shared parking proposed between Parcels per Municipal Code Section 18.72.050

Floor Area Ratio: 417,696 SF (0.5% max.)

LEGEND:

- Buildings
- Buffers / Open Space
- Sidewalks/Pathways
- Landscaping
(See Landscape Plan for Details)
- Park / Recreation



0 50' 100'

Figure 12

ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019

Revised October 6, 2020



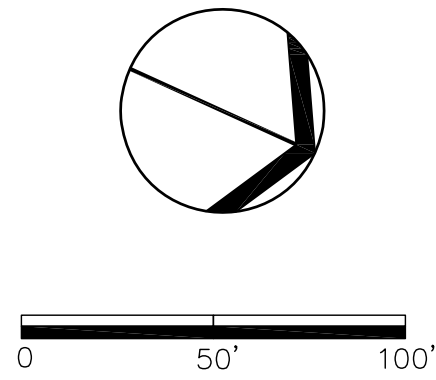
EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM

Monterey, CA 831.649.1799 www.emcplanning.com



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Mix Use Parcels:
Medical Campus - 8.19 AC, 42% of GLA
Commercial - 1.88 AC, 10% of GLA
Residential - 7.51 AC, 38% of GLA
Park - 1.98 AC, 10% of GLA
Right-of-way Dedication - 0.10 AC



LAND USE BUBBLE DIAGRAM
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 6, 2020



EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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PROJECT DATA

1.

PROPERTY DATA:
ASSESSORS PARCEL NO.:
817-09-039
817-09-040
817-09-041
3.

EXISTING SITE:
PERVIOUS: ±18.51 AC
IMPERVIOUS: ±1.16 AC
TOTAL AREA: ±19.67 AC
4.

PROPOSED SITE:
PERVIOUS: ±8.82 AC
IMPERVIOUS: ±10.75 AC
RIGHT OF WAY DEDICATION: ±0.10 AC
TOTAL AREA: ±19.67 AC
5.

OFF-SITE UTILITIES:
STORM DRAINAGE CITY OF MORGAN HILL
SANITARY SEWER CITY OF MORGAN HILL
WATER/FIRE CITY OF MORGAN HILL
GAS & ELECTRIC PACIFIC GAS & ELECTRIC
TELEPHONE VERIZON

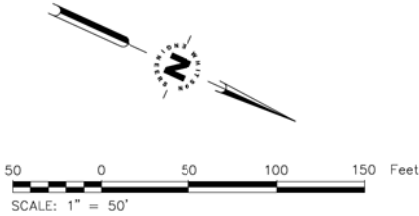
ON-SITE UTILITIES:
STORM DRAINAGE PRIVATE
SANITARY SEWER PRIVATE
WATER/FIRE PRIVATE
GAS & ELECTRIC PACIFIC GAS & ELECTRIC
TELEPHONE VERIZON
6.

ESTIMATED PRELIMINARY EARTHWORK:
CUT: ±30,000 CY
FILL: ±30,000 CY
NET BALANCE
7.

LEGAL DESCRIPTION:
PARCELS C, D AND E, AS SAID PARCELS ARE SHOWN AND SO DESIGNATED ON THE PARCEL MAP FILED FOR RECORD MAY 24, 1983, IN BOOK 513 OF MAPS, PAGE 16, SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA.
8.

PARCEL AREAS:
PARCEL A 4.17 AC
PARCEL B 1.78 AC
PARCEL C 9.49 AC
PARCEL D 4.13 AC
R/W DEDICATION 0.10 AC
TOTAL AREA: 19.67 AC
9.

BUILDING SETBACKS:
FRONT 25'
REAR 0'
SIDE 0'
STREET 15'



CONSTRUCTION KEYNOTES:

1. SOUTHBOUND LEFT TURN LANE CHANNELIZATION PER TRAFFIC STUDY.
2. STORMWATER BASIN SIZED TO DETAIN THE 10-YEAR, 24-HOUR STORM EVENT, INCLUDING FLOW CONTROL STRUCTURE TO LIMIT POST-PROJECT PEAK FLOWS TO PRE-PROJECT PEAK FLOWS FOR THE 2- THROUGH 10-YEAR STORM EVENTS.
3. CONNECT TO EXISTING WATER MAIN.
4. CONNECT TO EXISTING SEWER MAIN.
5. CONNECT TO EXISTING STORM DRAIN.
6. ACCESSIBLE PARKING. SEE SITE PLAN FOR PARKING COUNT AND REQUIREMENTS.
7. TRASH ENCLOSURE.
8. DOMESTIC WATER BACKFLOW DEVICE.
9. FIRE MAIN DOUBLE CHECK ASSEMBLY.
10. FIRE HYDRANT.

CONSTRUCTION PLAN LEGEND

- #

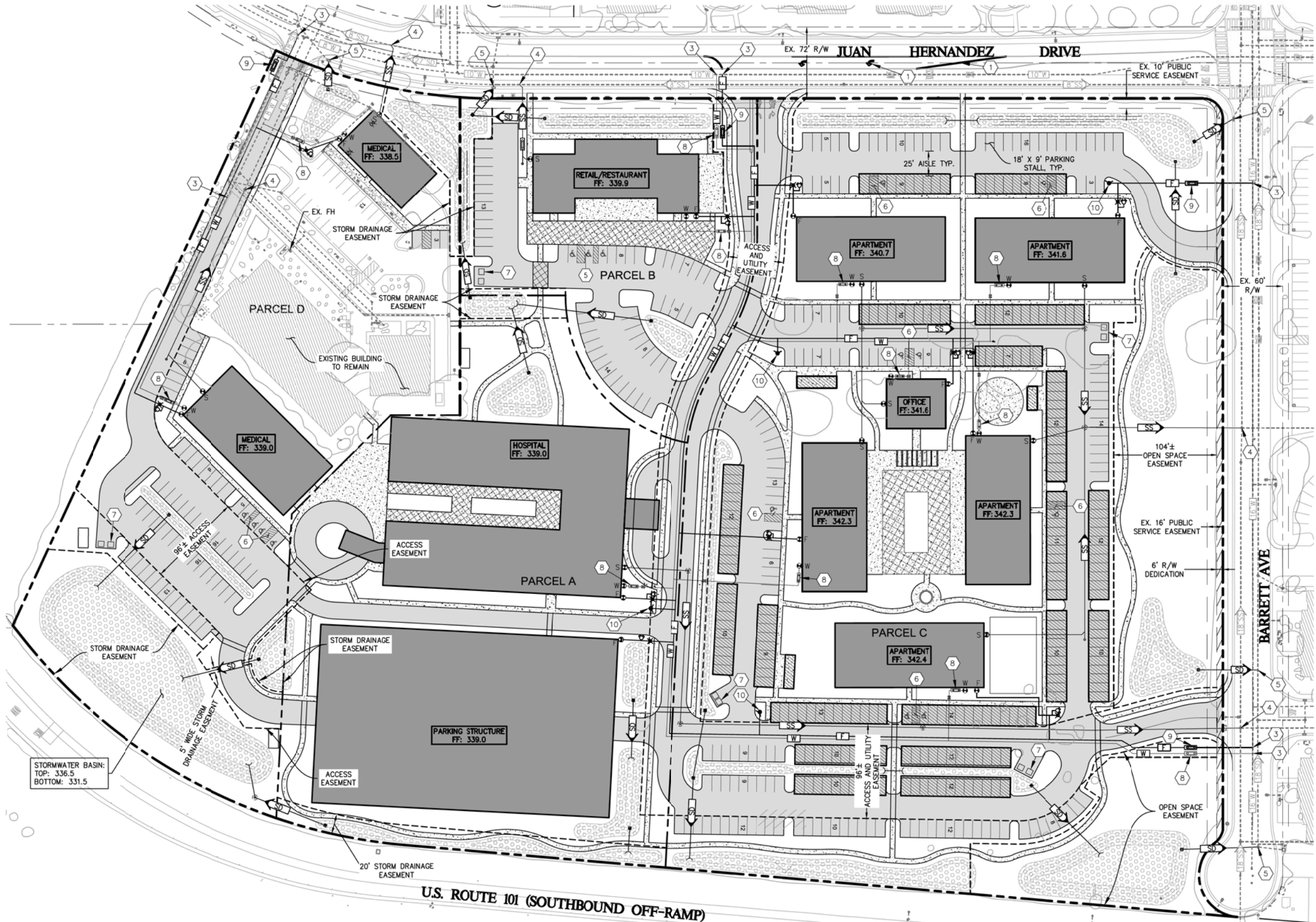
CONSTRUCTION KEYNOTE
- ASPHALT PAVING
- PROPOSED BUILDING
- CONCRETE WALKS AND FLATWORK
- 2

STORMWATER BIORETENTION OR BIOSWALE
- PROPOSED CARPORT/SHADE STRUCTURE
- RIGHT OF WAY DEDICATION
- PROPERTY LINE (EXISTING)
- PROPOSED PROPERTY LINE
- S

SEWER BUILDING POINT OF CONNECTION
- W

WATER BUILDING POINT OF CONNECTION
- F

FIRE BUILDING POINT OF CONNECTION
- FIRE DEPARTMENT CONNECTION AND POST INDICATOR VALVE
- UTILITY MANHOLE
- CLEANOUT



Civil Engineering
Land Surveying
4 Hains Court
Menlo Park, California
650.324.2225
whitsonengineers.com

Whitson
ENGINEERS

NOT VALID
WITHOUT
SIGNATURE

SUBMITTAL / REVISION

LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT

Morgan Hill, California

CONCEPTUAL SITE AND UTILITY PLAN

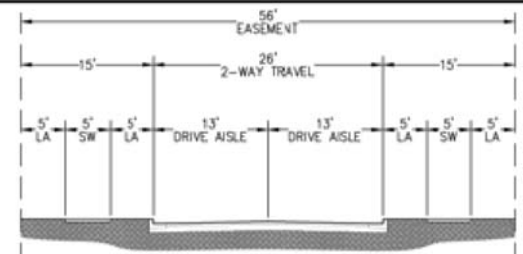
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DRAWN: GK
JOB No.: 2690.01
SHEET

C2.0

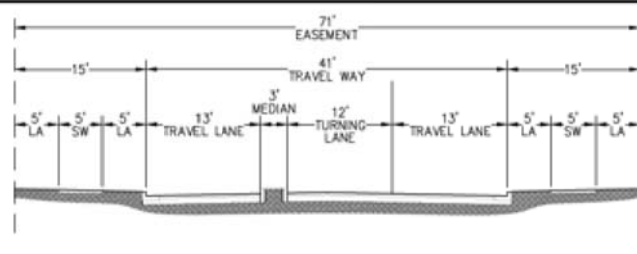
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PROJECT DATA

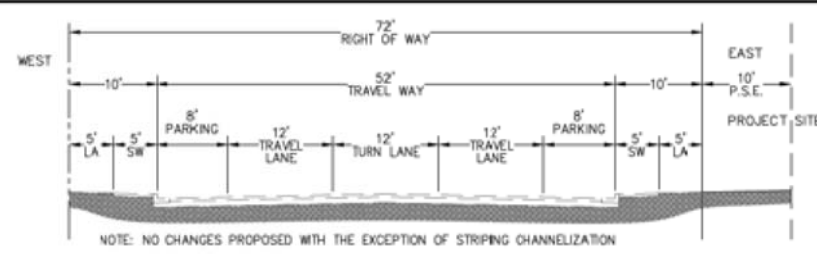
ESTIMATED PRELIMINARY EARTHWORK:
CUT: ±30,000 CY
FILL: ±30,000 CY
NET BALANCE



1 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'

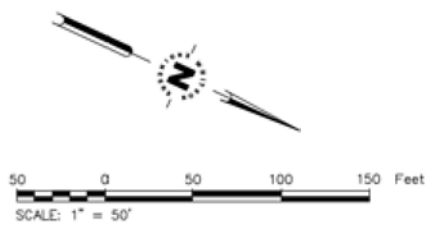
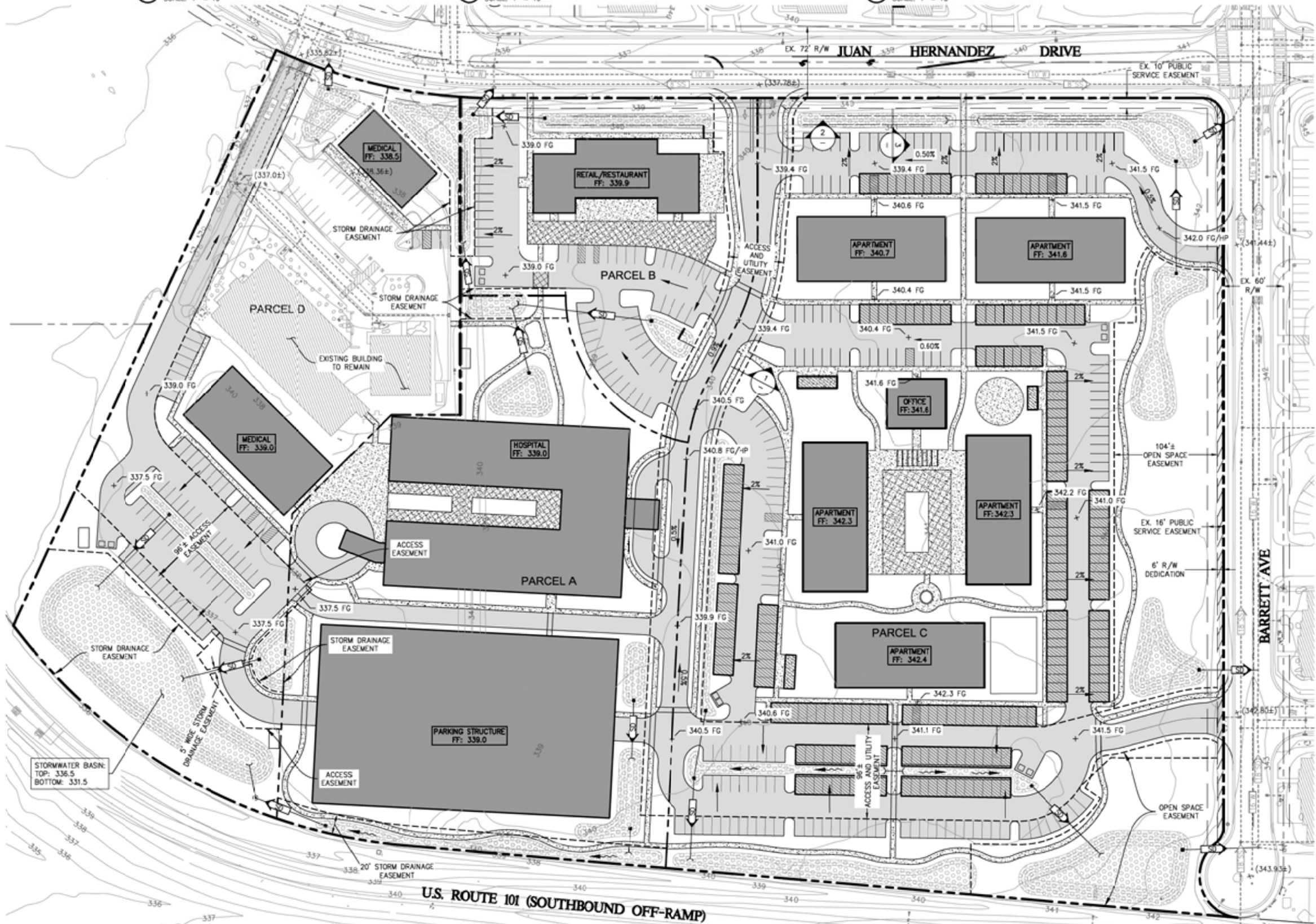


2 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'



3 JUAN HERNANDEZ DRIVE
SCALE: 1" = 10'

NOTE: NO CHANGES PROPOSED WITH THE EXCEPTION OF STRIPING CHANNELIZATION



5.b

Civil Engineering
Land Surveying
4 Years Credit
Morgan Hill, California
APN 817-09-039-040-041

Whitson
ENGINEERS

NOT VALID
WITHOUT
SIGNATURE

SUBMITTAL / REVISION

**LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT**
Morgan Hill, California

CONCEPTUAL GRADING PLAN

SCALE: 1" = 50'
DRAWN: GK
JOB No.: 2690.01
SHEET: C2.1

Packet Pg. 300

Attachment: 2318 Lillian Commons Exhibit A (2921 : Adopt Ordinance 2318 Lillian Commons)

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3

RETAIL/ RESTAURANT



1

HOSPITAL

Figure 15

evoco 5.b
EVOCO ARCHITECTURE &
INTERIORS
160 SOUTH LINDEN AVE # 210
SO. SAN FRANCISCO CA 94080
415.312.0454

OWNER:
LILLIAN COMMONS, LLC
782 SLEEPER AVENUE
MOUNTAIN VIEW, CA 94040

REVISIONS	
DATE/DESC.	

**LILLIAN COMMONS/ MORGAN HILL
MEDICAL CAMPUS**
0 AND 16130 JUAN HERNANDEZ DRIVE
MORGAN HILL, CA 95037



TITLE:
EXTERIOR
BUILDING VIEWS- 2

DATE: OCTOBER 22, 2019
SCALE: AS NOTED
JOB #: 19150
DRAWN BY: DP

Attachment: 2318 Lillian Commons Exhibit A (2021 : Adopt Ordinance 2318 Lillian Commons)

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5.0

LAND USES

Table 1, PD Master Plan Allowed and Conditional Uses, presents uses allowed by the PD Master Plan. The table identifies the use as a permitted (P) or conditionally permitted (C) land use. Uses in bold are new uses added to the permitted uses in the CS zoning district as part of this PD Master Plan. Some uses permitted in the CS district were eliminated from the list. The MU-F General Plan designation permits the property to be developed in a mixed use fashion allowing residential and hospital uses not currently allowed within the 2035 General Plan Commercial land use designation or the CS zoning district.

The conceptual Site Plan portrays five types of uses on the property; however, a revised site plan, or the future reuse or re-purposing of buildings after they are constructed and initially occupied, could change or add to those uses. Table 1, PD Master Plan Allowed and Conditional Uses, provides a comprehensive list of allowed and conditional land uses that could be approved within the PD Master Plan.

Table 1-1 Parcel C PD Master Plan Allowed and Conditional Uses

<u>Use</u>	<u>Planned Development (PD)</u>
<u>Hospitals</u>	<u>P</u>
<u>Medical Offices and Clinics</u>	<u>P</u>
<u>Mixed Use Residential</u>	<u>P</u>

Table 1-2 Parcels A, B, and D PD Master Plan Allowed and Conditional Uses

Use	Planned Development (PD)
Accessory Dwelling Units	P
Banks and Financial Institutions	P
Bars and Nightclubs	C
Bed and Breakfast	C
Business Support Services	P
Cinemas and Theatres	C
College and Trade Schools	C
Convenience Market	C
Commercial Recreation, Indoor <15,000 square feet	P
Community Assembly	C
Cultural Institutions	P
Day Care Center	P C
Drive-Through and Drive-in Facilities	C

Use	Planned Development (PD)
Duets and Duplexes	€
Emergency Shelters	C
Farmers Markets	PC
Food and Beverage Production <10,000 square feet	P
Fuel and Service Stations	€
General Retail	P
Government Offices	P
Group Housing	€
Home Day Care, Small and Large	P
Hospitals	P
Hotel and Motels	C
Instructional Services	P
Live/Work Unit	P
Medical Offices and Clinics	P
Mixed Use Residential	P
Multi-Family Dwellings	P
Nursing Homes and Long-Term Care	€
Parking Lots and Structures	P
Parks and Recreational Facilities	P
Personal Services	P
Professional Offices	P
Residential Care Facilities	C
Residential Care Facilities, Small	PC
Restaurant- Fast Food, Sit Down	C
School, Public and Private	C
Single Family Detached Dwellings	€
Senior Housing, Independent Living	€
Social Services	C
Tasting Rooms	P
Veterinarian Clinics and Hospitals	€
Accessory Uses	(per Section 18.44)
Home Occupations	(per Section 18.92.060)
Temporary Uses	(per Section 18.92.150)

Attachment: 2318 Lillian Commons Exhibit A (2021 : Adopt Ordinance 2318 Lillian Commons)

6.0

DEVELOPMENT STANDARDS

Development standards such as heights, setbacks, and building coverage within the planned development combining district are established in the PD Master Plan. Those standards may deviate from development standards in the Service Commercial base zoning district except that the maximum permitted floor area ratio and residential density may not exceed maximums established in the 2035 General Plan for the commercial land use designation. The floor area ratio for the Commercial land use designation in the 2035 General Plan is 0.6. The general plan amendment to Mixed Use Flex changes the floor area ratio to 0.5, which is reflected in the PD Master Plan. Standards in bold have been revised from those of the CS zoning district as part of this PD Master Plan. [Table 2, PD Master Plan Development Standards](#), presents the development standards.

Table 2 PD Master Plan Development Standards

Development Aspect	Parameter
Minimum Lot Size	10,000 square feet
Minimum Lot Dimensions	100-foot width; 100-foot depth
Maximum building coverage	50%
Minimum setbacks (front, rear, side, street) [1]	25, 0 , 0, 15 feet (respectively)
Maximum height (exceptions 18.56.020)	Residential/Office – 4-3 stories or 45-35 feet Hospital – 4 stories or 55 feet
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
On-Site Parking	Per Section 18.72 [2]
Retail	1 space per 250 square feet of net floor area
Restaurant (sit down)	1 space per 100 square feet of net floor area
Medical Office	1 space per 200 square feet of net floor area
Residential (multi-family)	1 bedroom unit – 1 covered 2 bedroom unit – 1 covered and 1 uncovered per unit
Guest Parking	1 per 3 units (shared with Medical Office use)
Electrical Vehicle Parking	1 per 25 to 49 automobile spaces, 2 per 50 to 100 automobile spaces, plus 1 per 50 ratio over 100 automobile spaces
Non-Residential Bicycle Parking	10% of automobile spaces; long term (enclosed): 5% of automobile spaces
Residential Bicycle Parking	10% of automobile spaces; long-term (enclosed), 1 per 5 units

NOTE:

[1] Outdoor seating, courtyards, and other publicly-accessible spaces **may occupy** the front setback. Residential porches and similar entry features may project **ten** feet into the front setback.

[2] Unless otherwise modified in this table.

PD Master Plan Development Standards for Single Family Residential

Development Aspect	Parameter
Minimum Lot Size (Single Family Residential)	1,000 square feet
Minimum Lot Dimensions	22-foot width; 45-foot depth
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Minimum Setbacks (front, rear, interior side, street side)	5 or N/A, 5 or N/A, 0 [1] or 3, 5 feet (respectively)
Maximum Height	3 stories or 35 feet [2]
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
Open Space	Per Section 18.40-4 based on lot size
Parking	Per Section 18.72 [3]
Residential (Single Family)	2 spaces - 1 covered space for each housing unit
Guest Parking	1 per housing unit [4] (shared with Medical Office use)

NOTE:

[1] A setback of zero feet is acceptable on one side yard; provided, that the sum of both side yard setbacks is at least eight feet

[2] Roof elements with minimum 5:12 roof pitch may exceed the building plate height by up to eight feet.

[3] Unless otherwise modified in this table.

[4] These guest spaces may include a combination of driveway parking, alley parking, on-street parking in front of the residence, and designated guest parking spaces.

CONSISTENCY WITH 2035 GENERAL PLAN

7.1 General Plan Land Use Designations

2035 General Plan- Commercial. The Commercial designation is primarily located along arterial roadways west of US Highway 101 and along the eastern freeway frontage. This designation is intended to allow a wide range of retail businesses, administrative and executive office uses, and professional services, either in stand-alone buildings or as part of shopping centers. The largest concentrations of this designation are found along Monterey Road and at the freeway interchanges, where retail stores are emphasized. The Service Commercial overlay along Monterey Road, north of Wright Avenue, allows auto-related uses, except for sales. The Commercial designation allows a maximum FAR of 0.6 and Mixed Use Flex designation allows a maximum FAR of 0.5

The General Plan goals and policies for Commercial with a Planned Development Combining District overlay are described below. In general, the 2035 General Plan encourages neighborhood-scale shopping near residential neighborhoods to foster walking and biking and to avoid car trips.

2035 General Plan - Mixed Use Flex. The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of a Residential or Mixed-Use project within the Mixed Use Flex designation, a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

Because the PD Master Plan includes a mix of uses on the property including retail, medical office, medical hospital, multi-family apartments⁵, and a park element as part of the Planned Development Combining District, Mixed Use in addition to Commercial 2035 General Plan goals and policies have been analyzed.

⁵ [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

7.2 General Plan Goals and Policies

Applicable 2035 General Plan Goals, Policies, and Implementation Measures are presented in Table 3 through Table 9 below, along with an assessment of PD Master Plan consistency.

City and Neighborhood Form

Table 3 General Plan 2035 - City and Neighborhood Form Goals and Policies

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Residential Neighborhoods-GOAL CNF-10 A variety of housing types and densities available to all residents.	Consistent: The PD Master Plan allows for a variety of housing types. The conceptual Site Plan shows multifamily residential which will provide the community with new housing types including one and two bedroom apartments. ⁶
Policy CNF-10.3 Adequate Supply of Multi-Family Housing. Provide for an adequate supply of multi-family housing, located convenient to shopping, services, and transportation routes.	The PD Master Plan will assist the City in achieving an adequate housing supply as the PD Master Plan allows for 200 <u>150</u> residential units. The conceptual Site Plan provides for a mix of residential, commercial, and medical uses that will allow for the placement of housing convenient to the shops, services, and offices, and adjacent to major transportation
Policy CNF-10.6 Density Near Infrastructure. Encourage higher residential densities at locations where convenient access and adequate infrastructure is readily available.	Consistent: The property is adjacent to Juan Hernandez Road and Barrett Avenue in an area with existing utilities. A survey was completed by Whitson Engineers that determined there was adequate infrastructure available around the project site to support the uses identified in the PD Master Plan.
New Subdivisions-GOAL CNF-11 High quality, aesthetically pleasing, livable, sustainable, well-planned residential neighborhoods, well-connected to neighborhood services.	Consistent: The PD Master Plan's conceptual Site Plan provides a well-planned, aesthetically pleasing, livable, sustainable and well-connected residential neighborhood with integrated commercial/retail and medical offices.

⁶ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Policy CNF-11.5 Outside Connections. Require new subdivisions to provide multiple connections to the surrounding community.

Methods to achieve this may include:

- Providing multiple points of entry into the project for motorists, bicyclists and pedestrians.
- Extending the existing street pattern at the edges of the subdivision into the site. Extended streets should match the type and scale of streets to which they connect.
- Installing landscaping and street improvements at the edge of subdivisions that appear as common amenities shared with adjacent neighborhoods.

Consistent: As shown in the PD Master Plan conceptual Site Plan, development within the property will be designed to be compatible with the surrounding neighborhood. Multiple points of pedestrian ingress/egress are provided along Barrett Avenue and Juan Hernandez Drive, with connections to existing sidewalks. Two points of ingress/egress for vehicles and bicycles are provided along Barrett Avenue, and two along Juan Hernandez Drive. A private drive is provided along the southern portion of the property that could provide connectivity to the adjacent vacant parcel to the south when it is developed in the future. The conceptual Site Plan provides for connectivity to this adjacent vacant parcel to facilitate connectivity in anticipation of its eventual development. Residential and open space/park uses will be adjacent to existing residential uses and

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
- Minimizing the use of gates, fences, and walls that separate the subdivision from the surrounding community. - Planning for future connections to adjacent undeveloped property.	Barrett Elementary School, and connectivity within the property will be provided via several pedestrian paths. The open space area abuts Barrett Avenue, which is adjacent to Barrett Elementary School, and will be made accessible to the school. The northern most open space/park area will be dedicated by easement for public use, including use by the Barrett Elementary School, to be used as a common amenity.
Policy CNF-11.10 Open Space. Require new subdivisions to feature integrated common open spaces, parks, and community facilities that serve as social and design focal points. Open spaces should be a close walking distance from all residents and should be large enough to be useful for residents.	The conceptual Site Plan includes approximately three acres of passive park/open space. Approximately 1.7 acres of the open space will be available to the elementary school for its use and benefit. The remainder of open space, including walking trails, serves the residential, commercial and office components of the plan, as well as neighboring residents. The open space and park areas are within walking distance of all of these uses and connected by pedestrian paths.
Policy CNF-12.1 Neighborhood Center Design. Allow neighborhood centers within future residential neighborhoods. Neighborhood centers are envisioned as nodes or focal points that offer neighborhood-serving services and amenities within a reasonable walking distance from adjoining residential areas. These centers should be designed to increase the accessibility of goods and services within existing residential neighborhoods, particularly for the benefit of senior citizens and those with limited mobility, and to offer opportunities for socialization.	Consistent: The PD Master Plan includes neighborhood serving uses and amenities including retail, restaurant, and medical office/hospital uses to serve the proposed and existing neighborhood. These uses include public gathering areas and pedestrian access. These services will be within walking distance to the existing and proposed neighborhoods and will increase the accessibility of services for the existing neighborhood, particularly for the benefit of senior citizens by providing close walkable medical offices.
Policy CNF-12.4 Neighborhood Center Requirements. Require future neighborhood centers to meet the following requirements: - The design of neighborhood center should provide a sense of place, promote casual interaction, and enhance overall well-being. - The design of neighborhood center should complement the residential character of its immediate surroundings, including site design, access, building style, building materials, signage, lighting, and landscaping.	Consistent: The PD Master Plan conceptual Site Plan includes pedestrian pathways that connect the open space, residential, retail, and medical components of the plan. The PD Master Plan includes a small retail center and open space/park areas that, along with the pedestrian access ways, will provide gathering areas and a sense of place, thereby promoting casual interaction and overall well-being. The project will be required to undergo design review with the City of Morgan Hill to ensure that the design complements the residential character of the adjacent neighborhood.

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Mixed Use Flex-GOAL CNF-13 Mixed use flex developments that include a variety of uses and forms to foster a dynamic urban environment. Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.	Consistent: The PD Master Plan allows for a variety of uses including retail, residential, and medical uses. The combination of uses within the property provides for walkability to services for residents and employees.
Commercial and Office- GOAL CNF-15 Sufficient, sustainable, and concentrated commercial and office uses. Policy CNF-15.3 Retail Uses at Major Intersections. Encourage retail sales use at major intersections as the focus of clustered commercial development.	Consistent: The PD Master Plan provides for clustered commercial, medical, and retail uses near a major intersection at the south side of Morgan Hill.
Policy CNF-15.5 Office Development. Encourage new regional and local-serving office development at appropriate locations.	Consistent: The PD Master Plan allows for medical offices/hospital uses to create a campus of medical offices to serve the community and region.
Commercial / Industrial-GOAL CNF-18 Integrated job-generating centers that offer workers and businesses a range of services to meet their daily needs. Policy CNF-18.1 Vibrant Job Centers. Encourage land with a Commercial/Industrial designation to develop with job-generating uses with amenities that support workers and businesses, such as restaurants, lodging, fitness centers, and hair salons.	Consistent: The PD Master Plan allows for concentrated and integrated retail, medical offices and hospital uses that will provide jobs for the City and the surrounding neighborhood. The medical office/hospital is expected to produce approximately 472 jobs. The PD Master Plan also allows for amenities such as restaurants, and personal services to serve the neighborhood and the surrounding community.

Housing

Table 4 General Plan 2035 - Housing Goals and Policies

General Plan Housing Goals and Policies	Consistency Analysis
Goal HE-4 A range of housing types for all age groups, served by transit, recreational amenities, shopping, and health and personal services, that allows residents to age in place.	Consistent: The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office/hospital and retail uses. Residents of the neighborhood would live within walking distance of health and personal services that would allow for them to age in place.
Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.	The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office/hospital, retail uses, open space/park uses, and Barrett Elementary School. The nearest Valley Transportation Authority bus route is located more than one mile from the property, but the applicant is open to the establishment of service at the property.

Economic Development

Table 5 General Plan 2035 - Economic Development Goals and Policies

General Plan Economic Development Goals and Policies	Consistency Analysis
Policy ED-7.4 Compatible Uses in Retail Centers. Encourage the evolution of retail centers into mixed-use activity nodes by supporting integration of uses that provide necessary or useful services or amenities that will benefit nearby residential areas and commercial establishments. Such uses may include but shall not be limited to: a. Health services and fitness facilities. b. Childcare. c. Housing, including affordable and senior housing. d. Religious facilities. e. Education/training facilities. f. Parks/community facilities/public gathering places.	Consistent: The PD Master Plan provides a mix of retail and medical uses convenient to the proposed and existing adjacent neighborhood. The medical and retail uses will provide health and retail services and amenities to the existing and proposed neighborhood. The PD Master Plan also includes public plaza and gathering locations.
GOAL ED-8 Office and industrial areas that provide high-quality work locations for existing and new businesses. Policy ED-8.1 Office and Industrial Development. Support the development of office and industrial facilities to meet local demand, compete for regional growth opportunities, and create high-quality jobs that match with local housing opportunities.	Consistent: The PD Master Plan allows for medical and retail uses to meet local demand and create high quality jobs. The PD Master Plan also allows for residential uses thereby providing local housing opportunities adjacent to places of employment.

Healthy Community

Table 6 General Plan 2035 - Healthy Community Goals and Policies

General Plan Healthy Community Goals and Policies	Consistency Analysis
Parks, Recreation, and Trails- GOAL HC-3 Usable, complete, well-maintained, safe, and high-quality activities and amenities, including active and passive parks and recreational facilities, community gardens, and trails that are accessible to all ages, functional abilities, and socio-economic groups.	Consistent: As shown in the conceptual Site Plan, the PD Master Plan includes over three acres of passive park areas, open space buffer areas, and a tot lot connected by meandering pedestrian pathways. The passive park and open space on the property will allow for multiple activities for all socio-economic groups, functional ability, and ages.
Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.	Consistent: The PD Master Plan identifies open space areas that will be available to residents and patrons of the medical and retail facilities.

General Plan Healthy Community Goals and Policies	Consistency Analysis
Access to Health Care- GOAL HC-7 Access for all residents to health care facilities and other important community health amenities. Policy HC-7.2 Professional Education. Encourage increased education and professional development resources to support students and employees in the health care field.	Consistent: The PD Master Plan provides for 130,400 square feet of medical facilities and important health amenities for residents. It is expected that a wide variety of medical practices will be provided within a campus setting that could encourage increased professional development resources to support students/interns in the health care field.

Transportation

Table 7 General Plan 2035- Transportation Goals and Policies

General Plan Transportation Goals and Policies	Consistency Analysis
GOAL TR-3 A coordinated, continuous network of streets and roads. Policy TR-3.16 Private Development Access along Arterials. Require development that occurs along arterial streets to obtain access through a local street or major entrance and not through curb cuts directly onto the arterial street wherever possible.	Consistent: The property is not accessed directly from an arterial. Tennant Avenue and Butterfield Boulevard are the nearest arterials too the property. The property is accessed from Juan Hernandez Drive and Barrett Avenue, which connect to these arterials.
Policy TR-3.17 Planned Development Access near Highway 101. Require Planned Developments (PDs) for commercial, office, or industrial uses at the intersections of Highway 101 and arterial streets to take access from a public street intersecting with the arterial street at a minimum distance of 600 feet from the freeway on and off ramps, unless the City Engineer finds that direct access to the arterial street or closer access will meet safety standards, or that mitigating actions will be taken to ensure safe access and minimum interference with traffic flows.	Consistent: Access to the property will be from Juan Hernandez Drive and Barrett Avenue. Juan Hernandez Drive is an existing City street that intersects Tennant Avenue at a safe distance from the off ramp of US Highway 101. The nearest property driveway is more than 700 feet north of Tennant Avenue.
Parking-GOAL TR-5 Adequate off-street parking. Policy TE-5.1 Adequate Parking Supply. Ensure that all developments provide adequate and convenient parking...	Consistent: The conceptual Site Plan provides for a 500-space parking structure and 96 additional spaces for the existing and proposed medical uses, 55 spaces for the retail use, and 359 spaces for residential use, which totals 1,010 on-site parking spaces. Based on the parking demand study, the parking supply for the entire project is proposed to total 1,010 spaces, as indicated in the study. The total gross parking requirement for the entire project is 965 spaces using the more conservative approach. There will be an overall surplus of about 45 spaces using City gross parking requirements with selected ITE peak parking rates. The project therefore will provide an adequate total parking supply to meet the overall project demand. Parking is conveniently located within walking distance to the various uses, and can be easily facilitated through a shared parking arrangement.

Policy TR-5.3 Parking Lot Connection. Require cross-connection of parking lots, where feasible and practical, at the time of design review for all commercial and industrial developments.	Consistent: As shown in the PD Master Plan conceptual Site Plan, parking lots are cross-connected where practical.
Bikeways-GOAL TR-8 A useable and comprehensive bikeway system that safely connects neighborhoods with workplaces and community destinations. Policy TR-8.12 Bicycle Parking. Bicycle parking and other supportive facilities shall be provided at all schools, parks, recreation facilities, commercial centers, civic buildings (including the library), transit centers, and workplaces based on the recommendations and standards in the Bikeways Master Plan.	Consistent: Existing bike lanes on Juan Hernandez Drive will serve the development providing a safe bikeway system to get to and from the property. Bicycle parking will be provided at each use on the property to encourage residents, employees, and patrons to use alternative means of transportation. On-site bicycle parking will adhere to the Bikeways Master Plan guidelines, and zoning code requirements.
Pedestrian Network-GOAL TR-9 Expanded pedestrian opportunities. Policy TR9.7 Concurrent Implementation. Where feasible, implement the trails and pedestrian system concurrent with adjacent developments.	Consistent: As shown in the conceptual Site Plan, sidewalks and pathways will be provided throughout the property to encourage walking on the campus. Sidewalks connect to those located on adjacent streets to provide connectivity.
Policy TR 10.3 and TR-10.4 Flexible Work Hours. Encourage employers to provide a flexible set of working hours to ease traffic congestion. Carpooling. Support a Countywide car/vanpool matching program.	Consistent: The applicant will provide educational materials to end uses or future developers to encourage employers to provide flexible work hours, carpooling options, and other alternative transportation methods as may be available. Bay Area employers with 50 or more full-time employees within the Bay Area Air Quality Management District geographic boundaries are required to register and offer commuter benefits to their employees in order to comply with Air District Regulation 14, Rule 1.

Natural Resources and Environment

Table 8 General Plan 2035 - Natural Resources and Environment Goals and Policies

General Plan Natural Resources and Environment Goals and Policies	Consistency Analysis
Water Quality and Conservation - GOAL NRE-7 Conservation of water resources. Policy NRE-7.1 Water Standards for Private Development. Promote water conservation and efficient water use in all private development projects. Require development to exceed State standards for the use of water.	Consistent: Water saving measures will be implemented on the development project in the way of "green" design features. Very low flow toilets, efficient landscaping, and water capture and reuse will be used to conserve water.

Policy NRE-7.3 Water Efficiency and Landscaping. Promote water conservation and efficient water use in all public and private landscaping plans.	Consistent: Drought tolerant and area-suitable landscape materials will be utilized on the development project to promote water conservation.
Energy Efficiency-GOAL NRE-16 Conservation of energy resources. Policy NRE-16.1 Energy Standards for New Development. New development, including public buildings, should be designed to exceed State standards for the use of energy.	Consistent: New development will be designed consistent with energy standards that meet and exceed the City and State standards for use of energy.
Policy NRE-16.7 Renewable Energy. Encourage new and existing development to incorporate renewable energy generating features, like solar panels and solar hot water heaters.	Consistent: Future development of the property will adhere to new State climate change regulations, which include requirements to provide solar energy and otherwise reduce electrical use. Design approval of development is required, during which the merits of the project site plan and design will be considered, including renewable energy.

Safety, Services, and Infrastructure

Table 9 General Plan 2035- Safety, Services, and Infrastructure Goals and Policies

General Plan Safety, Services and Infrastructure Goals and Policies	Consistency Analysis
Noise GOAL SSI-8 Prevention of noise from interfering with human activities or causing health problems. Policy SSI-8.1 Exterior Noise Level Standards. Require new development projects to be designed and constructed to meet acceptable exterior noise level standards (see Table SSI-1), as follows: - Apply a maximum exterior noise level of 60 dBA Ldn in residential areas where outdoor use is a major consideration (e.g., backyards in single-family housing developments and recreation areas in multi-family housing projects). Where the City determines that providing an Ldn of 60 dBA or lower cannot be achieved after the application of reasonable and feasible mitigation, an Ldn of 65 dBA may be permitted. - Indoor noise levels should not exceed an Ldn of 45 dBA in new residential housing units.	Consistent: The conceptual Site Plan includes a 25 foot buffer from the US Highway 101 off-ramp and places the parking and parking garage closest to the freeway to further buffer the medical and residential uses. Residentially occupied buildings are located a minimum of 250 feet from the US Highway 101s through lanes. A noise analysis was completed for the project that determined all exterior and interior noise levels would be met with implementation of the recommendations contained therein. Mitigation measures will be implemented when the buildings are constructed to ensure the acceptable noise levels are met.

Noise levels in new residential development exposed to an exterior Ldn 60 dBA or greater should be limited to a maximum instantaneous noise level (e.g., trucks on busy streets, train warning whistles) in bedrooms of 50 dBA. Maximum instantaneous noise levels in all other habitable rooms should not exceed 55 dBA. The maximum outdoor noise level for new residences near the railroad shall be 70 dBA Ldn, recognizing that train noise is characterized by relatively few loud events.	
Policy SSI-8.4 Office Noise Level Standards. Interior noise levels in office buildings should be maintained at 45 dBA Leq (hourly average) or less, rather than 45 dBA Ldn (daily average).	Consistent: Mitigation measures including noise reduction measures and emergency generator noise suppressors will be implemented when the buildings are constructed to ensure the acceptable noise levels are met. A noise analysis is provided as part of the CEQA documentation.
Policy SSI-8.9 Site Planning and Design. Require attention to site planning and design techniques other than sound walls to reduce noise impacts, including: a) installing earth berms; b) increasing the distance between the noise source and the receiver; c) using non-sensitive structures such as parking lots, utility areas, and garages to shield noise sensitive areas; d) orienting buildings to shield outdoor spaces from the noise source; and e) minimizing the noise at its source.	Consistent: Building location was taken into account in the conceptual Site Plan to locate sensitive uses a minimum of 250 feet from the through lanes of US Highway 101. Building placement and strategically placed landscaping will help to minimize noise at its source. Additionally, the noise analysis recommends an 8 foot sound wall along Highway 101 to reduce noise impacts to the residential component of the project.

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8.0

PD MASTER PLAN AND ZONING FINDINGS

8.1 PD Master Plan Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.30.050.H.7 (Findings).

General Plan and Zoning Consistency

- a. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.*

Finding

The PD Master Plan incorporates an amendment of the 2035 General Plan. The 2035 General Plan designation of Mixed Use Flex with a seven dwelling unit per acre minimum and 24 dwelling unit per acre maximum will allow the residential uses proposed within the PD Master Plan and the hospital use, not currently an allowed use on the property. Section 7 outlines in greater detail how the PD Master Plan is consistent with the goals and policies of the 2035 General Plan. As allowed by Municipal Code Section 18.30.050, the PD Master Plan identifies several changes to the development standards that apply in the CS district; these changes include increased building heights and modifications to parking standards for shared parking arrangements. The floor area ratio is reduced from 0.6 to 0.5. The Planning Commission will have say on two aspects of future development, to ensure consistency with zoning regulations. Design approval is required for all development, during which the merits of the site plan and architectural design will be considered. Some uses may require a conditional use permit, and those will require a hearing to determine suitability. During these reviews, consistency with zoning code requirements will be analyzed as they specifically relate to the development project. The PD Master Plan is not located within a specific plan or area plan.

Superior to Development Under Existing Zoning

- b. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.*

Finding

The PD Master Plan allows a mix of compatible uses, including a much-needed residential component to provide sustainability to the remainder of the uses, and a retail and medical office / hospital component to provide work opportunities to the neighborhood and community. The urgent care/ pharmacy would provide a convenient location for the surrounding neighborhood and patrons to the school to utilize the services it will provide. The affordable multi-family residential uses will allow tenants to age in place, and will provide a near-by down-sizing option for empty nesters in the adjacent single family houses. The passive park with a walking/jogging trail system, located along Barrett Avenue and US Highway 101, will allow for enjoyment by the retail and medical office employees and visitors, as well as by the apartment residents⁷ and residents of the surrounding neighborhood. The high-density residential use will allow elementary school-aged children to walk to Barrett Elementary School. The retail area will provide convenience services to both the medical/office uses and residents.

Substantial Public Benefit

- c. *The proposed project will provide a substantial public benefit as defined in Paragraph 8 (Substantial Public Benefit Defined) below. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.*

Substantial Public Benefit Defined. When used in this section, “substantial public benefit” means a project feature not otherwise required by the zoning code or any other provision of local, state, or federal law that substantially exceeds the city’s minimum development standards and significantly advances goals of the general plan. A project must include one or more substantial public benefits to be rezoned as a planned development. The public benefit provided shall be of sufficient value as determined by city council to justify deviation from the standards of the zoning district that currently apply to the property. Examples of substantial public benefits include but are not limited to:

- a. ***Housing that is affordable to lower-income households.***
- b. ***Public plazas, courtyards, open space, and other public gathering places that provide opportunities for people to informally meet and gather.***
- c. ***New or improved pedestrian and bicycle pathways that enhance circulation within the property and connectivity to the surrounding neighborhood.***
- d. ***Green building and sustainable development features that substantially exceed the city’s minimum requirements.***
- e. *Preservation, restoration, or rehabilitation of a historic resource.*
- f. *Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.*
- g. ***Publicly accessible parks and open space beyond the minimum required by the city or other public agency.***

⁷ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

- h. Habitat restoration and or protection of natural resources beyond the minimum required by the city or other public agency.*

Finding

The items shown in bold above are items for which the PD Master Plan exceeds the City's minimum development standards.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. The residential units are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. The PD Master Plan proponent agrees to enter into a contract with the City to ensure the continued affordability of all affordable rental units for 55 years or a longer period of time if required by an applicable construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program. Rents for the lower income density bonus units will be set at an affordable rent as defined in Section 50053 of the Health and Safety Code.

Single Family for-sale units will comply with the City of Morgan Hill Municipal Code Section 18.48.070, and the city shall ensure that the initial occupant of all affordable for-sale units are households of low-, very low-, or moderate-income, as applicable, that the units are offered at an affordable housing cost as defined in Health and Safety Code Section 50052.5, and that affordability covenants and restrictions continue for 55 years.

Under Municipal Code Section 18.156, residential units are subject to Residential Development Control System (RDCS), and require an application for Residential Building Allotment for any units proposed. SB-330 (2019 – Nancy Skinner) was recently signed by the Governor and eliminates this program that is designed to meter new housing development over time.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public benefit. The two park areas encompass approximately 2.20 acres of land. This acreage does not include the walking trail within other open areas of the property. This area can be used by residents, employees, and the general public as they visit the uses on the project site. The tenants on the property may also use the passive park as an amenity for people to informally meet and gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the park to allow walking opportunities and exercise for seniors and youth. Walkways will connect from the park to all other uses on the property and to the surrounding local streets to provide full connectivity. This will encourage visitors to walk, bike, and use other forms of transportation to reduce greenhouse gas emissions and promote a healthy community. The pathways will provide a connection between the high-density residential uses and Barrett Elementary School, and will connect all uses to the retail commercial area.

Because the development is a Commercial subdivision, the applicant is technically not required to dedicate open space per Title 17, Section 17.28.150. However the proponents, because they are submitting for a PD Master Plan, would like to dedicate a portion of the property as park area, available to the public and to the adjacent Barrett Elementary School. The minimum required open space for this project, if it were a multi-family subdivision, would be to provide recreation amenities in the amount

of .0088 acres per dwelling unit, at 200 dwelling units this would equal 1.76 acres of land. The park area and open space adjacent to Barrett Avenue is approximately 1.73 acres and would be dedicated with an easement, and be available to the general public. Additional public open space is provided where the pathway continues along US Highway 101. Additional open space and amenities are provided for private use of the multi-family residences (approximately 0.70 acres) and as a break area for the employees (approximately 0.44 acres); these would remain in private ownership.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features such as LED smart lighting, solar power, very low flow toilets, and building materials to encourage healthy indoor air quality.

Residential market-rate and affordable housing rental units are proposed to provide a sustainable land use pattern that reduces the number and length of vehicle trips. This higher density residential and mixed use development is within walking distance to Barrett Elementary School, and will also provide for convenient services within walking distance for the on-site employees and residents.

Bicycle parking and pathways are provided to promote alternative modes of transportation. Landscaping will be designed to meet and exceed the state standards for water conservation, including low water use trees and shrubs, and plantings to provide shade to reduce the need for excessive building cooling.

Community Benefits from the Project

Healthcare Facilities. The PD Master Plan would provide much needed medical facilities to serve the community. The Urgent Care/Pharmacy would reduce trips traveled to receive routine medical care. The Cancer Center would provide services to meet the growing need for this service in the area.

Retail Component. Providing an appropriately sized retail/restaurant building would provide onsite workers the opportunity to have breakfast or lunch within walking distance from their place of employment, avoiding automobile travel.

Creates Jobs for Morgan Hill. The hospital, urgent care/pharmacy, medical office and retail uses proposed will provide varied work opportunities for the people living in Morgan Hill and the surrounding area.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public health benefit. The two park areas encompass approximately 2.20 acres of land. It is expected the Restaurants will also have outdoor dining areas, providing places to gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the parks to allow walking opportunities and exercise for all ages. Walkways will connect from the park and to all other uses on the property and to the sidewalks on the surrounding streets, providing full connectivity.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. As proposed in the Conceptual Site Plan, the residential units

are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. If the project is designed with Single Family for-sale units, affordable housing will be provided per the City code.

School Drop-off. The project will help to alleviate the parking and drop-off issues associated with Barrett Avenue Elementary School. Cross walks will be installed on both adjoining streets to enhance walkability to and from the project. Parking to serve the school and public is expected to be provided in the park adjacent to Barrett Avenue.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features.

Landscape the Site. The development will provide abundant landscaping throughout to create a green and aesthetic feel, as well as screen development from the traffic on US Highway 101, Juan Hernandez Drive and Barrett Avenue.

Restore Habitat. The project tree and landscape planting will enhance wildlife on the project site as well as provide a visually pleasing atmosphere for the surrounding area. Flowering plants and trees are proposed to accomplish this restoration. Adequate Property Size

Adequate Property Size

d. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

Finding

With approximately 19.67 acres of land, there is adequate land area to provide the uses proposed in the PD Master Plan. The medical office / hospital uses proposed are intentionally located adjacent to the existing medical office to promote a walkable medical campus. The retail uses, including public services, are proposed along the active local street to ensure visibility and ease of access by the surrounding residential uses and provide easy access by the residents and employees on the property. Residential uses, providing affordable housing, are located on the property to provide adequate separation from the highway and close proximity to the passive park and Barrett Elementary School.

The PD Master Plan under a Mixed Use Flex general plan designation, which includes multi-family residential uses, retail commercial and restaurant, medical office/hospital uses, and open space parks, will provide a dynamic environment of compact living. This will allow residents and employees to meet daily needs and lessen the need for a private automobile.

Adequate Infrastructure

e. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

Finding

The PD Master Plan, which abuts the US Highway 101 off-ramp, is surrounded on two sides by local streets and has a driveway connection just south of the existing medical offices, used for access to the medical campus and additional driveways are proposed for site access. Juan Hernandez Drive and Barrett Avenue are existing local streets with the capacity to handle the development of this property. Circulation to the property from within Morgan Hill is provided by Tennant Avenue and Butterfield Boulevard. Public utilities exist in the surrounding streets and can serve the proposed development.

Compatible with Surroundings

- f. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.*

Finding

The PD Master Plan deviates from the approved commercial zoning existing on the property by the addition of hospital and multi-family residential uses. With the incorporated general plan amendment to Mixed Use Flex, and the mixed use development envisioned in the conceptual Site Plan, suitable transitions between the existing uses will be provided. There are no uses included in the conceptual Site Plan that would have an adverse effect on the surrounding residential and school uses. The existing residential uses adjacent to Juan Hernandez Drive and Barrett Avenue, and Barrett Elementary School will benefit from the retail and restaurant uses that the PD Master Plan provides. The park and open space provided on the property will benefit the adjacent Barrett Elementary School and the adjacent residences. The high density residential use will provide a suitable buffer between the adjacent single family residences and school, and the walkable medical campus. The uses proposed will not cause odors, health risks, or safety issues to the surrounding sensitive uses. Adequate measures will be taken during the construction phase to protect the surrounding property from noise, vibration, dust, and construction traffic.

Zoning Map Findings

- g. Findings required for the concurrent approval of a zoning map amendment can be made.*

Finding

The project site is in a Services Commercial zoning district with a PD combining overlay so the finding can be made that it is consistent with the zoning map. Amending the 2035 General Plan use to allow the residential and hospital use will not alter the zoning map.

8.2 Zoning Amendment Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.114.060 - Findings for Approval.

A. *Findings for all Zoning Code and Zoning Map Amendments.*

General Plan Consistency

1. *The proposed amendment is consistent with the general plan and any applicable specific plan as provided by Government Code Section 65860.*

Finding

With the general plan amendment that is incorporated into the PD Master Plan, the zoning map amendment is consistent with the 2035 General Plan. The general plan land use diagram amendment from Commercial to Mixed Use Flex allows specific residential uses to be included in the CS district with the PD overlay.

Public Interest, Health, Safety, Convenience, Welfare

2. *The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.*

Finding

The multi-family residential uses would be beneficial to the public interest, health, safety, convenience, and welfare of the city. The multi-family residential uses would provide more opportunities for residents to work near the medical offices, retail uses, and medical/hospital facility on the property, all of which provide job opportunities for the onsite and surrounding residential uses. The residential uses, including 15 percent affordable units, would also allow seniors the opportunity to age in place, consistent with 2025 General Plan policy. Providing residential uses in close proximity to the commercial and office uses would also reduce the greenhouse gas emissions if the residents were employees or were patrons of the proposed uses, and would enable school-aged children to walk to school. The multi-family residential housing added on this property, when capped at 200-150 units, would not create an overload on the local street system. Additionally, where the housing is positioned on the property allows for a step down from the existing residential and public facility use to the denser office and commercial uses. The hospital use would also be beneficial to the public interest, health, safety, convenience, and welfare of the city. The hospital would provide much needed medical service to the community and a variety of job opportunities.

Internal Consistency

- B. *Additional Finding for Zoning Code Text Amendments. The proposed amendment is internally consistent with other applicable provisions of the zoning code.*

Finding

No changes to the existing zoning code text will be made. The PD Master Plan continues to rely on Zoning Code development standards for the most part. Several deviations from established standards are specifically outlined in the PD Master Plan, consistent with the regulations for establishing PD districts and PD Master Plans. There would be no internal inconsistencies as a result of the PD Master Plan.

Physically Suitable Site

- C. *Additional Finding for Zoning Map Amendments. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.*

Finding

The 19.67 acre parcel is suitable in design, location, shape and size to accommodate the uses allowed by the PD Master Plan. The multi-family residential use would be appropriate next to the passive park located on the property along Barrett Avenue and would serve as a buffer from the more intense uses of office/commercial on the southern end of the property. With the amendment to the 2035 General Plan changing the land use designation from Commercial to Mixed Use Flex, the PD Master Plan is consistent with the general plan and zoning code. All of the uses in the PD Master Plan will contribute to the health, safety, and welfare of persons living or working on the property and surrounding properties, and to the community at large. The PD Master Plan promote community health and social interaction within the neighborhood by providing retail stores, a restaurant, plazas, and open spaces as gathering places. The pathways provide places for healthful exercise.

9.0

LEGAL DESCRIPTIONS

Legal Description – APN 817-09-039 and 817-09-041

Real property in the City of Morgan Hill, County of Santa Clara, State of California, described as follows:

All of parcels “D” and “E”, as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California on May 24, 1983 in Book 513 of Maps, on Pages 14, 15, and 16, more particularly described as follows:

Beginning at the most southerly corner of said parcel “D”, as shown on said Parcel Map; thence

- 1) South 89°03’ 48” West, 637.61’, thence
- 2) Along a non-tangent circular curve, concave west, the center of which bears South 89°03’ 47” West, with a radius 536.00’, through a central angle 3° 44’ 38”, an arc length of 35.02 feet; thence
- 3) North 89° 03’ 48” East, 276.87 feet; thence
- 4) North 19° 31’ 04” East, 203.35 feet; thence
- 5) North 70° 28’ 56” West, 58.00 feet; thence
- 6) North 25° 28’ 56” West, 83.00 feet; thence
- 7) South 64° 31’ 04” West, 321.00 feet; thence
- 8) Along a non-tangent circular curve, concave southwest, the center of which bears South 68° 32’ 11” West, with a radius 536.00’, through a central angle 4° 00’ 40”, and arc length of 37.52 feet; thence
- 9) North 25° 28’ 29” West, 711.68 feet; thence
- 10) Along a tangent circular curve, concave east, with a radius 20.00 feet, through a central angle 89° 59’ 29”, and arc length of 31.41 feet; thence
- 11) North 64° 31’ 00” East, 717.84 feet; thence
- 12) Along a non-tangent circular curve, concave south, the center of which bears South 15° 32’ 49” East, with a radius 20.00 feet, through a central angle 42° 46’ 35”, an arc length 14.93 feet; thence

- 13) Along a tangent reverse circular curve, concave northwest, with a radius 42.06 feet, through a central angle $137^{\circ} 35' 51''$, an arc length 101.01 feet; thence
- 14) South $20^{\circ} 31' 38''$ East, 842.39 feet; thence
- 15) Along a non-tangent circular curve, concave west, the center of which bears South $69^{\circ} 29' 06''$ West, with a radius 547.00 feet, through a central angle $46^{\circ} 59' 24''$, an arc length 448.61 feet; thence
- 16) South $26^{\circ} 26' 41''$ West, 17.26 feet, more or less to the Point of Beginning

End of Description

All of parcels "C", as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California

Legal Description - APN 817-09-040

The land referred to herein below is situated in the City of Morgan Hill, County of Santa Clara, State of California and is described as follows:

Parcel One:

Parcel C, as shown on Parcel Map recorded in Book 513 of Maps, at Pages 14, 15, 16, Santa Clara County Records, and being a portion of Lot 25 and lot 52 of "Catherine Dune Ranch Map No. 7", as shown on Map thereof, recorded in Book "L" of Maps, at page 26, Santa Clara County Records.

Parcel two:

An easement for ingress and egress over, under, on and across a strip of land 35.00 feet wide, described as follows:

Beginning at an iron pipe distant thereon South 25 degrees 57' 55" East 126.93 feet from the Southerly corner common to Lots 24 and 25, as shown on said Map and running thence North 89 degrees 03' 48" East 276.87 feet, South 00 degrees 56 deg. 12" East 35.00 feet, and South 89 degrees 03' 48" West 272.72 feet; thence along a curve to the left from a tangent bearing of North 00 degrees 56' 12" West, having a radius of 536.00 feet and a Central Angle of 3 degrees 44' 48", a distance of 35.03 feet to the Point of Beginning.



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Rebecca Garcia, Housing Manager
APPROVED BY: City Manager

APPROVE AGREEMENT WITH BURKE, WILLIAMS & SORENSEN FOR AFFORDABLE HOUSING LEGAL SERVICES

RECOMMENDATION(S)

Authorize the City Attorney to execute and administer a Consultant Agreement with Burke Williams & Sorensen, LLP (BWS) for Housing Program legal services through June 30, 2022, in an amount not to exceed \$75,000.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Diversity and Inclusiveness
Advancing Regional Initiatives

2020-2021 Strategic Priorities

Affordable Housing and Homelessness

GUIDING DOCUMENTS

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

The City of Morgan Hill's Housing Program has historically contracted with Burke Williams & Sorensen (BWS), LLP to represent the City and advise in negotiations with various Affordable Housing Project Tax Credit re-syndication and refinancing transactions. Over the past years, the City has also used the firm to prepare documents relating to Affordable Housing Agreements, Settlements, and more recently Inclusionary Housing Agreements, as well as assist with the review of various transfer documents. With several on-going housing related legal service needs, staff is recommending a new contract with Burke Williams Sorensen, LLP for an amount not to exceed \$75,000, for services through June 30, 2022.

The services of Burke Williams Sorensen are requested to support the contractual requirements of the City's Affordable Housing programs. This request is to approve a new contract and continue the prior service relationship. The past service has been excellent, with the contract attorney specializing in affordable housing financing, wind-downs of organizations, contract structuring, new legislation, inclusionary housing, real estate, and housing law. A continued relationship will provide needed expertise, responsiveness to legal inquiries and continued program stability.

The Affordable Housing program enhanced with years of support through the former Redevelopment Agency, has culminated in the production of a significant number of affordable housing units city-wide, both rental and ownership. There are several pending transactions requiring legal services. Where appropriate, the program strives to

share and/or recoup the costs associated with legal fees.

The services to be performed by BWS shall consist of the following: assisting with the review and drafting of loan agreements and related documents in connection with the City's provision of financing to and for affordable housing development, assisting with the implementation of the Inclusionary Housing Ordinance and drafting of documents in connection with the effective maintenance of City's affordable housing program, providing advice regarding compliance with state and federal housing law and regulations pertaining to affordable housing transactions, fair housing law, review and negotiation of lender and investor documents, escrow processing and closings for affordable housing transactions, the review and compliance of new housing legislation, general assistance to Housing and Development Services staff and related services, as may be authorized by the City Attorney.

COMMUNITY ENGAGEMENT:

This report services to inform the community of the proposed services agreement.

ALTERNATIVE ACTIONS:

The Council could alternatively choose not to approve the agreement and or direct staff to seek another qualified firm for these legal services.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

August 5, 2015 City Council approved a contract with Burke, Williams and Sorensen for \$110,000 for legal assistance in connection with the preparation of various transactional documents. On February 18, 2015 and February 25, 2015 respectively, the Successor Agency and the Oversight Board approved a \$25,000 contract for legal services with Burke, Williams and Sorensen.

FISCAL AND RESOURCE IMPACT:

Most of the services funded under this Agreement are cost-recovery. General advice is funded from the City's Housing Fund (Fund 236), and the adopted biennial budget includes \$45,000 in each of the fiscal years for these services.

CEQA (California Environmental Quality Act):

Not a Project – CEQA does not apply to organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. Burke Williams Sorensen

CONSULTANT AGREEMENT FOR LEGAL SERVICES BURKE WILLIAMS & SORENSEN, LLP

THIS AGREEMENT is made and entered into as of this ____ day of _____, 2020, ("Effective Date"), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and BURKE WILLIAMS & SORENSEN, LLP, a limited liability partnership ("CONSULTANT"). CITY and CONSULTANT may sometimes be referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. CONSULTANT is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date until June 30, 2022, subject to the provisions of 4.4 of this Agreement. The City Attorney is authorized to extend the term of this Agreement. Any such extension shall be in writing and signed by both parties to this Agreement.
2. **Services to be Provided.** The services to be performed by BWS shall consist of the following: assist with the review and drafting of loan agreements and related documents in connection with the City's provision of financing to and for affordable housing development, assist with the implementation of the Inclusionary Housing Ordinance and drafting of documents in connection with the effective maintenance of City's affordable housing program, assist with the provision of advice regarding compliance with state and federal housing law and regulations pertaining to affordable housing transactions, fair housing law, assist the review and negotiation of lender and investor documents, assist with escrow processing and closings in affordable housing transactions, assist with the review and compliance of new housing legislation, provide general assistance to Housing and Community Development Department staff and related services, all as may be requested by the City Attorney.
3. **Compliance with Outside Counsel Retention and Billing Policy.** CONSULTANT agrees that it will abide by the Outside Counsel Retention and Billing Policy attached hereto and incorporated herein as Exhibit "A."

4. **Compensation:** CONSULTANT shall be compensated as follows:

- 4.1. **Amount.** Compensation for all services, fees and expenses under this Agreement shall not exceed SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$75,000.00). Compensation shall be on an hourly billing rate, which rates are set forth in Exhibit "B," attached hereto and incorporated herein by reference. No rate changes shall be made during the term of this agreement without prior written approval from the CITY. Services or work performed in excess of the total compensation set forth above without written approval of the City Attorney shall be at no cost to CITY.

If the City Attorney extends the term of this Agreement pursuant to the provisions of Section 1 above, the City Attorney shall have the authority to increase the maximum compensation allowed to be paid to CONSULTANT during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for the extended term exceed the same authority provided to the City Manager pursuant to Chapter 3.04 of the Morgan Hill Municipal Code, unless otherwise authorized by City Council.

- 4.2. **Payment.** For work under this Agreement, payment shall be made per monthly invoice. For extra work not a part of this Agreement, written authorization by CITY will be required, payment shall be based on hourly rates in Exhibit "B."
- 4.3. **Records of Expenses.** CONSULTANT shall keep accurate records of payroll, travel, and expenses. These records will be made available to CITY.
- 4.4. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The City Attorney of CITY is authorized to terminate this AGREEMENT, in whole or in part, on behalf of CITY.

5. **Insurance Requirements.**

- 5.1. **Commencement of Work.** CONSULTANT shall not commence work under this Agreement until it has obtained CITY approved insurance as outlined below. Insurance coverages shall remain in full force and effect at all times during the period covered by this Agreement. Any deductibles or self-insured retentions must be declared to and approved by City. CONSULTANT shall furnish CITY with copies of all certificates subject to this Agreement, whether new or modified, promptly upon receipt. In the event of a claim or legal action, CONSULTANT shall promptly furnish CITY of Morgan Hill with copies of all policies outlined herein. No policy subject to this Agreement shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY by certified mail.

5.1.1 Insurance Types and Amounts.

- a. Commercial general liability. CONSULTANT shall maintain insurance against claims and liabilities for personal injury, death, or property damage, providing protection of at least \$1,000,000 combined single limit. Further, CONSULTANT shall provide proof of the following separate endorsements:
 - The CITY, its elected officials, officers, employees, agents and representatives are named as additional insureds; and,
 - the insurer waives the right of subrogation against CITY and CITY'S elected officials, officers, employees, agents, and representatives; and,
 - insurance shall be primary non-contributing.
- b. Automobile liability. CONSULTANT shall maintain insurance covering all owned, non-owned and hired automobiles against claims and liabilities for personal injury, death, or property damage, providing protection of at least \$1,000,000 combined single limit.
- c. Workers Compensation. CONSULTANT and all subcontractors shall maintain Worker's Compensation Insurance, as required by law. Further, if the performance of CONSULTANT's work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, CONSULTANT's presence during site visits and meetings, then CONSULTANT shall provide CITY, prior to commencement of work, with the following separate endorsement:
 - The insurer waives the right of subrogation against CITY and CITY'S elected officials, officers, employees, agents, and representatives.
- d. Professional liability. CONSULTANT shall maintain either a claims-made or occurrence liability insurance in the minimum amount of \$1,000,000.00 each claim. Further, if CONSULTANT maintains a claims-made policy, CONSULTANT shall provide written evidence of such insurance to City for at least five (5) years after the completion of work performed under this Agreement.

5.1.2 Acceptability of Insurers. All insurance required by this Agreement shall be carried only by responsible insurance companies licensed to do business in California. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

5.1.3 Provision of Agreement to Insurers. CONSULTANT represents and warrants that they have provided a copy of this Agreement to their respective insurers, and the insurers are aware of all obligations pertaining to CONSULTANT as stated in this Agreement.

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

7. **Independent Contractor.** It is agreed to that CONSULTANT shall act and be an independent contractor and not an agent or employee of CITY. CONSULTANT shall be solely responsible for the performance of its employees, agents or subcontractors under this agreement.

8. **Compliance with Law.**

8.1 CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.

8.2 Compliance with Wage and Hour Laws: Consultant, and any subcontractor it employs to complete work under this Agreement, shall comply with all applicable federal, state and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act and the California Labor Code.

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

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

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

of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. The City reserves the right to require CONSULTANT to enter into an agreement with the City regarding the manner in which any such final judgment, decision, or order will be satisfied.

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

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

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

9. **Maintenance of Records.**

- 9.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then CONSULTANT shall retain said records until such action is resolved.
- 9.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.
- 9.3. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

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

11. **Conflict of Interest and Reporting.** CONSULTANT states that it does not represent clients with adverse interests to the CITY.

12. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed addresses. These addresses shall be used for delivery of service of process.

Address of CONSULTANT is as follows:

Susan E. Bloch
Burke Williams & Sorensen, LLP
1901 Harrison Street, Suite 900
Oakland, CA 94612

Address of CITY is as follows:

City Attorney	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	17575 Peak Avenue
Morgan Hill, CA 95037	Morgan Hill, CA 95037

13. **Licenses, Permits and Fees.** CONSULTANT shall obtain all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

14. **Familiarity with Work.** By executing this Agreement, CONSULTANT warrants that: (1) it has investigated the work to be performed, (2) it has the skills, knowledge and experience to perform this work competently and fulfill all professional and ethical obligation of attorneys at law in the State of California; and (3) it understands the difficulties, and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

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

16. **Limitations Upon Subcontracting and Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.

17. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.

18. **Indemnification.** CONSULTANT agrees to protect, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected

with performance of the Agreement by CONSULTANT, CONSULTANT'S agents, officers, employees, subcontractors, or independent contractors hired by CONSULTANT.

The only exception to CONSULTANT'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY. This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by CONSULTANT.

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

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

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

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

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

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(Signature on Next Page)

23. **Binding Agreement**. Notwithstanding the provisions of Section 16 above, this Agreement shall bind any and all successors in interest, legal representatives and/or other permitted assignees or transferees of CONSULTANT in the same manner as if those successors in interest, legal representatives or other permitted assignees or transferees had entered into this Agreement originally.

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

[TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS: (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND** (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.]

ATTEST:

THE CITY OF MORGAN HILL

Michelle Bigelow, Deputy City Clerk

Date: _____

Donald A. Larkin, City Attorney

Date: _____

BURKE WILLIAMS & SORENSEN, LLP



By: _____

Title: Susan E. Bloch, Partner

Date: November 6, 2020

Attachment: Burke Williams Sorensen (2909 : Burke, Williams & Sorensen Housing Legal Services)

**CITY OF MORGAN HILL
OUTSIDE COUNSEL BILLING AND RETENTION POLICY
EXHIBIT A**

A. Retention

The role of retained counsel will be that of co-counsel with the retaining attorney. (City Attorney). All legal services provided will be pursuant to a written analysis (including strategy and budget) developed by retained counsel in cooperation with the retaining attorney, and approved by the retaining attorney before work on the specified project begins. Retained counsel will also:

1. Obtain authorization from the retaining attorney before beginning work on any pleading, discovery, motion, or other legal paper, and before securing the services of any expert;
2. Review the above with the retaining attorney prior to use;
3. Provide written status reports on the progress of the litigation to the retaining attorney on the progress of the project as necessary, logical, or requested, but no less frequently than every 60 days;
4. Provide summaries of each deposition taken to the retaining attorney;
5. Coordinate with the retaining attorney to use the legal and paralegal services of the City Attorney's office to keep costs down;
6. Maintain a complete file and provide a copy of all documents generated to the retaining attorney;
7. Make a continuous and diligent attempt to resolve any litigation at the lowest possible cost, with the least expensive professional effort consistent with quality legal representation. To this end, the City will be billed for the time of only one attorney at depositions, hearings, trial, and interoffice conferences. Services performed without prior approval of the retaining attorney are not authorized and may not be approved for payment.

From time to time the retaining attorney may direct a departure from the requirements listed above, or may disapprove certain efforts proposed by retained counsel, or may direct efforts with which retained counsel disagrees. The retaining attorney is responsible for these decisions and will consult with the client as appropriate about such matters.

B. Billing Requirements

Retained counsel's services must be itemized individually and billed monthly. Each monthly statement must include 1) the name and billing rate of each attorney and paralegal who worked on the matter; 2) the date each service was performed; 3) a brief description of each service performed; 4) the time spent by each attorney and paralegal on each service performed, to the nearest tenth of one hour; 5) itemized costs; and 6) subtotal of fees and costs billed for the month and total for the matter to date.

Retained counsel will be reimbursed customary costs. When authorized, telephone, photocopy, electronic research and expedited delivery charges may be billed at the actual net cost to retained counsel or a rate approved in advance by the retaining attorney. Charges for approved travel will be at coach rates and automobile mileage will be reimbursed at the City's current rate (reflects IRS).

Costs for the following items will not be reimbursed unless approved in advance by the retaining attorney:

- Electronic research (Lexis, Westlaw, etc.)
- Word processing and photocopying
- Secretarial time
- Secretarial and paralegal overtime
- Express mail and messenger delivery
- Travel time in excess of 3 hours per trip

Bills must be submitted to the attention of the retaining attorney, 17575 Peak Avenue, Morgan Hill, California, 95037, in the form discussed above.

C. Contract

Each retained counsel will be required to execute a consultant agreement in a form acceptable to the City.

Retained counsel may not bill in excess of the contracted amount without prior written approval from the City Attorney.

BURKE WILLIAMS & SORENSEN, LLP**EXHIBIT B – Billing Rates****July 1, 2020**

	Rates	Cost Recovery Rates*
Partners:	\$355 per hour	\$455 per hour
Senior Associated (years +):	\$315 per hour	\$395 per hour
Junior Associates years 1-3):	\$290 per hour	\$355 per hour
Paralegals	\$185 per hour	\$195 per hour

*Cost-recovery rates are for work done for a particular developer who pays the City's fees, e.g. inclusionary housing agreements, etc.



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Charlie Ha, Supervising Civil Engineer
APPROVED BY: City Manager

APPROVE FINAL MAP FOR EIGHT LOT SUBDIVISION AT SAN SEBASTIAN PHASE 2D - TRACT NO. 10529

RECOMMENDATION(S)

1. Approve the Final Map;
2. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
3. Authorize the recordation of the Final Map and the Stormwater BMP Operation and Maintenance Agreement.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Protecting the Environment and Preserving
Open Space and Agricultural Land

2020-2021 Strategic Priorities

Economic Development

GUIDING DOCUMENTS

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

San Sebastian Phase 2D–Tract No. 10529 is an 8-lot subdivision located at the northwest intersection of Peet Road and Half Road (Attachment 1). The developer, Toll CA XX, LP, has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on February 12, 2013.

The City Council is required to approve the map if it conforms to all the requirements of the Subdivision Map Act, and any conditions of approval for the Tentative Map.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map (Attachment 2) and has made provisions with a Title Company for the recordation of the Final Map. The Final Map conforms to the requirements of the Subdivision Map Act, and conditions of approval have been met. Staff recommends that City Council approve the Final Map and authorize the City Manager to sign a Stormwater BMP Operation and Maintenance Agreement pending review and approval by the City Attorney.

On June 6, 2018, City Council approved the Final Map and Subdivision Improvement Agreement for the Phase 2A of San Sebastian – Tract No. 10451 in which the surety bonds and insurance covered all public improvements necessary for all of Phase 2A,

2B, 2C, and 2D of the San Sebastian project. Therefore, no additional subdivision improvement agreement will be needed with the processing of this Final Map.

COMMUNITY ENGAGEMENT: Involve

On February 12, 2013, the Planning Commission approved the Tentative Map. Residents within a 300 feet radius were informed of the Planning Commission's intent to approve the Tentative Map for the project, in which a public hearing was held to allow the public to be involved and voice their concerns over Tentative Map requirements.

ALTERNATIVE ACTIONS:

There is no feasible alternative action as the developer has met the requirements of the tentative map conditions approved by the Planning Commission to file for a final map approval.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On December 4, 2019, the City Council approved San Sebastian Phase 2C – Tract 10478 Final Map.

FISCAL AND RESOURCE IMPACT:

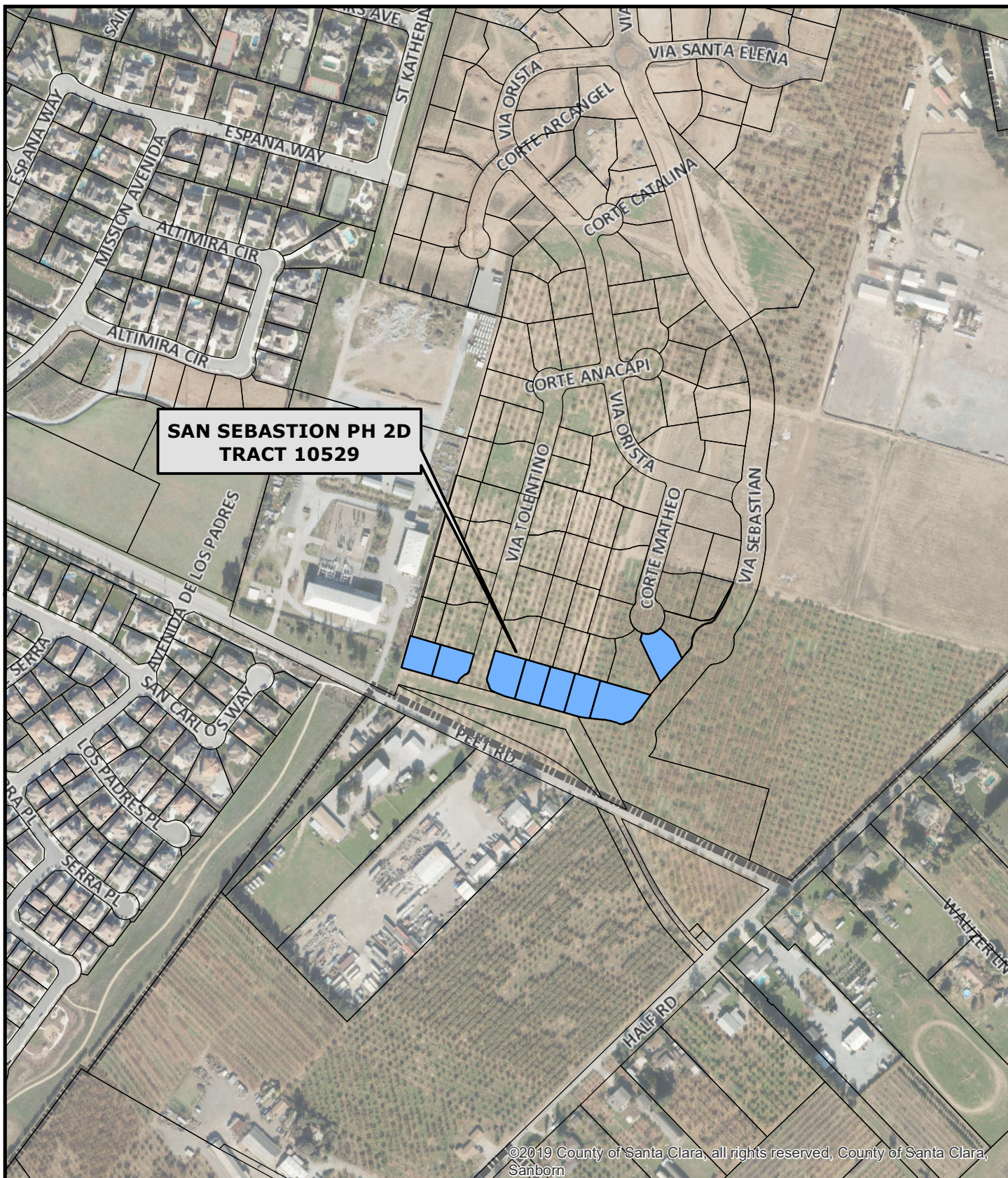
Development review costs for this project are paid for from development processing fees.

CEQA (California Environmental Quality Act):

An Environment Impact Report was adopted by the City Council on February 27, 2013.

LINKS/ATTACHMENTS:

1. Site Map
2. Final Map
3. Stormwater Best Management Practices, Operation, and Maintenance Agreement



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**Engineering and Utilities Department
Land Development Engineering Division**

Document Path: G:\R-14\PROJ\GIS\John\Santha_SanSebastian_2D.mxd

SITE MAP SAN SEBASTIAN PHASE 2D



OWNERS’ STATEMENT

WE HEREBY STATE THAT WE ARE THE OWNERS OF OR HAVE SOME RIGHT, TITLE, OR INTEREST IN AND TO THE REAL PROPERTY SHOWN ON THE SUBDIVISION WITHIN THE DISTINCTIVE SYMBOL LINE OF THIS MAP ENTITLED "TRACT 10529, SAN SEBASTIAN PHASE 2D", CONSISTING OF THREE (3) SHEETS, THIS STATEMENT BEING ON SHEET ONE (1) THEREOF; THAT WE ARE THE ONLY PERSONS WHOSE CONSENT IS NECESSARY TO PASS A CLEAR TITLE TO SAID REAL PROPERTY; THAT WE HAVE CAUSED SAID MAP TO BE PREPARED FOR RECORD, AND DO CONSENT TO THE MAKING AND FILING OF SAID MAP.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED AS AN EASEMENT FOR PUBLIC PURPOSES: EASEMENTS FOR ANY AND ALL PUBLIC SERVICE FACILITIES INCLUDING, BUT NOT LIMITED TO SIDEWALKS, POLES, WIRES AND CONDUITS FOR ELECTRICAL, TELEPHONE, TELEVISION, GAS, STORM, SANITARY AND WATER SERVICES, AND ALL APPURTENANCES THERETO UNDER, UPON, OR OVER THE LAND DESIGNATED AS "PUBLIC SERVICE EASEMENT" (PSE).

THE OFFERS OF DEDICATION DESCRIBED HEREIN TO THE CITY OF MORGAN HILL ARE TO BE ACCEPTED ONLY WHEN THE CITY COUNCIL OF THE CITY OF MORGAN HILL OR ITS SUCCESSOR AGENCY ADOPTS AND RECORDS IN THE OFFICE OF THE RECORDER OF SANTA CLARA COUNTY A RESOLUTION ACCEPTING SAID STREETS OR EASEMENTS. UNTIL SAID RESOLUTION(S) ARE RECORDED, ALL STREETS AND EASEMENTS ENCOMPASSED WITHIN SUCH OFFERS OF DEDICATION SHALL BE MAINTAINED BY THE OWNER DURING ANY REQUIRED WARRANTY PERIOD AND THEREAFTER BY THE OWNER(S) OF THE LOTS OR PARCELS IN THE SUBDIVISION. THE CITY OF MORGAN HILL SHALL NOT BE RESPONSIBLE FOR MAINTENANCE AND SHALL INCUR NO LIABILITY WITH RESPECT TO SUCH OFFERED STREETS AND EASEMENTS OR ANY IMPROVEMENT THEREON. ALL DEDICATED RIGHTS-OF-WAY AND EASEMENTS NOT ACCEPTED FOR MAINTENANCE BY THE CITY OR OTHER PUBLIC AGENCY SHALL BE MAINTAINED BY THE OWNER(S) OF THE LOTS OR PARCELS IN THE SUBDIVISION.

OWNER: TOLL CA XX, L.P., A CALIFORNIA LIMITED PARTNERSHIP

BY: TOLL WEST COAST LLC,
A DELAWARE LIMITED LIABILITY COMPANY
GENERAL PARTNER

BY: _____
NAME

ITS: _____

OWNER ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA }
COUNTY OF _____ } ss.

ON _____, 2020, BEFORE ME, _____,

PERSONALLY APPEARED _____
WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND.

NOTARY’S SIGNATURE: _____
NAME OF NOTARY (PLEASE PRINT): _____
PRINCIPAL COUNTY OF BUSINESS: _____
MY COMMISSION NUMBER: _____
MY COMMISSION EXPIRES: _____

SURVEYOR’S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION, AT THE REQUEST OF TOLL CA XX, L.P., A CALIFORNIA LIMITED PARTNERSHIP. IT IS BASED UPON A FIELD SURVEY PERFORMED BY ME OR UNDER MY DIRECTION COMPLETED FEBRUARY 06, 2019, IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE, AND IS TRUE AND COMPLETE AS SHOWN. I HEREBY STATE THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE CONDITIONALLY APPROVED TENTATIVE MAP, THAT ALL MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED OR THAT THEY WILL BE SET IN THOSE POSITIONS ON OR BEFORE SEPTEMBER 2022, AND THAT SAID MONUMENTS ARE OR WILL BE SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED.

BRYAN PIERCE, PLS 8859 DATE

CITY SURVEYOR’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP, AND THAT I AM SATISFIED THAT SAID MAP IS TECHNICALLY CORRECT.

DATE: _____



JOHN K. KING
ACTING CITY SURVEYOR – HANNA & BRUNETTI
P.L.S. NO. 6809

NOTES:

- 1.) THE DISTINCTIVE SYMBOL LINE INDICATES THE BOUNDARIES OF THE LAND SUBDIVIDED BY THIS FINAL MAP.
- 2.) THE AREA WITHIN THE DISTINCTIVE SYMBOL LINE IS 2.06 ACRES, MORE OR LESS.
- 3.) THE PROPERTY OWNER IS PROVIDING CONSTRUCTIVE NOTICE HEREON THAT EACH LOT IS SUBJECT TO THE REQUIREMENTS OF A DEVELOPMENT AGREEMENT, AND THAT COMMITMENTS UNDER THE AGREEMENT, WHICH THE CITY HAS PERMITTED THE PROPERTY OWNER TO DELAY, MUST BE FULFILLED BY THE SUBSEQUENT PROPERTY OWNER(S).
- 4.) A GEOTECHNICAL INVESTIGATION REPORT WAS PREPARED BY ENGEO, INC. JOB NO. 9301.000.000 AND IS ON FILE WITH THE CITY OF MORGAN HILL

CITY ENGINEER’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP AND THAT THE SUBDIVISION AS SHOWN IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATIONS THEREOF; THAT ALL PROVISIONS OF THE SUBDIVISION MAP ACT, AS AMENDED, AND OF ANY LOCAL ORDINANCE APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP HAVE BEEN COMPLIED WITH.



DATE: _____

SCOTT C. CREER
CITY ENGINEER
CITY OF MORGAN HILL, CALIFORNIA
R.C.E. NO. 58879

STATEMENT OF THE PLANNING COMMISSION

I HEREBY STATE THAT THE TENTATIVE MAP FOR THE WITHIN FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL ON FEBRUARY 12, 2013 , BY RESOLUTION NUMBER 13–13, APPLICATION NUMBER SD–09–07.

DATE: _____

JENNIFER CARMAN
SECRETARY
CITY OF MORGAN HILL, CALIFORNIA

STATEMENT OF THE CITY CLERK

I HEREBY STATE THAT THIS FINAL MAP, CONSISTING OF THREE (3) SHEETS, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AT A MEETING OF SAID COUNCIL HELD ON THE _____ DAY OF _____, 2020; AND THAT SAID COUNCIL DID ACCEPT, SUBJECT TO THEIR IMPROVEMENT IN ACCORDANCE WITH CITY STANDARDS, ON BEHALF OF THE PUBLIC, THE DEDICATION OF THE "PUBLIC SERVICE EASEMENT" (PSE), FOR PUBLIC USE IN CONFORMITY WITH THE TERMS OF THE DEDICATION, AS SHOWN ON THIS MAP.

DATE: _____

IRMA TORREZ – CITY CLERK
OF THE CITY OF MORGAN HILL, CALIFORNIA

RECORDER’S STATEMENT

FILE NO. _____ FEE \$ _____ PAID. ACCEPTED FOR RECORD AND FILED IN BOOK _____ OF MAPS AT PAGES _____, SANTA CLARA COUNTY RECORDS, THIS _____ DAY OF _____, 20__ AT _____ M., AT THE REQUEST OF WESTMINSTER TITLE COMPANY, INC.

REGINA ALCOMENDRAS, RECORDER
SANTA CLARA COUNTY, CALIFORNIA BY _____
DEPUTY

TRACT 10529
SAN SEBASTIAN PHASE 2D

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL G", "PARCEL H" AND "PARCEL I", AS SHOWN ON THE MAP ENTITLED "TRACT 10478, SAN SEBASTIAN PHASE 2C", FILED DECEMBER 10, 2019, IN BOOK 928 OF MAPS, AT PAGES 1 THROUGH 6, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

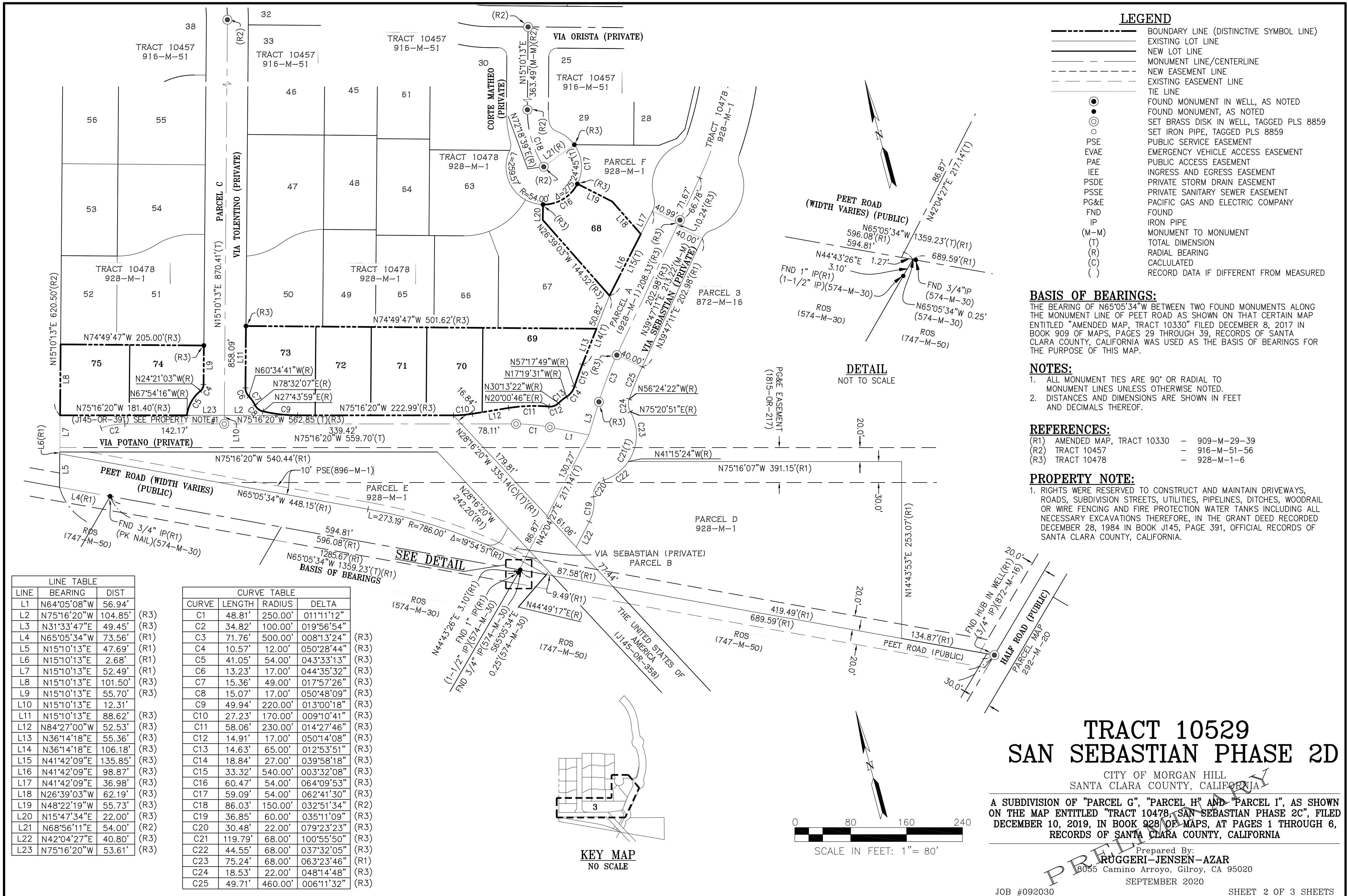
Prepared By:
RUGGERI–JENSEN–AZAR
8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 1 OF 3 SHEETS

2ND SUBMITTAL SEPTEMBER 2020



Attachment: Final Map (2876 : FINAL MAP APPROVAL OF SAN SEBASTIAN PHASE 2D - TRACT NO. 10529)

LEGEND

- BOUNDARY LINE (DISTINCTIVE SYMBOL LINE)
- EXISTING LOT LINE
- NEW LOT LINE
- MONUMENT LINE/CENTERLINE
- NEW EASEMENT LINE
- EXISTING EASEMENT LINE
- TIE LINE
- FOUND MONUMENT IN WELL, AS NOTED
- FOUND MONUMENT, AS NOTED
- SET BRASS DISK IN WELL, TAGGED PLS 8859
- SET IRON PIPE, TAGGED PLS 8859
- PUBLIC SERVICE EASEMENT
- EMERGENCY VEHICLE ACCESS EASEMENT
- PUBLIC ACCESS EASEMENT
- INGRESS AND EGRESS EASEMENT
- PRIVATE STORM DRAIN EASEMENT
- PRIVATE SANITARY SEWER EASEMENT
- PACIFIC GAS AND ELECTRIC COMPANY
- FOUND
- IRON PIPE
- MONUMENT TO MONUMENT
- TOTAL DIMENSION
- RADIAL BEARING
- CALCULATED
- RECORD DATA IF DIFFERENT FROM MEASURED

BASIS OF BEARINGS:

THE BEARING OF N65°05'34"W BETWEEN TWO FOUND MONUMENTS ALONG THE MONUMENT LINE OF PEET ROAD AS SHOWN ON THAT CERTAIN MAP ENTITLED "AMENDED MAP, TRACT 10330" FILED DECEMBER 8, 2017 IN BOOK 909 OF MAPS, PAGES 29 THROUGH 39, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA WAS USED AS THE BASIS OF BEARINGS FOR THE PURPOSE OF THIS MAP.

REFERENCES:

- (R1) AMENDED MAP, TRACT 10330 - 909-M-29-39
- (R2) TRACT 10457 - 916-M-51-56
- (R3) TRACT 10478 - 928-M-1-6

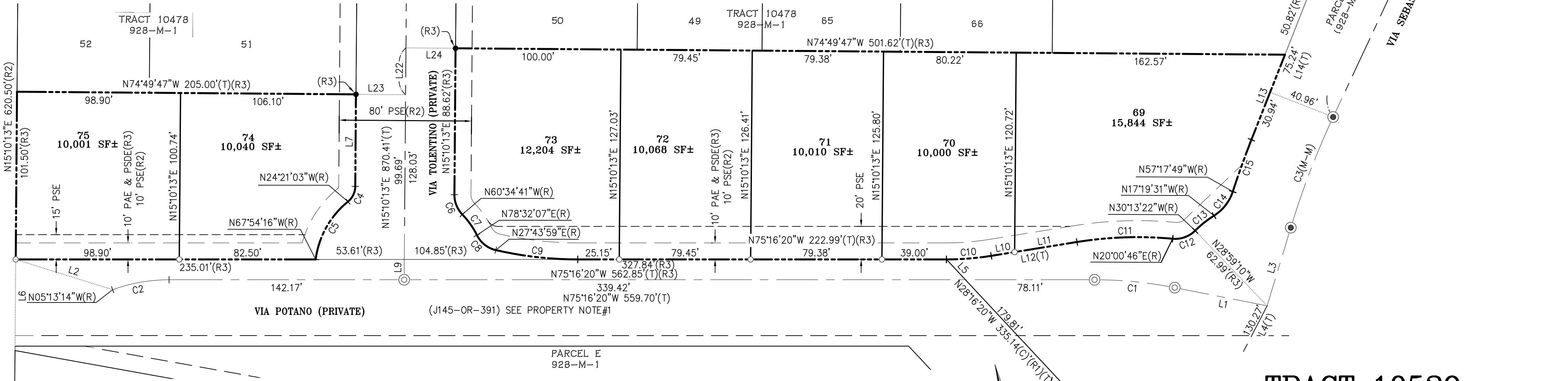
CURVE TABLE

CURVE	LENGTH	RADIUS	DELTA
C1	48.81'	250.00'	011°11'12"
C2	34.82'	100.00'	019°56'54"
C3	71.76'	500.00'	008°13'24"
C4	10.57'	12.00'	050°28'44"
C5	41.05'	54.00'	043°33'13"
C6	13.23'	17.00'	044°35'32"
C7	15.36'	49.00'	017°57'26"
C8	15.07'	17.00'	050°48'09"
C9	49.94'	220.00'	013°00'18"
C10	27.23'	170.00'	009°10'41"
C11	58.06'	230.00'	014°27'46"
C12	14.91'	17.00'	050°14'08"
C13	14.63'	65.00'	012°53'51"
C14	18.84'	27.00'	039°58'18"
C15	33.32'	540.00'	003°32'08"
C16	60.47'	54.00'	064°09'53"
C17	59.09'	54.00'	062°41'30"
C18	86.03'	150.00'	032°51'34"
C19	11.94'	17.00'	040°15'08"
C20	47.28'	180.00'	015°03'02"

LINE	BEARING	DIST
L1	N64°05'08"W	56.94'
L2	N57°55'33"W	61.42'
L3	N31°33'47"E	49.45'
L4	N42°04'27"E	217.14'
L5	N28°16'20"W	16.84'
L6	N15°10'13"E	52.49'
L7	N15°10'13"E	55.70'
L8	N74°49'47"W	30.00'
L9	N15°10'13"E	12.31'
L10	N84°27'00"W	14.32'
L11	N84°27'00"W	38.21'
L12	N84°27'00"W	52.53'
L13	N36°14'18"E	55.36'
L14	N36°14'18"E	106.18'
L15	N41°42'09"E	135.85'
L16	N41°42'09"E	98.87'
L17	N41°42'09"E	36.98'
L18	N26°39'03"W	62.19'
L19	N48°22'19"W	55.73'
L20	N15°47'34"E	22.00'
L21	N68°56'11"E	54.00'
L22	N15°10'13"E	28.35'
L23	N74°49'47"W	30.00'
L24	N74°49'47"W	30.00'
L25	N50°12'49"W	40.99'

NOTES:

- ALL MONUMENT TIES ARE 90° OR RADIAL TO MONUMENT LINES UNLESS OTHERWISE NOTED.
- DISTANCES AND DIMENSIONS ARE SHOWN IN FEET AND DECIMALS THEREOF.



PROPERTY NOTE:

- RIGHTS WERE RESERVED TO CONSTRUCT AND MAINTAIN DRIVEWAYS, ROADS, SUBDIVISION STREETS, UTILITIES, PIPELINES, DITCHES, WOODRAIL OR WIRE FENCING AND FIRE PROTECTION WATER TANKS INCLUDING ALL NECESSARY EXCAVATIONS THEREFORE, IN THE GRANT DEED RECORDED DECEMBER 28, 1984 IN BOOK J145, PAGE 391, OFFICIAL RECORDS OF SANTA CLARA COUNTY, CALIFORNIA.

TRACT 10529
SAN SEBASTIAN PHASE 2D

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL G", "PARCEL H" AND "PARCEL I", AS SHOWN ON THE MAP ENTITLED "TRACT 10478, SAN SEBASTIAN PHASE 2C", FILED DECEMBER 10, 2019, IN BOOK 928 OF MAPS, AT PAGES 1 THROUGH 6, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By:
RUGGERI-JENSEN-AZAR
8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 3 OF 3 SHEETS

2ND SUBMITTAL SEPTEMBER 2020

RECORDING REQUESTED BY:

CITY OF MORGAN HILL

WHEN RECORDED MAIL DOCUMENT TO:

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

RECORD AT NO FEE PER
GOVERNMENT CODE SECTIONS 6103
& 27383

SPACE ABOVE THIS LINE FOR RECORDER'S
USE

**STORMWATER BEST MANAGEMENT PRACTICES,
OPERATION, AND MAINTENANCE AGREEMENT**

THIS STORMWATER BEST MANAGEMENT PRACTICES OPERATION, AND MAINTENANCE AGREEMENT ("AGREEMENT") is made and entered into this _____ day of _____, 2020, by **TOLL CA XX, LP, a California limited liability**, (hereinafter referred to as "COVENANTOR") and the City of Morgan Hill ("CITY"). CITY and COVENANTOR may be referred to individually as a "Party" or collectively as the "Parties" throughout this AGREEMENT.

RECITALS:

This AGREEMENT is made and entered into with reference to the following facts:

- A. CITY is authorized and required to regulate and control the disposition of storm and surface waters as set forth in CITY's National Pollutant Discharge Elimination System permit.
- B. COVENANTOR is the owner of a certain tract or parcel of land more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "PROPERTY").
- C. COVENANTOR desires to construct certain improvements of the kind or nature described in Morgan Hill Municipal Code Chapter 18.71 (the "ORDINANCE") on the PROPERTY that may alter existing stormwater conditions on both the PROPERTY and adjacent lands.
- D. To minimize adverse impacts due to these anticipated changes in existing storm and surface water flow conditions, COVENANTOR is required by CITY to implement Best Management Practices ("BMPs") and to build and maintain, at COVENANTOR's expense, stormwater management facilities ("FACILITIES"), more particularly described and shown in the **Stormwater Runoff Management Plan** prepared by **RJA Engineers** and dated _____, which plans and any amendments thereto, are on file with CITY's Public Works Department, and are hereby incorporated by this reference.
- E. CITY has reviewed and approved the Stormwater Runoff Management Plan (the "PLAN") subject to the execution of this AGREEMENT.

NOW, THEREFORE, in consideration of the benefit received and to be received by COVENANTOR, its successors, and assigns, as a result of CITY's approval of the Stormwater Runoff Management Plan, COVENANTOR, hereby covenants and agrees with CITY as follows:

1. Covenants Running With the Land; Property Subject to Agreement: All of the real property described in Exhibit "A" shall be subject to this AGREEMENT. It is intended and

determined that the provisions of this AGREEMENT shall run with the land and shall be binding on all parties having or acquiring any right, title, or interest in the real PROPERTY or any portion thereof and shall be for the benefit of each owner of any of said parcels or any portion of said PROPERTY and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof. Each and all of the limitations, easements, obligations, covenants, conditions, and restrictions contained herein shall be deemed to be, and shall be construed as, equitable servitudes, enforceable by any of the owners of any of the PROPERTY subject to this AGREEMENT against any other owner, tenant or occupant of the said PROPERTY, or any portion thereof.

2. Responsibility for Installation, Operation, and Maintenance: At its sole expense, COVENANTOR, its successors, and assigns, shall construct, operate, and perpetually maintain the FACILITIES in strict accordance with the PLAN and any amendments thereto that have been approved by CITY or required by the ORDINANCE.
3. Facility Modifications: At its sole expense, COVENANTOR, its successors, and assigns, shall make such changes or modifications to the FACILITIES as may be determined as reasonably necessary by CITY to ensure that the FACILITIES are properly maintained and continue to operate as originally designed and approved. COVENANTOR agrees that it shall not modify the BMPs and shall not allow BMP maintenance activities to alter the designed function of the FACILITIES from its original design unless approved by CITY prior to the commencement of the proposed modification or maintenance activity.
4. Facility Inspections by CITY: At reasonable times and in a reasonable manner as provided in the ORDINANCE, CITY, its agents, employees, and contractors shall have the right of ingress and egress to the FACILITIES and the right to inspect the FACILITIES in order to ensure that the FACILITIES are being properly maintained, are continuing to perform in an adequate manner, and are in compliance with the ORDINANCE, the PLAN and any amendments thereto approved by CITY.
5. Failure to Perform Required Facility Repairs or Modifications: Should either COVENANTOR or its successors and assigns fail to implement the BMPs, maintain the facilities, or correct any defects in the FACILITIES in accordance with the approved design standards and/or the PLAN, and in accordance with the law and applicable regulations of the ORDINANCE, after thirty (30) days from the date of the written notice from CITY, CITY shall have the right to enter the PROPERTY to perform remedial work, for which CITY will collect reimbursement for such work from COVENANTOR. Additionally, conditions from failure to implement the BMPs or to maintain or correct the FACILITIES shall be deemed a nuisance subject to abatement of such conditions as provided in Chapter 1.18 of the Morgan Hill Municipal Code. In addition, CITY may pursue other such remedies as provided by law, including, but not limited to, such civil and criminal remedies set forth in the ORDINANCE.
6. Indemnity: COVENANTOR, its successors, and assigns, shall defend, indemnify, and hold CITY harmless of and from any and all claims, liabilities, actions, causes of action, and damages for personal injury and property damage, including, without limitation, reasonable attorneys' fees, arbitration fees, or costs and court costs, arising out of or related to COVENANTOR's, its successors', and/or assigns' construction, operation, or maintenance of the FACILITIES except claims, liabilities, actions, causes of action, and damages that arise out of CITY's sole negligence or willful misconduct or the sole negligence or willful misconduct of any of CITY'S employees, agents, representatives, contractors, vendors, or consultants.
7. Obligations and Responsibilities of COVENANTOR: Initially, COVENANTOR is solely responsible for the performance of the obligations required hereunder and, to the extent permitted under applicable law, the payment of any and all fees, fines, and penalties

associated with such performance or failure to perform under this AGREEMENT. Notwithstanding any provisions of this AGREEMENT to the contrary, upon the recordation of a deed or other instrument of sale, transfer or other conveyance of fee simple title to the PROPERTY or any portion thereof (a "Transfer") to a third party (the "Transferee"), COVENANTOR shall be released of all of its obligations and responsibilities under this AGREEMENT accruing after the date of such Transfer to the extent such obligations and responsibilities are applicable to that portion of the PROPERTY included in such Transfer, but such release shall be expressly conditioned upon the Transferee assuming such obligations and responsibilities by recorded written agreement for the benefit of CITY. Such written agreement may be included in the Transfer deed or instrument, provided that the Transferee joins in the execution of such deed or instrument. A certified copy of such deed, instrument, or agreement shall be provided to CITY. The provisions of the preceding three sentences shall be applicable to the original COVENANTOR and any successor Transferee who has assumed the obligations and responsibilities of COVENANTOR under this AGREEMENT as provided above.

8. Property Transfer: Nothing herein shall be construed to prohibit a transfer by COVENANTOR to subsequent owners and assigns.
9. Attorneys' Fees: In the event that any Party institutes legal action or arbitration against the other to interpret or enforce this AGREEMENT, or to obtain damages for any alleged breach hereof, the prevailing party in such action or arbitration shall be entitled to reasonable attorneys' or arbitrators' fees in addition to all other recoverable costs, expenses, and damages.
10. Further Documents: The Parties covenant and agree that they shall execute such further documents and instructions as shall be necessary to fully effectuate the terms and provisions of this AGREEMENT.
11. Entire Agreement: This AGREEMENT constitutes the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior agreements, whether written or oral. There are no representations, agreements, arrangements, or undertakings, oral or written, that are not fully expressed herein.
12. Severability: In the event any part or provision of this AGREEMENT shall be determined to be invalid or unenforceable under the laws of the State of California, the remaining portions of this AGREEMENT that can be separated from the invalid, unenforceable provisions shall, nevertheless, continue in full force and effect.
13. No Waiver: The waiver of any covenant contained herein shall not be deemed to be a continuing waiver of the same or any other covenant contained herein.
14. Amendment: This AGREEMENT may be amended in whole or in part only by mutual written agreement. Any such amendment shall be recorded in Santa Clara County, California. In the event any conflict arises between the provisions of any such amendment and any of the provisions of any earlier document or documents, the most recently duly executed and recorded amendment shall be controlling.
15. Authority to Execute: The persons executing this AGREEMENT on behalf of the parties warrant that they are duly authorized to execute this AGREEMENT.
16. In the event that CITY shall determine, at its sole discretion, at any future time, that the FACILITIES are no longer required, then at the written request of COVENANTOR, its successors, and/or assigns, CITY shall execute a release of this AGREEMENT which COVENANTOR, its successors, and/or assigns, shall record in the Recorder's Office, at its expense.

Executed the day and year first above written.

COVENANTOR:

By: _____

Name: _____

Title: _____

CITY OF MORGAN HILL:

By: _____

Name: **CHRISTINA J. TURNER**

Title: **CITY MANAGER, CITY OF MORGAN HILL**

APPROVED AS TO FORM:

By: _____

Name: **DONALD A. LARKIN**

Title: **CITY ATTORNEY, CITY OF MORGAN HILL**

EXHIBIT "A"

(Description to be inserted)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

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County of **Santa Clara**

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WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Charlie Ha, Supervising Civil Engineer
APPROVED BY: City Manager

APPROVE FINAL MAP FOR TWO LOT SUBDIVISION AT SAN SEBASTIAN PHASE 3 - TRACT NO. 10534

RECOMMENDATION(S)

1. Approve the Final Map; and
2. Authorize the recordation of the Final Map.

COUNCIL PRIORITIES, GOALS & STRATEGIES

2020-2021 Strategic Priorities
Economic Development

GUIDING DOCUMENTS

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

San Sebastian Phase 3—Tract No. 10534 is a 2-lot subdivision located at the northwest intersection of Peet Road and Half Road (Attachment 1). The purpose of this two-lot subdivision is to better facilitate the future phasing of San Sebastian Phase 3. The owners, Stanley B. Borello and Janell R. Borello, trustees of the Stanley and Janell Borello 2007 Family Trust dated December 3, 2007, have met the requirements specified by the Planning Commission in the approval of the Tentative Map on February 12, 2013.

The City Council is required to approve the map if it conforms to all the requirements of the Subdivision Map Act, and any conditions of approval for the Tentative Map.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map (Attachment 2) and has made provisions with a Title Company for the recordation of the Final Map. The Final Map conforms to the requirements of the Subdivision Map Act, and conditions of approval have been met. Staff recommends that City Council approve the Final Map.

COMMUNITY ENGAGEMENT: Involve

On February 12, 2013, the Planning Commission approved the Tentative Map. Residents within a 300 foot radius were informed of the Planning Commission's intent to approve the Tentative Map for the project, in which a public hearing was held to allow the public to be involved and voice their concerns over Tentative Map requirements.

ALTERNATIVE ACTIONS:

There is no feasible alternative action as the developer has met the requirements of the tentative map conditions approved by the Planning Commission to file for a final map approval.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On December 4, 2019, the City Council approved San Sebastian Phase 2C – Tract 10478 Final Map.

FISCAL AND RESOURCE IMPACT:

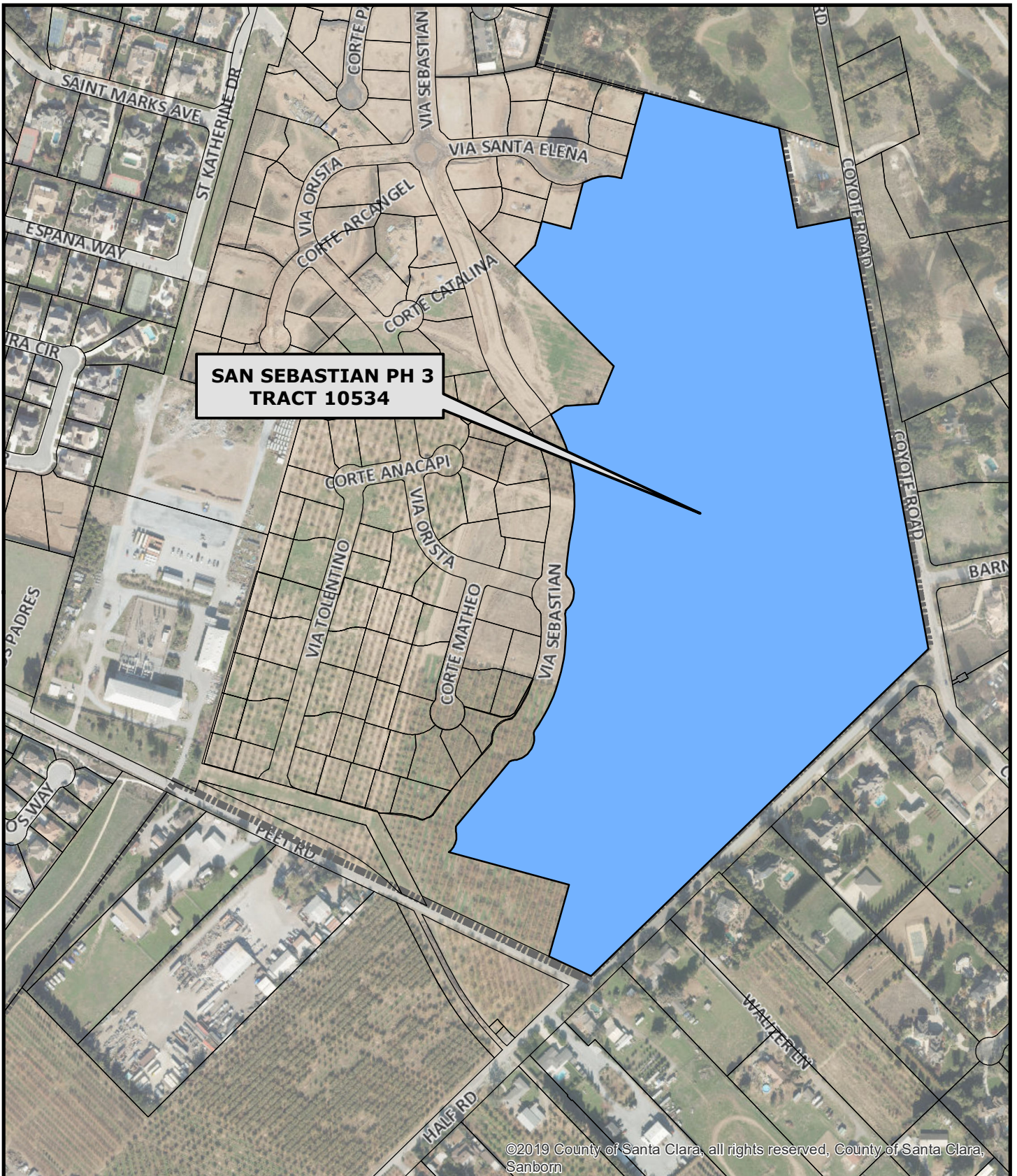
Development review costs for this project are paid for from development processing fees.

CEQA (California Environmental Quality Act):

An Environment Impact Report was adopted by the City Council on February 27, 2013.

LINKS/ATTACHMENTS:

1. Site Map
2. Final Map



Attachment: Site Map [Revision 2] (2877 : FINAL MAP APPROVAL OF SAN SEBASTIAN PHASE 3 - TRACT NO. 10534)



CITY OF MORGAN HILL

**Engineering and Utilities Department
Land Development Engineering Division**

Document Path: G:\R-14\PROJ\GIS\John\Charlie_SanSebastian_3.mxd

SITE MAP SAN SEBASTIAN PHASE 3



0 125 250 500 750 1,000
Feet

OWNERS’ STATEMENT

WE HEREBY STATE THAT WE ARE THE OWNERS OF OR HAVE SOME RIGHT, TITLE, OR INTEREST IN AND TO THE REAL PROPERTY SHOWN ON THE SUBDIVISION WITHIN THE DISTINCTIVE SYMBOL LINE OF THIS MAP ENTITLED "TRACT 10534 SAN SEBASTIAN, PHASE 3", CONSISTING OF FOUR (4) SHEETS, THIS STATEMENT BEING ON SHEET ONE (1) THEREOF; THAT WE ARE THE ONLY PERSONS WHOSE CONSENT IS NECESSARY TO PASS A CLEAR TITLE TO SAID REAL PROPERTY; THAT WE HAVE CAUSED SAID MAP TO BE PREPARED FOR RECORD, AND DO CONSENT TO THE MAKING AND FILING OF SAID MAP.

OWNERS: STANLEY B. BORELLO AND JANELL R. BORELLO, TRUSTEES OF THE STANLEY AND JANELL BORELLO 2007 FAMILY TRUST DATED DECEMBER 3, 2007.

BY: STANLEY B. BORELLO, TRUSTEE BY: JANELL R. BORELLO, TRUSTEE

ROBERT S. BORELLO, TRUSTEE OF THE BYPASS TRUST CREATED UNDER THE ROBERT S. AND JANET L. BORELLO FAMILY TRUST.

BY: ROBERT S. BORELLO, TRUSTEE

STEVEN CANCELLA AND PAMELA CANCELLA, AS TRUSTEES OF THE STEVEN AND PAMELA CANCELLA 2011 FAMILY TRUST DATED JULY 29, 2011.

BY: STEVEN CANCELLA, TRUSTEE BY: PAMELA CANCELLA, TRUSTEE

RICHARD F. BORELLO AND DEBRA K. BORELLO AS TRUSTEES OF THE RICHARD F. BORELLO AND DEBRA K. BORELLO 2007 FAMILY TRUST.

BY: RICHARD F. BORELLO, TRUSTEE BY: DEBRA K. BORELLO, TRUSTEE

BARBARA J. BORELLO–EISENBACH, AS TRUSTEE OF THE BARBARA J. BORELLO–EISENBACH REVOCABLE SEPARATE PROPERTY TRUST DATED NOVEMBER 15, 2008.

BY: BARBARA J. BORELLO–EISENBACH, TRUSTEE

RUDY A. BORELLO, TRUSTEE OF THE RUDY A. BORELLO REVOCABLE TRUST DATED FEBRUARY 27, 2007.

BY: RUDY A. BORELLO, TRUSTEE

CHRISTINA BORELLO, TRUSTEE OF THE CHRISTINA P. BORELLO REVOCABLE TRUST DATED APRIL 27, 2005.

BY: CHRISTINA BORELLO, TRUSTEE

KATHLEEN J. BORELLO, TRUSTEE OF THE KATHLEEN J. BORELLO REVOCABLE TRUST DATED JULY 8, 2006.

BY: KATHLEEN J. BORELLO, TRUSTEE

OWNER ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA } ss. COUNTY OF

ON , 2020, BEFORE ME, ,

PERSONALLY APPEARED WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITY(IES), AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND.

NOTARY’S SIGNATURE: NAME OF NOTARY (PLEASE PRINT): PRINCIPAL COUNTY OF BUSINESS: MY COMMISSION NUMBER: MY COMMISSION EXPIRES:

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RECORDER’S STATEMENT

FILE NO. FEE \$ PAID. ACCEPTED FOR RECORD AND FILED IN BOOK OF MAPS AT PAGES , SANTA CLARA COUNTY RECORDS, THIS DAY OF , 20 AT M., AT THE REQUEST OF WESTMINSTER TITLE COMPANY INC..

REGINA ALCOMENDRAS, RECORDER BY DEPUTY SANTA CLARA COUNTY, CALIFORNIA

TRACT 10534 SAN SEBASTIAN, PHASE 3

CITY OF MORGAN HILL SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL 8" AS SHOWN ON THE MAP ENTITLED "PARCEL MAP, SAN SEBASTIAN, FILED MAY 23, 2014, IN BOOK 872 OF MAPS, PAGES 18 THROUGH 23, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

Prepared By: RUGGERI–JENSEN–AZAR 8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 1 OF 4 SHEETS

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TRACT 10534
SAN SEBASTIAN, PHASE 3

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

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Prepared By:
RUGGERI-JENSEN-AZAR
8055 Camino Arroyo, Gilroy, CA 95020
SEPTEMBER 2020

JOB #092030

SHEET 2 OF 4 SHEETS

SURVEYOR’S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION, AT THE REQUEST OF STANLEY B. BORELLO AND JANELL R. BORELLO, TRUSTEES OF THE STANLEY AND JANELL BORELLO 2007 FAMILY TRUST DATED DECEMBER 3, 2007; ROBERT S. BORELLO, TRUSTEE OF THE BYPASS TRUST CREATED UNDER THE ROBERT S. AND JANET L. BORELLO FAMILY TRUST; STEVEN CANCELLA AND PAMELA CANCELLA, AS TRUSTEES OF THE STEVEN AND PAMELA CANCELLA 2011 FAMILY TRUST DATED JULY 29, 2011; RICHARD F. BORELLO AND DEBRA K. BORELLO AS TRUSTEES OF THE RICHARD F. BORELLO AND DEBRA K. BORELLO 2007 FAMILY TRUST; BARBARA J. BORELLO–EISENBACH, AS TRUSTEE OF THE BARBARA J. BORELLO–EISENBACH REVOCABLE SEPARATE PROPERTY TRUST DATED NOVEMBER 15, 2008; RUDY A. BORELLO, TRUSTEE OF THE RUDY A. BORELLO REVOCABLE TRUST DATED FEBRUARY 27, 2007; CHRISTINA BORELLO, TRUSTEE OF THE CHRISTINA P. BORELLO REVOCABLE TRUST DATED APRIL 27, 2005; AND KATHLEEN J. BORELLO, TRUSTEE OF THE KATHLEEN J. BORELLO REVOCABLE TRUST DATED JULY 8, 2006. IT IS BASED UPON A FIELD SURVEY PERFORMED BY ME OR UNDER MY DIRECTION COMPLETED IN AUGUST 2019, IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE, AND IS TRUE AND COMPLETE AS SHOWN. I HEREBY STATE THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE APPROVED TENTATIVE MAPS, THAT ALL MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED OR THAT THEY WILL BE SET IN THOSE POSITIONS ON OR BEFORE SEPTEMBER 2022, AND THAT SAID MONUMENTS ARE OR WILL BE SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED.

DATE: _____
BRYAN PIERCE
P.L.S. NO. 8859

CITY SURVEYOR’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP, AND THAT I AM SATISFIED THAT SAID MAP IS TECHNICALLY CORRECT.

DATE: _____

JOHN K. KING
ACTING CITY SURVEYOR – HANNA & BRUNETTI
P.L.S. NO. 6809

NOTES:

- 1.) THE DISTINCTIVE SYMBOL LINE INDICATES THE BOUNDARIES OF THE LAND SUBDIVIDED BY THIS PARCEL MAP.
- 2.) THE AREA WITHIN THE DISTINCTIVE SYMBOL LINE IS 52.42 ACRES, MORE OR LESS.
- 3.) ALL DISTANCES AND DIMENSIONS ARE IN FEET AND DECIMALS THEREOF.
- 4.) THE VESTING TENTATIVE MAP FOR 80 LOTS (RESOLUTION NUMBER 13–12) AND THE TENTATIVE MAP FOR 179 LOTS RESOLUTION NUMBER 13–13) ARE THE APPROVED AND OPERATIVE TENTATIVE SUBDIVISION MAPS FOR SAN SEBASTIAN, PHASE 3 AND THE PARCEL COMPRISING TRACT MAP 10534. THE FILING OF THIS FINAL MAP OR THE SUBSEQUENT FILING OF ANY PHASED FINAL MAPS OR PARCEL MAPS BY THE SUBDIVIDER TO CREATE LARGER PARCELS SHALL NOT EXTINGUISH THE APPROVED TENTATIVE SUBDIVISION MAPS FOR SAN SEBASTIAN, PHASE 3, AND MAY BE FILED TO EFFECTUATE THE SUBDIVISION OF PHASE 3 IN ACCORDANCE WITH THE ABOVE–REFERENCE TENTATIVE SUBDIVISION MAPS.

CITY ENGINEER’S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP AND THAT THE SUBDIVISION AS SHOWN IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATIONS THEREOF; THAT ALL PROVISIONS OF THE SUBDIVISION MAP ACT, AS AMENDED, AND OF ANY LOCAL ORDINANCE APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP HAVE BEEN COMPLIED WITH.

DATE: _____

SCOTT C. CREER
CITY ENGINEER
CITY OF MORGAN HILL, CALIFORNIA
R.C.E. NO. 58879

STATEMENT OF THE PLANNING COMMISSION

I HEREBY STATE THAT THE VESTING TENTATIVE MAP FOR THE WITHIN FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL ON FEBRUARY 12, 2013, BY RESOLUTION NUMBER 13–12 AND THAT THE TENTATIVE MAP FOR THE WITHIN FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL ON FEBRUARY 12, 2013, BY RESOLUTION NUMBER 13–13. BOTH THE VESTING TENTATIVE MAP AND NON–VESTING TENTATIVE MAP WERE PROCESSED AS APPLICATION #SD–09–07.

DATE: _____
JENNIFER CARMAN
SECRETARY
CITY OF MORGAN HILL, CALIFORNIA

STATEMENT OF THE CITY CLERK

I HEREBY STATE THAT THIS FINAL MAP, CONSISTING OF FOUR (4) SHEETS, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AT A MEETING OF SAID COUNCIL HELD ON THE _____ DAY OF _____, 2020.

DATE: _____
IRMA TORREZ – CITY CLERK
OF THE CITY OF MORGAN HILL, CALIFORNIA

**TRACT 10534
SAN SEBASTIAN, PHASE 3**

CITY OF MORGAN HILL
SANTA CLARA COUNTY, CALIFORNIA

A SUBDIVISION OF "PARCEL 3" AS SHOWN ON THE MAP ENTITLED "PARCEL MAP, SAN SEBASTIAN, FILED MAY 23, 2014, IN BOOK 872 OF MAPS, PAGES 18 THROUGH 23, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA

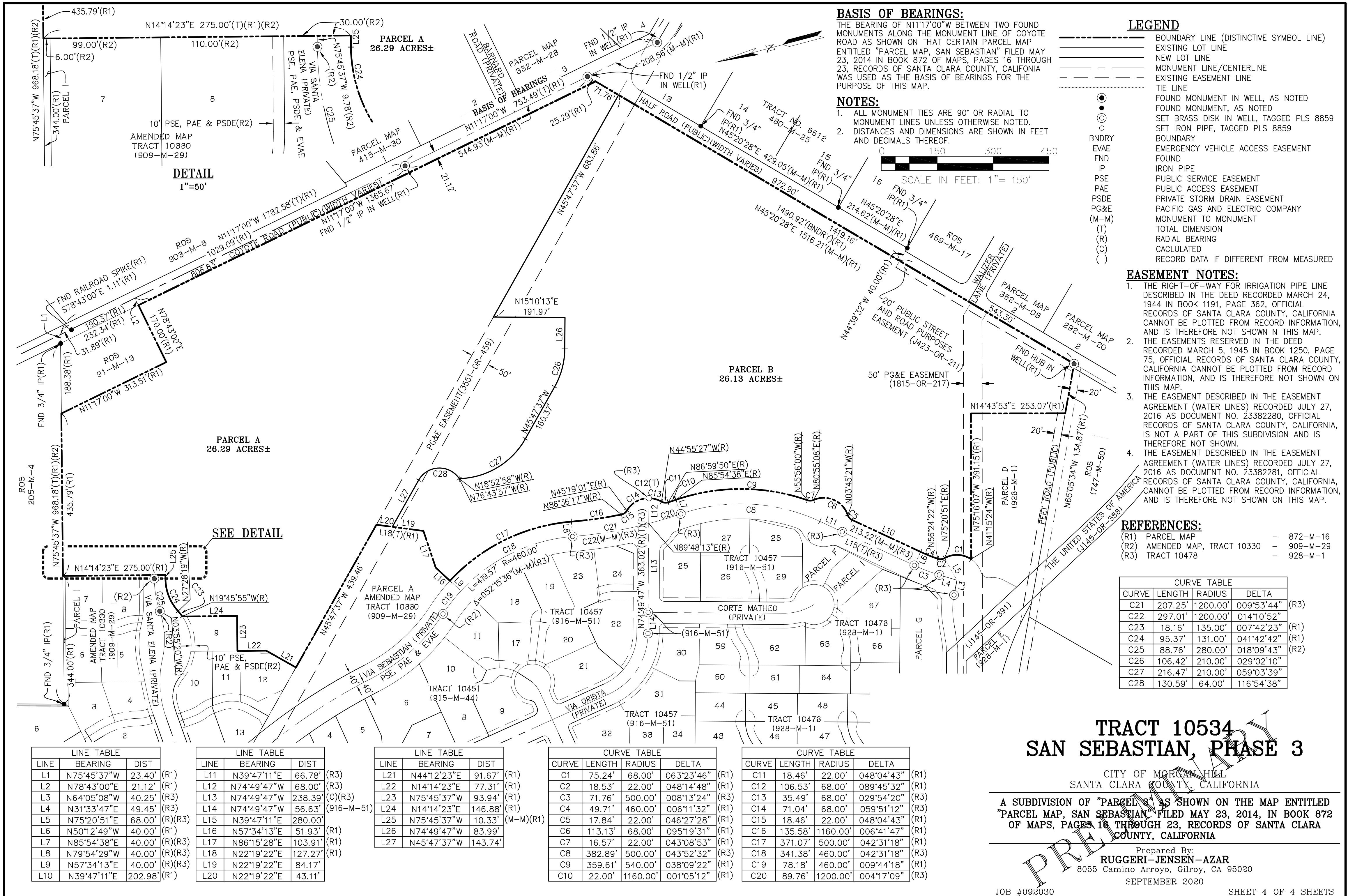
Prepared By:
RUGGERI–JENSEN–AZAR
8055 Camino Arroyo, Gilroy, CA 95020

SEPTEMBER 2020

JOB #092030

SHEET 3 OF 4 SHEETS

3RD SUBMITTAL SEPTEMBER 2020





CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Mario Jimenez, Associate Engineer
APPROVED BY: City Manager

APPROVE THE FINAL MAP, AND AGREEMENTS FOR SUBDIVISION IMPROVEMENTS AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE FOR ANDALUSIA - TRACT NO. 10521

RECOMMENDATION(S)

1. Approve the Final Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with MH Andalusia 2020 Inc.;
3. Authorize the City Manager to execute 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.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Protecting the Environment and Preserving
Open Space and Agricultural Land

2020-2021 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

Andalusia – Tract No. 10521 is a 46-unit multi-family residential condominium development on a 3.5-acre site located on the north side of East Dunne Avenue, adjacent to the north side of the Morgan Hill KinderCare Learning Center at 605 E. Dunne Avenue, and as shown on the attached site map (Attachment No. 1). The developer, MH Andalusia 2020 Inc., has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on November 27, 2018.

The City Council is required to approve the map if it conforms to all the requirements of the Subdivision Map Act, and any conditions of approval for the Tentative Map.

The Developer has furnished the City with the necessary documents to complete the processing of the Final Map (Attachment No. 2) and has provided the required fees, security, and insurance prior to recordation of the Final Map. The Final Map conforms to the requirements of the Subdivision Map Act, and conditions of approval have been met. Staff recommends that City Council authorize the City Manager to sign a Subdivision Improvements Agreement (Attachment No. 3) on behalf of the City and sign

a Stormwater BMP Operation and Maintenance Agreement (Attachment No. 4) pending review and approval by the City Attorney.

COMMUNITY ENGAGEMENT: Involve

On November 27, 2018, the Planning Commission approved the Tentative Map. Residents within a 300 foot radius were informed of Planning Commission's intent to approve the Tentative Map for the project, in which a public hearing was held to allow the public to be involved and voice their concerns over the Tentative Map requirements.

ALTERNATIVE ACTIONS:

There is no feasible alternative action as the developer has met the requirements of the Tentative Map conditions approved by the Planning Commission to file for a final map approval.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On January 23, 2019, the City Council adopted the Ordinance approving the Development Agreement (Ordinance No. 2294).

FISCAL AND RESOURCE IMPACT:

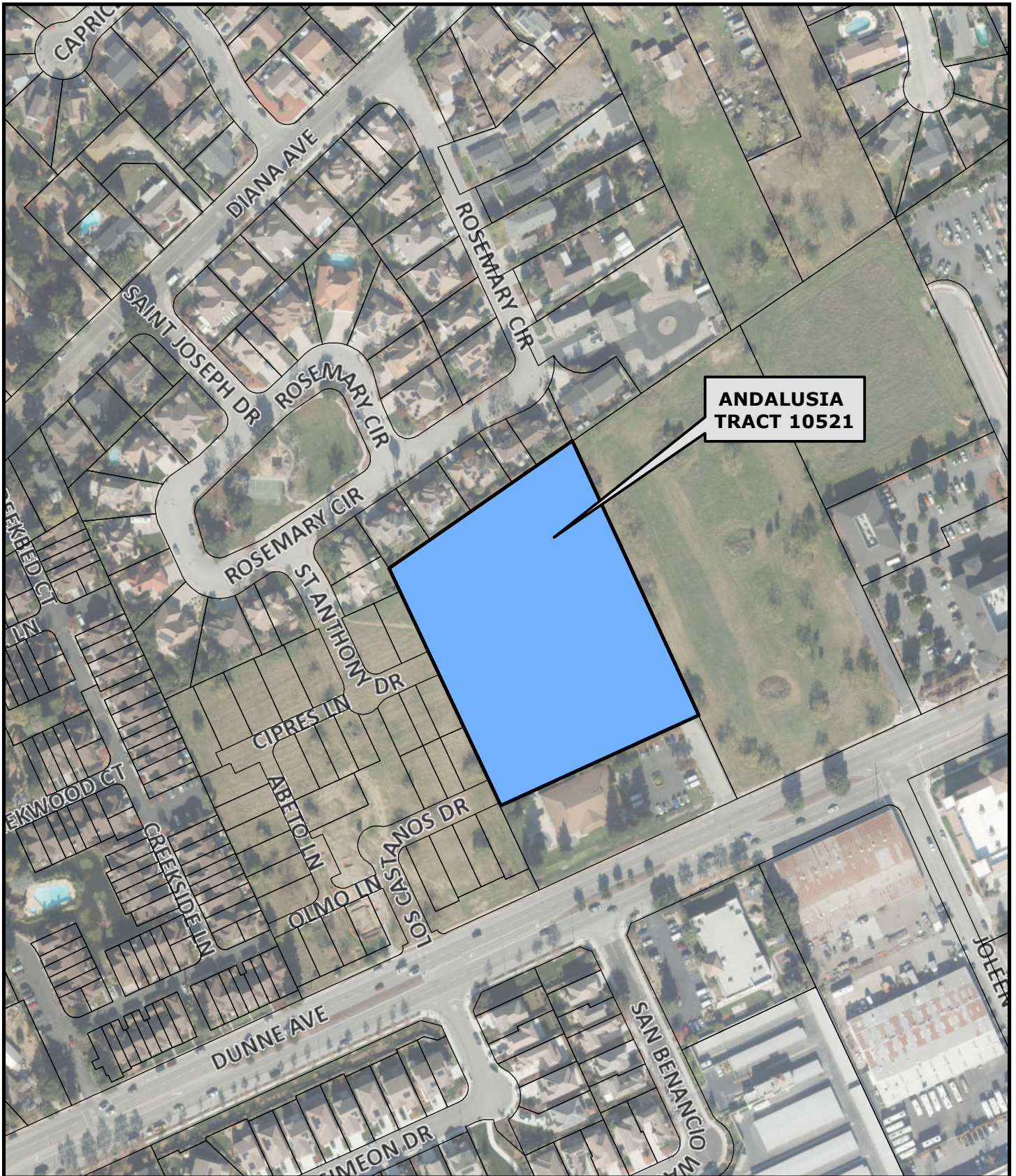
Development review costs for this project are paid for from development processing fees by the developer. The developer will contribute subdivision infrastructure improvements to the City at the estimated value of \$758,267.

CEQA (California Environmental Quality Act): Project

A Mitigated Negative Declaration for the project was adopted on November 27, 2018.

LINKS/ATTACHMENTS:

1. Site Map
2. Final Map
3. Subdivision Improvements Agreement
4. Stormwater BMP Operation and Maintenance Agreement



Attachment: Site Map [Revision 1] (2907 : Final Map Approval of Andalusia - Tract No. 10521)



CITY OF MORGAN HILL

**Engineering and Utilities Department
Land Development Engineering Division**

Document Path: G:\R-14\PROJ\GIS\John\Mario_Andalusia Tr10521.mxd

**SITE MAP
ANDALUSIA
TRACT 10521**



0 75 150 300 450 600
Feet

OWNER'S STATEMENT

WE HEREBY STATE THAT WE ARE THE OWNERS OF, OR HAVE SOME RIGHT, TITLE, OR INTEREST IN AND TO THE REAL PROPERTY INCLUDED WITHIN THE SUBDIVISION SHOWN UPON THE HEREIN MAP; THAT WE ARE THE ONLY PERSONS WHOSE CONSENTS ARE NECESSARY TO PASS A CLEAR TITLE TO SAID REAL PROPERTY; THAT WE HEREBY CONSENT TO THE PREPARATION AND FILING OF SAID MAP AND SUBDIVISION AS SHOWN WITHIN THE DISTINCTIVE BOUNDARY LINE.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED IN FEE FOR PUBLIC PURPOSES: ALL STREETS AND PORTIONS OF STREETS NOT HERETOFORE EXISTING AND DESIGNATED AS **ANDALUSIA DRIVE, LOS CASTAÑOS DRIVE AND ST. ANTHONY DRIVE** AS SHOWN UPON THIS MAP. SAID DEDICATIONS AND OFFERS OF DEDICATION ARE FOR ANY AND ALL PUBLIC USES UNDER, UPON, AND OVER SAID STREETS AND PORTIONS THEREOF.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED AS AN EASEMENT FOR PUBLIC PURPOSES: EASEMENTS FOR ANY AND ALL PUBLIC SERVICE FACILITIES INCLUDING, BUT NOT LIMITED TO SIDEWALKS, POLES, WIRES AND CONDUITS FOR ELECTRICAL, TELEPHONE, TELEVISION, GAS, STORM DRAINAGE, SANITARY SEWER AND WATER SERVICES, AND ALL APPURTENANCES THERETO UNDER, UPON, OR OVER THE LAND DESIGNATED AS **PUBLIC SERVICE EASEMENT (P.S.E.)** ON THE WITHIN MAP.

THE REAL PROPERTY DESCRIBED BELOW IS DEDICATED AS AN EASEMENT FOR PUBLIC PURPOSES: EASEMENTS FOR EMERGENCY ACCESS PURPOSES ONLY, UPON AND OVER THOSE STRIPS OF LAND WITHIN THE 'COMMON AREA DRIVEWAY' DELINEATED AND DESIGNATED AS **EMERGENCY VEHICLE ACCESS EASEMENT (E.V.A.E.)**, ON THE WITHIN MAP.

WE HEREBY RESERVE FOR THE BENEFIT OF THE OWNERS OF UNITS 1 THROUGH 46, OF 'ANDALUSIA' DEVELOPMENT, AND THEIR LICENSEES, VISITORS AND TENANTS, ALL OF PARCELS 1 AND 2, EACH ALSO DESIGNATED AS **Pr.U.E. (PRIVATE UTILITY EASEMENT)** FOR THE PRIVATE USE THEREOF FOR COMMON AREA AND OPEN SPACE PURPOSES, INCLUDING WITHOUT LIMITATION, LANDSCAPING, RECREATIONAL AMENITIES, WALKWAYS AND TRASH ENCLOSURES, AND FOR PRIVATE UTILITY PURPOSES, INCLUDING OVERHEAD SYSTEMS, POLES, WIRES AND CONDUITS FOR SOLAR, ELECTRICAL, TELEPHONE, TELEVISION, GAS, STORM WATER DRAINAGE, CONVEYANCE & STORAGE SYSTEMS, SANITARY SEWER AND WATER SERVICES, AND ALL APPURTENANCES THERETO UNDER, UPON, OR OVER SAID LAND. SAID PARCELS SHALL BE CONVEYED TO AND MAINTAINED BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS.

WE HEREBY RESERVE FOR THE BENEFIT OF THE OWNERS OF UNITS 1 THROUGH 46, OF 'ANDALUSIA' DEVELOPMENT, AND THEIR LICENSEES, VISITORS AND TENANTS, THE PORTIONS OF PARCELS 1 AND 2 ALSO DESIGNATED AS **PRIVATE COMMON AREA DRIVEWAY AND INGRESS AND EGRESS EASEMENT (I.E.E.)**; FOR THE PURPOSES OF ACCESS ACROSS THE 'COMMON AREA DRIVEWAY' AND FOR THE INSTALLATION & MAINTENANCE OF PRIVATE COMMON AREA DRIVEWAYS, WALKWAYS AND UTILITIES, AND ALL OTHER APPURTENANCES THERETO, UNDER, UPON OR OVER SAID LAND. SAID PRIVATE COMMON AREA DRIVEWAYS SHALL BE CONVEYED TO AND MAINTAINED BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS.

ALL OF THE HEREIN DESCRIBED STREETS AND EASEMENTS SHALL BE KEPT FREE OF BUILDINGS, EXCEPT LAWFUL UNSUPPORTED ROOF OVERHANGS, AND OBSTRUCTIONS THAT DO NOT IMPAIR THE USE OF, OR ARE CONSISTENT WITH THE PURPOSES OF THE STREET OR EASEMENT.

THE HEREIN DESCRIBED OFFERS OF DEDICATION TO THE CITY OF MORGAN HILL ARE TO BE ACCEPTED ONLY WHEN THE CITY COUNCIL OF THE CITY OF MORGAN HILL OR ITS SUCCESSOR AGENCY ADOPTS AND RECORDS IN THE OFFICE OF THE RECORDER OF SANTA CLARA COUNTY A RESOLUTION ACCEPTING SAID STREETS AND EASEMENTS. UNTIL SAID RESOLUTION(S) ARE RECORDED, ALL STREETS AND EASEMENTS ENCOMPASSED WITHIN SUCH OFFERS OF DEDICATION SHALL BE MAINTAINED BY THE DEVELOPER DURING ANY WARRANTY PERIOD AND THEREAFTER BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS. THE CITY OF MORGAN HILL SHALL NOT BE RESPONSIBLE FOR MAINTENANCE AND SHALL INCUR NO LIABILITY WITH RESPECT TO SUCH OFFERED STREETS AND EASEMENTS OR ANY IMPROVEMENT THEREON. ALL DEDICATED RIGHTS-OF-WAY AND EASEMENTS NOT ACCEPTED FOR MAINTENANCE BY THE CITY OR OTHER PUBLIC AGENCY SHALL BE MAINTAINED BY THE HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE RECORDED COVENANTS, CONDITIONS AND RESTRICTIONS.

AS OWNER:

MH ANDALUSIA 2020 INC., a California Corporation

BY: _____

ITS: _____

AS BENEFICIARY:

NAME: _____

BY: _____

ITS: _____

CITY CLERK'S STATEMENT

I HEREBY STATE THAT THE CITY COUNCIL OF THE CITY OF MORGAN HILL AT ITS REGULAR MEETING HELD ON _____, 20____, DULY APPROVED THE FINAL MAP SHOWN HEREON, AUTHORIZED ITS RECORDATION, AND ACCEPTS ON BEHALF OF THE PUBLIC, SUBJECT TO THEIR IMPROVEMENT IN ACCORDANCE WITH CITY STANDARDS, THE STREETS AND EASEMENTS OFFERED FOR DEDICATION FOR PUBLIC USE IN CONFORMITY WITH THE TERMS OF THE OFFER OF DEDICATION.

IRMA TORREZ
CITY CLERK OF THE CITY OF MORGAN HILL

DATE

Tract No.10521
"Andalusia"
For Condominium Purposes
- Forty Six Condominium Units -

Being All of 'Parcel A', as shown upon certain Parcel Map, filed for record in the office of the Recorder of the County of Santa Clara, State of California, on May 21, 1986 in Book 560 of Maps, Page 1.

Lying within the City of Morgan Hill, County of Santa Clara
State of California
June 2020

NOTES

- 1.) THE DISTINCTIVE BOUNDARY LINE INDICATES THE BOUNDARIES OF THE LAND SUBDIVIDED BY THIS FINAL MAP.
- 2.) THE AREA WITHIN THE DISTINCTIVE BOUNDARY IS 3.488 ACRES.
- 3.) ALL DISTANCES AND DIMENSIONS ARE IN FEET AND DECIMALS THEREOF.
- 4.) A GEOTECHNICAL STUDY WAS PREPARED BY Quantum Geotechnical, Inc., Dated January 8, 2018, PROJECT NO. D059.G.
- 5.) THE PROPERTY OWNER IS PROVIDING CONSTRUCTIVE NOTICE HEREON THAT EACH LOT IS SUBJECT TO REQUIREMENTS OF A DEVELOPMENT AGREEMENT, AND THAT COMMITMENTS UNDER THE AGREEMENT, WHICH THE CITY HAS PERMITTED THE PROPERTY OWNER TO DELAY, MUST BE FULFILLED BY THE SUBSEQUENT PROPERTY OWNERS/OWNER.

ACKNOWLEDGMENT

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

State Of California
County Of _____

On _____, _____, before me, _____

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

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

WITNESS my hand and official seal.

Signature _____

Printed Name

Principal County Of Business: _____

Commission Expires: _____

Commission # Of Notary: _____

ACKNOWLEDGMENT

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

State Of California
County Of _____

On _____, _____, before me, _____

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

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

WITNESS my hand and official seal.

Signature _____

Printed Name

Principal County Of Business: _____

Commission Expires: _____

Commission # Of Notary: _____

SURVEYOR'S STATEMENT

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION AND IS BASED UPON A FIELD SURVEY IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE, AT THE REQUEST OF DIVIDEND HOMES, ON MAY 9, 2019; THE SURVEY IS TRUE AND COMPLETE AS SHOWN; I HEREBY STATE THAT ALL THE MONUMENTS ARE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED, OR WILL BE SET IN SUCH POSITIONS ON OR BEFORE November, 2021 AND THAT SUCH MONUMENTS ARE, OR WILL BE, SUFFICIENT TO ENABLE THE SURVEY TO BE RETRACED. AND THAT THIS FINAL MAP SUBSTANTIALLY CONFORMS TO THE CONDITIONALLY APPROVED TENTATIVE MAP.



HARINDER SINGLA, P.L.S. 8347

DATE

CITY ENGINEER'S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP, THE SUBDIVISION AS SHOWN IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP, IF REQUIRED, AND ANY APPROVED ALTERATIONS THEREOF. ALL PROVISIONS OF THE SUBDIVISION MAP ACT, AS AMENDED, AND OF ANY LOCAL ORDINANCES APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP, IF REQUIRED, HAVE BEEN COMPLIED WITH.



SCOTT C. CREER - CITY ENGINEER
CITY OF MORGAN HILL, CALIFORNIA
R.C.E. NO. 58879

DATE

CITY SURVEYOR'S STATEMENT

I HEREBY STATE THAT I HAVE EXAMINED THIS FINAL MAP AND THAT I AM SATISFIED THAT SAID MAP IS TECHNICALLY CORRECT.



JOHN K. KING - ACTING CITY SURVEYOR
P.L.S. NO. 6809
HANNA AND BRUNETTI

DATE

PLANNING COMMISSION STATEMENT

I HEREBY STATE THAT THE TENTATIVE MAP FOR THE FINAL MAP SHOWN HEREON WAS CONDITIONALLY APPROVED ON NOVEMBER 27, 2018 BY THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL, CALIFORNIA, BY RESOLUTION NUMBER 18 - 35, APPLICATION NUMBER SD2018-0004

JENNIFER CARMAN
SECRETARY OF THE PLANNING COMMISSION

DATE

COUNTY RECORDER'S STATEMENT

FILED THIS _____ DAY OF _____, 20____

AT _____M. IN BOOK _____OF MAPS, AT PAGES _____ AT THE REQUEST OF FIRST AMERICAN TITLE COMPANY.
FILE NO. _____

FEE \$ _____

REGINA ALCOMENDRAS, COUNTY RECORDER OF SANTA CLARA COUNTY

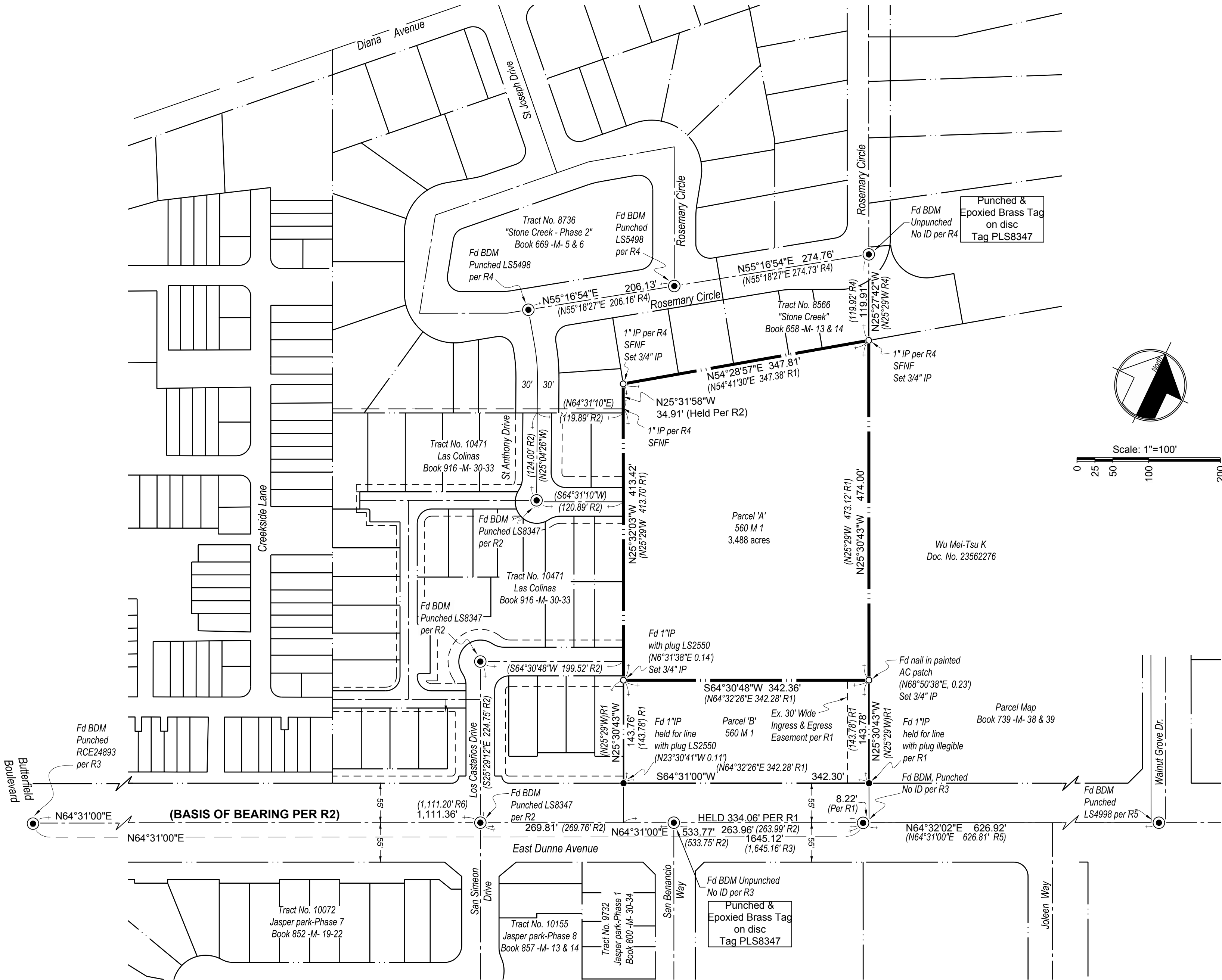
BY: _____
DEPUTY



MH engineering Co.

16075 Vineyard Boulevard
Morgan Hill, CA 95037

217110



LEGEND

- FOUND STANDARD CITY MONUMENT PER R1 OR AS NOTED
- ⊙ SET STANDARD CITY MONUMENT, TAGGED PLS 8347
- SET 3/4" IRON PIPE, TAGGED PLS 8347
- FOUND IRON PIPE AS NOTED
- (...) RECORD DATA
- BDM BRASS DISC MONUMENT
- E.V.A.E. EMERGENCY VEHICLE ACCESS EASEMENT
- FD. FOUND
- I.E.E. INGRESS AND EGRESS EASEMENT
- Pr.U.E. PRIVATE UTILITY EASEMENT
- P.S.E. PUBLIC SERVICE EASEMENT
- SFNF SEARCHED FOR, NOT FOUND
- (r) RADIAL BEARING

- CENTERLINE
- DISTINCTIVE BOUNDARY LINE
- LOT LINE
- EASEMENT LINE

RECORD DATA

R1	PARCEL MAP BOOK 560 OF MAPS, PG. 1
R2	TRACT NO. 10471 - Las Colinas BOOK 916 OF MAPS, PGS. 30-33
R3	TRACT NO. 9732 - JASPER PARK - PHASE 1 BOOK 800 OF MAPS, PGS. 30-34
R4	TRACT NO. 8736 - STONE CREEK - PHASE 2 BOOK 669 OF MAPS, PGS. 5 & 6
R5	PARCEL MAP BOOK 739 OF MAPS, PGS. 38 & 39
R6	TRACT NO. 10155 - JASPER PARK - PHASE 8 BOOK 857 OF MAPS, PGS. 13 & 14

BASIS OF BEARINGS

Bearings shown upon the herein map are based upon the centerline of East Dunne Avenue, as found monumented and recorded as North 64°31'00" East, as shown upon that certain Tract No. 10471 entitled "Las Colinas", filed for record on July 19, 2018 in Book 916 of Maps, pages 30-33.

Tract No.10521
"Andalusia"
For Condominium Purposes
- Forty Six Condominium Units -

Being All of 'Parcel A', as shown upon certain Parcel Map, filed for record in the office of the Recorder of the County of Santa Clara, State of California, on May 21, 1986 in Book 560 of Maps, Page 1.

Lying within the City of Morgan Hill, County of Santa Clara
State of California

June 2020

SHEET 2 OF 3

MH engineering Co.

16075 Vineyard Boulevard
Morgan Hill, CA 95037

217110



Curve Table			
#	Radius	Delta	Length
C1	10.00'	090°01'31"	15.71'
C2	10.00'	108°19'34"	18.91'
C3	470.00'	007°45'40"	63.66'
C4	470.00'	000°32'50"	4.49'
C5	530.00'	003°51'28"	35.69'
C6	500.00'	004°05'28"	35.70'
C7	470.00'	004°21'15"	35.72'
C8	470.00'	006°39'39"	54.64'
C9	500.00'	002°10'45"	19.02'
C10	500.00'	005°04'25"	44.28'
C11	500.00'	006°24'11"	55.88'
C12	500.00'	001°10'15"	10.22'
C13	530.00'	022°17'29"	206.20'

RECORD DATA

R1	PARCEL MAP BOOK 560 OF MAPS, PG. 1
R2	TRACT NO. 10471 - Las Colinas BOOK 916 OF MAPS, PGS. 30-33
R3	TRACT NO. 9732 - JASPER PARK - PHASE 1 BOOK 800 OF MAPS, PGS. 30-34
R4	TRACT NO. 8736 - STONE CREEK - PHASE 2 BOOK 669 OF MAPS, PGS. 5-6
R5	PARCEL MAP BOOK 739 OF MAPS, PGS. 38-39
R6	TRACT NO. 10155 - JASPER PARK - PHASE BOOK 857 OF MAPS, PGS. 13 & 14

Bearings shown upon the herein map are based upon the centerline of East Dunne Avenue, as found monumented and recorded as North 64°31'00" East, as shown upon that certain Tract No. 10471 entitled "Las Colinas", filed for record on July 19, 1918 in Book 916 of Maps, pages 30-33.

Being All of 'Parcel A', as shown upon certain Parcel Map, filed for record in the office of the Recorder of the County of Santa Clara, State of California, on May 21, 1986 in Book 560 of Maps, Page 1.

Lying within the City of Morgan Hill, County of Santa Clara
State of California

June 2020

SHEET 3 OF 3



16075 Vineyard Boulevard
Morgan Hill, CA 95037

217110

RECORDING REQUESTED BY
WHEN RECORDED RETURN TO

CITY OF MORGAN HILL
City Clerk's Office
17575 PEAK AVENUE
MORGAN HILL, CA 95037

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

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

SUBDIVISION IMPROVEMENTS AGREEMENT

MH ANDALUSIA 2020, INC.

ANDALUSIA – TRACT NO. 10521

This Subdivision Improvements Agreement ("Agreement") between the City of Morgan Hill, a municipal corporation ("City"), and **MH ANDALUSIA 2020 INC., a California Corporation**, ("Subdivider"), is entered into this day of , 2020. City and Subdivider hereby acknowledge the following:

1. Subdivider has filed a Tentative Subdivision Map and supporting documents for **Tract No. 10521**, the subdivision known as **ANDALUSIA** ("Map").
2. City desires, as part of the conditions of approval ("Conditions") of the Final Tract Map or Parcel Map ("Final Map"), that certain improvements be installed by Subdivider ("Improvements") as shown on the City Engineer approved and signed Subdivision Improvement Plans entitled "Improvement Plans for **ANDALUSIA, Tract No. 10521**" ("Plans").
3. Subdivider has been unable to complete, prior to filing of the Final Map, all of the improvements required by City to the satisfaction of the City Engineer.
4. Subdivider is required by the terms of the Morgan Hill Municipal Code ("Municipal Code"), to improve all streets, highways, or public areas which are part of the development, including but not limited to necessary paving, curbs, sidewalks, catch basins, water mains, culverts, storm drains, and sanitary sewers, in accordance with the plans and specifications on file with the City Engineer and to post certain securities to secure the completion of the Improvements.
5. To assure City that Subdivider will construct, install and complete all Improvements required for the Subdivision, the parties have entered into this Agreement.

6. This Agreement is executed pursuant to California Government Code Section 66410 et seq., and Chapter 17.32 of the Municipal Code in order to provide for the manner in which Improvements shall be constructed and completed.

NOW, THEREFORE, and in consideration of the approval of the Final Map, and in order to ensure satisfactory performance by Subdivider of Subdivider's obligations under the Conditions, the Subdivision Map Act, and applicable ordinances of City, the parties hereto, for themselves, their successors, and assigns, hereby agree as follows:

Section 1. Incorporation by Reference

The Development Agreement between Subdivider and City, if applicable, Subdivider's Map application, the Conditions, the Map, all Plans as referenced in Section 2 below and all items submitted to the Planning Department, Planning Commission and City Council, all are incorporated herein by reference. In the event of any inconsistency between their representations in any incorporated documents and this Agreement, this Agreement shall govern.

Section 2. Construction of Improvements

(a) Subdivider shall construct to the approval of City, and as provided for in the Conditions, the Improvements as shown fully executed in the Plans entitled "Improvement Plans for ANDALUSIA TRACT 10521".

(b) Subdivider shall acquire and dedicate, or pay the cost of acquisition by City, of all rights-of-way, easements, and other interests in real property for the construction or installation of the Improvements, free and clear of all liens and encumbrances.

(c) Survey Monumentation:

(1) Subdivider shall place survey monumentation as described on the Map.

(2) Subdivider shall replace or repair all survey monumentation that is destroyed or damaged as a result of Subdivider's activities. Any such repair or replacement shall be to the satisfaction and subject to the approval of City.

Section 3. Modification of Plans

Subdivider agrees that, if during the construction of the Improvements, it is determined by City that revisions to the Plans are necessary in the interest of the public, Subdivider will undertake such design and construction changes required by City. Said changes, if any, shall be confined to the premises owned by Subdivider.

Section 4. Security

(a) Pursuant to California Government Code Section 66499.3(a), and the Municipal Code, Subdivider shall, concurrently with the execution hereof, furnish a surety bond in an amount equal to at

least one hundred percent (100%) of the estimated construction cost of the Improvements as security guaranteeing the faithful performance of the Improvements and this Agreement ("Performance Bond").

Improvements and the City Engineer's Estimated Costs of Improvements as of **October 18, 2019** are attached hereto as Exhibit "A".

The Performance Bond shall be in a form substantially the same as Exhibit "B".

(b) Pursuant to California Government Code Section 66499.3(b), Subdivider shall, concurrently with the execution hereof, furnish a surety bond in an amount equal to one hundred percent (100%) of the estimated construction cost of the Improvements (as listed in Section 4(a) above) as security guaranteeing the payment to the contractors, subcontractors and persons furnishing labor, materials, or equipment in connection with this Agreement ("Labor and Materials Bond"). The Labor and Materials Bond shall be in a form substantially the same as Exhibit "C".

(c) Subdivider shall, upon completion of the Improvements, furnish a surety bond in an amount equal to fifty percent (50%) of the construction cost of the Improvements to secure the guarantee and warranty of the work for a period of one year following the completion and acceptance thereof by the City Council ("Warranty Period") against any defective work or labor performed, or defective materials furnished by Subdivider in connection with this Agreement ("Warranty Bond"). The Warranty Bond shall be in a form substantially the same as Exhibit "D".

(d) Pursuant to Government Code Section 66499.9, any liability upon the security given for faithful performance of any act or agreement shall be limited to:

(1) The performance of the work covered by the Agreement or the performance of the required act.

(2) The performance of any changes or alterations in such work; provided that all changes or alterations do not exceed ten percent of the original estimated cost of the Improvements.

(3) The guarantee and warranty of the work for a period of one year following completion and acceptance thereof, against any defective work or labor done or defective materials furnished in the performance of the Agreement or the performance of the act.

(4) Costs and reasonable expenses and fees, including reasonable attorneys' fees.

(e) The surety on each bond and the form thereof shall be satisfactory to City. The surety shall be furnished by a surety company authorized to write the same in the State of California and that is approved and accepted by the City's risk manager.

(f) Subdivider agrees to furnish any bonds required by the State or County for Improvements outside the City's jurisdiction.

(g) The release of any securities shall be governed by the provisions of Government Code Section 66499.7.

Section 5. Inspections

At least fifteen (15) calendar days prior to the commencement of any work hereunder, Subdivider shall notify City in writing of the fixed start date of construction so that City shall be able to provide inspection services. Subdivider shall at all times maintain proper facilities and provide safe access to all parts of the work site(s) for City inspections, including any workshops or plants where work related to the Improvements is being conducted.

Subdivider shall pay and reimburse City for all expenses incurred by City for inspecting and checking all work to be performed under the provisions of the Municipal Code or this Agreement. City Engineering plan checking and field improvement inspection costs are included in the Department of Public Works Fee Schedule which may be revised from time to time.

Section 6. Timing of Performance

Subdivider agrees to perform and complete all Improvements within eighteen (18) months from the date of the recording of the Final Map; provided however, the City Manager may extend the deadline for completion by not more than six (6) months at his or her reasonable discretion and determination that granting the extension will not be detrimental to the public welfare. No extension of this deadline for completion shall be made except upon the basis of a written application made by Subdivider stating fully the ground for the application and the facts relied upon for an extension.

It is further agreed by and between Subdivider and City that any extension granted shall in no way affect the validity of this Agreement or release the surety(ies) on any bond attached hereto or the financial institution guaranteeing the same. Subdivider further agrees to maintain the securities described in Section 4 above in full force and effect during the terms of this Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by City.

Section 7. Work Performance and Warranty

(a) Subdivider shall construct, at Subdivider's own expense, all of the Improvements in a good and workmanlike manner, and furnish all required materials incident thereto, in accordance with the Plans and to the satisfaction of City, including any changes required by City which in City's opinion are necessary to complete the Improvements.

(b) All work shall be conducted and completed in accordance with the Plans and federal, state, Municipal Code, laws, ordinances, and regulations. For any Improvements partially completed prior to this Agreement, Subdivider agrees to complete the Improvements in accordance with this Agreement.

(c) Neither Subdivider, nor any of Subdivider's agents or contractors in connection with Subdivider's obligations under this Agreement are, or shall be considered to be, employees or agents of City.

(d) The work performance for the Improvements shall not be deemed complete until such time as such Improvements have been accepted for maintenance by the City Council.

(e) Subdivider warrants that: (1) it has investigated the work to be performed under this agreement, (2) it has investigated the site of the work and is aware of all conditions there; and (3) it

understands the difficulties and restrictions of the work under this Agreement. Should Subdivider discover any conditions materially differing from those inherent in the Improvements or work or as represented by City, it shall immediately inform City and shall not proceed, except at Subdivider's risk, until written instructions are received from City.

(f) Subdivider guarantees and warrants the work required by this Agreement and agrees to remedy any defects in the Improvements or work arising from faulty or defective materials or construction occurring within one year after its acceptance. Following notice, Subdivider shall, without delay or cost to City, repair, replace, or construct any defective or unsatisfactory portion of the Improvements. City may, at its sole option, perform the repair or replacement itself if Subdivider or its surety has failed to commence repair within twenty (20) days after City has mailed written notice to Subdivider. In such event, Subdivider or its surety agrees to pay the cost of repair and replacement to City, plus fifteen percent (15%); and City may recover such costs as a lien against the Subdivision. City may proceed immediately to make repairs should an emergency arises.

Section 8. Acquisition and Dedication of Easements or Rights-of-Way

(a) No construction or installation of the Improvements shall be commenced before:

(1) The offer of dedication to City of appropriate rights-of-way, easements, or other interests in real property for the Improvements, which offer of dedication shall be irrevocable and remain open pursuant to California Government Code Section 66477.2, and authorization from the property owner to allow construction or installation of Improvements, or

(2) The dedication to, and acceptance by, City of appropriate rights-of-way, easements, or other interests in real property, as determined by the City Engineer, or

(3) The issuance by a court of competent jurisdiction pursuant to state Eminent Domain Law of an order of possession.

(b) Except as otherwise provided by this Agreement, City rejects all lands, rights-of-way, and easements offered for dedication on the Final Map of the Subdivision. All such offers shall, however, remain open, and shall constitute irrevocable offers of dedication in accordance with Government Code Section 66477.2. All such offers may be accepted by City in its sole discretion at any later date without further notice to Subdivider as provided by law. By way of explanation only, it is the current intention of City to accept all or part of the irrevocable offers to dedicate upon acceptance of the Improvements called for in this Agreement.

(c) Nothing in this Section 8 shall be construed as authorizing or granting an extension of time to Subdivider.

Section 9. Indemnity

Subdivider hereby agrees to save harmless and indemnify, including, without limitation, City's defense costs (including reasonable attorney's fees), from and against any and all suits, actions, or claims, of any character whatever, brought for, or on account of any injuries or damages sustained by any person or property resulting or arising, or alleged to have resulted or arisen, from Subdivider or Subdivider's contractors, subcontractors, agents, or employees activities, omissions or operations pursuant to this

Agreement. Should City be named in any suit, or should any claim be brought against it by suit or otherwise, whether the same be groundless or not, arising out of this Agreement, or its performance, Subdivider will defend City, (at City's request and with counsel satisfactory to City) and will indemnify City for any judgment rendered against it or any sums paid out in settlement or otherwise.

Subdivider shall defend, indemnify, and hold harmless the City and its elective and appointive boards, officials, officers, agents, employees and volunteers from any claim, action, or proceeding to review, set aside, void, or annul an approval of the City concerning the Map and acts made in respect thereof, provided any such action is brought within the time period provided for in California Government Code Section 66499.37.

City shall promptly notify Subdivider of any claim, action, or proceeding, and cooperate fully in the defense of any claim, action, or proceeding.

It is expressly understood and agreed that this Section 9 will survive termination of this Agreement.

Section 10. Insurance

Concurrent with the execution of this Agreement, Subdivider is required to procure and provide proof of the insurance coverage required by this section in the form of certificates and endorsements. The required insurance must cover the activities of Subdivider and its Subcontractors relating to or arising from the performance of work associated with the Improvements, and must remain in full force and effect at all times during the period covered by the Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by the City. The coverages may be arranged under a single policy for the full limits required or by a combination of underlying policies with the balance provided by excess or "umbrella" policies, provided each such policy complies with the requirements set forth herein. Any deductibles or self-insured retentions must be declared to and approved by City. If the Subdivider will utilize the services of a General Contractor to perform all of the work associated with the Improvements, then Subdivider may opt to have all coverages provided by Subdivider's General Contractor, provided that a written contract is executed between Subdivider and the General Contractor whereby the written contract specifically required General Contractor to fulfill all of the City insurance requirements as outlined in this Agreement, including all endorsements in favor of the City. Verification of the written contract must be provided to City upon request. If Subdivider fails to provide any of the required coverage in full compliance with the requirements outlined in this Agreement City shall issue a stop work order, or terminate the Agreement for default. Subdivider further understands that the City reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to Subdivider, at any time as deemed necessary to protect the interests of the City.

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

- (1) Commercial General Liability Insurance ("CGL"): Subdivider shall maintain CGL and shall include coverage for liability arising from Subdivider's or its Subcontractor's acts or omissions in the performance of work associated with the Improvements against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) five million dollars (\$5,000,000.00) combined single limit each occurrence and either a general aggregate limit of ten million dollars (\$10,000,000.00) or a general aggregate limit of five million dollars (\$5,000,000) as applied on a "per project"

or “per location” basis, or (ii) the maximum amount of such insurance available to Subdivider under Subdivider’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater. Further, if CGL coverage is being provided by Subdivider’s General Contractor pursuant to Section 10, General Contractor may elect to insure the CGL exposures under an “Owners and Contractors Protective Liability Policy (OCP)” on which the City is included as an additional insured.

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

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

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

(2) **Workers’ Compensation Insurance and Employer’s Liability:** Subdivider shall maintain Workers Compensation coverage, as required by law. The policy must comply with the requirements of the California Workers’ Compensation Insurance and Safety Act and provide protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to Subdivider under Subdivider’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater. If Subdivider is self-insured, Subdivider must provide its Certificate of Permission to Self-Insure, duly authorized by the State of California Department of Industrial Relations.

(3) **Automobile Liability:** Subdivider shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if Subdivider does not own automobiles, then Subdivider shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit, or (ii) the maximum amount of such insurance available to Subdivider under Subdivider’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater.

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

(b) Required Endorsements. Subdivider shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below. Further, if coverages are being provided by Subdivider's General Contractor pursuant to Section 10, endorsements may not be restricted to work performed "under a written contract" (i.e. "blanket endorsements")

(1) ALL Policies:

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

(2) ALL Policies except Workers Compensation:

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

(c) Subcontractors. Subdivider must ensure that each Subcontractor is required to maintain the same insurance coverage required under this Section 10 as appropriate based on each subcontractor's scope of work, with respect to its performance of work associated with the Improvements, including those requirements related to the additional insureds and waiver of subrogation.

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

(e) Certificates. Subdivider shall furnish City with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to the Subdivider's agreement with the City shall be reduced, canceled, allowed to expire, or materially changed except after thirty (30) days' notice by the insurer to City, unless due to non-payment of premiums, in which case ten (10) days written notice must be made to City. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein.

Certificate Holder address:

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

Section 11. Permits and Requisite Fees

(a) Subdivider shall pay all current fee obligations in the total amount of **\$2,143,146** due under City Resolution No. **5592**, as amended, in accordance with the Department of Public Work fee schedule, as follows:

- (1) **\$441,652** payable at the time of recording of the Final Map, and
- (2) **\$1,701,494** payable on a pro-rata basis for each individual lot in the Subdivision prior to final inspection of each and every residence.

(3) All fees payable pursuant to this Subsection (a) constitutes valid and due consideration for City's approval of the Final Map, and amounts set forth are estimates that are subject to change prior to the issuance of building permit(s), subject to resolution or ordinance of the City Council.

(b) Subdivider shall, at its expense, obtain all necessary permits and licenses for the construction of the Improvements, give all necessary notices, and pay all fees and taxes required by law.

(c) Subdivider shall obtain a City of Morgan Hill Business License.

(d) Subdivider agrees to procure, at its expense, any necessary permits for Improvements outside the City's jurisdiction.

Section 12. On-Site Supervision

Subdivider shall designate an on-site supervisor, satisfactory to City, who shall be on the work site(s) at all times during the construction of the Improvements, and who has the authority to act on behalf of Subdivider when communicating with City personnel.

Section 13. Waiver

Waiver by City or Subdivider of any breach of any of the provisions of the Agreement shall not constitute a waiver of any other provision, nor a waiver of any subsequent breach or violation of the same or any other provision of this Agreement. Acceptance by City of any work by Subdivider shall not be a waiver of any of the provisions of this Agreement.

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

- a. Address of Subdivider is as follows:

C/O RICHARD OLIVER
MH ANDALUSIA 2020, INC.
385 WOODVIEW AVENUE #100
MORGAN HILL, CA 95037

b. Address of City is as follows:

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

With a copy to:

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

Section 15. Noncompliance

If City determines that Subdivider is in violation of any federal, state, County or City laws, ordinances, rules, regulations, and requirements, and/or the terms and provisions of this Agreement, it may issue a cease and desist order, stop work order, or other action City deems necessary.

Section 16. Notice of Breach and/or Default

City may serve written notice upon Subdivider and surety of breach of this Agreement or of any portion thereof, and default of Subdivider for any of the following circumstances:

- (a) Subdivider refuses or fails to complete the Improvements as required in Section 6 above.
- (b) Subdivider refuses or fails to perform or cure any defects in the Improvements as required in Section 7.
- (c) Subdivider is insolvent, is subject to a receivership, or files any petition in bankruptcy, either voluntary or involuntary which Subdivider fails to discharge within thirty (30) days.
- (d) The commencement of a foreclosure action against the Subdivision or any portion thereof, or any conveyance in lieu of or in avoidance of foreclosure.
- (e) Subdivider or any of Subdivider's contractors, subcontractors, agent, or employees materially violates any of the provisions of this Agreement and not cure the violation within a reasonable time.

Section 17. Performance by Surety or City

- (a) In the event of a material breach and/or default by Subdivider, Subdivider's surety shall have the duty to take over and complete the Improvements.
- (b) If the surety, within a reasonable time after receiving notice of Subdivider's default does not provide City written notice to take over the performance of this Agreement or if the surety does not commence performance thereof within the time specified in such notice to City, City may take over the construction of the Improvements and prosecute the same to completion, by contract or by any method City may deem advisable, on behalf and at the expense of Subdivider, and Subdivider's surety shall be liable to City for any excess cost or damages incurred by City thereby. In such event, City, without liability for so doing, may take possession of and utilize such materials, appliances, and other property belonging to Subdivider as may be on the work site(s) and necessary therefore to complete the Improvements.

(c) City shall have the right to draw upon or utilize the appropriate security provided for in Section 4 to recover costs and damages to City damages. The right of City to draw upon or utilize the security is additional and not in lieu of any other remedy available to City at law or in equity. The parties agree that the estimated costs and security amounts may not reflect the actual cost of construction or installation of Improvements, and therefore, City damages for Subdivider's default shall be measured by the cost of completing the required Improvements.

(d) Failure of Subdivider to comply with terms of this Agreement shall constitute consent to filing by City of a notice of violation against all lots in the Subdivision, or to rescind the approval or otherwise revert the Subdivision to acreage. The remedies provided in this Subsection (d) are in addition to and not in lieu of other remedies available to City.

(e) In the event that Subdivider fails to perform any obligation under this Agreement, Subdivider agrees to pay all costs and expenses incurred by City in securing performance of such obligation, including the costs of suit and reasonable attorney's fees.

(f) The failure by City to take an enforcement action with respect to a default, or to declare a breach, shall not be construed as a waiver of that default or breach or subsequent default or breach.

Section 18. Successors in Interest

This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties. It shall be recorded in the Office of the Recorder of Santa Clara County concurrently with the Final Map of the Subdivision and shall constitute a covenant running with the land and an equitable servitude upon the real property within the Subdivision. It shall be the responsibility of City to cause the executed Agreement to be recorded.

Section 19. Effective Date

This Agreement shall be effective as of the date and year first above written.

Section 20. Amendment of Agreement

This Agreement may only be amended by mutual consent of the original parties or their successors in interest, provided that any such amendment is executed in writing by the parties to be bound thereby.

Section 21. Execution

By signing this Agreement, the person signing states that he or she is authorized to enter into contracts on behalf of Subdivider. The undersigned, on behalf of Subdivider, binds Subdivider, its partners, successors, executors, administrators, and assigns with respect to the terms and conditions of this Agreement.

Section 22. Non-Liability of Officials and Employees of the City.

No official or employee of City shall be personally liable for any default or liability under this Agreement.

Section 23. Law to Govern: Venue

The law of the State of California shall govern this Agreement. In the event of litigation between the parties, the action must be filed in the Santa Clara County Superior Court.

Section 24. Limitations Upon Subcontracting and Assignment.

Neither this Agreement or any portion shall be assigned by Subdivider without prior written consent of City.

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Section 25. Miscellaneous

(a) Compliance with Law: Subdivider shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.

(b) Non-Discrimination. Subdivider covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, ancestry, or sexual orientation in any activity pursuant to this Agreement.

(c) Conflict of Interest and Reporting. Subdivider shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

(d) Time of Essence. Time is of the essence in the performance of this Agreement.

(e) Interpretation. This Agreement shall be interpreted as though prepared by both parties.

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

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

[TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS: (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND** (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.]

CITY OF MORGAN HILL

By: _____

Christina J. Turner, City Manager

Date: _____

ATTEST:

By: _____

Michelle Bigelow, Deputy City Clerk

Date: _____

APPROVED AS TO FORM:

By: _____

"Subdivider"

**MH Andalusia 2020 Inc., a
California Corporation**

By: _____

Print Name and Title

(If Corporation, must be Chairperson of the Board, President, or Vice President)

Date: 9-21-2020

By: _____

Print Name and Title

**JACOB C. GRUNBAUM, ASSISTANT
SECRETARY**

(If Corporation, must be Secretary, Assistant Secretary, CFO, or Assistant Treasurer)

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

Donald A. Larkin, City Attorney

Date: _____

Date: 9/21/2020

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

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

State of **California**
County of **Santa Clara**

On September 21 2020 before me, Ron Kumar a Notary Public in and for said County and State, personally appeared Jacob C. Granbaum — proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

[Signature]

SIGNATURE OF NOTARY PUBLIC



(ABOVE AREA FOR NOTARY SEAL)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

EXHIBIT "A"
IMPROVEMENTS AND
ESTIMATED COSTS OF IMPROVEMENTS
AS OF OCTOBER 18, 2019

MH 217110

10/18/2019

Engineer's Cost Estimate - Andalusia
(Public Improvements Only)

<u>Item</u>	<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Total</u>
Schedule I - In-Tract Improvements					
1	Site clearing and grubbing (excludes structural demo and tree removal)	1	LS	\$ 2,000.00	\$ 2,000.00
2	Street rough grading	1,990	CY	\$ 9.00	\$ 17,910.00
3	Street finish grading	49,935	SF	\$ 0.15	\$ 7,490.25
4	Street pavement (4" AC on 13.5" AB)	31,056	SF	\$ 6.00	\$ 186,336.00
5	City std sidewalk on agg base (incl. handicap ramps)	7,742	SF	\$ 7.00	\$ 54,194.00
6	City std curb & gutter on agg. Base	1,572	LF	\$ 31.00	\$ 48,732.00
7	6" PCC curb along east side of Andalusia Drive	371	LF	\$ 25.00	\$ 9,275.00
8	City std driveway approaches (quantity NOT adjusted for pavers)	900	SF	\$ 25.00	\$ 22,500.00
9	Street name signs	3	LF	\$ 400.00	\$ 1,200.00
10	Street monuments	4	EA	\$ 500.00	\$ 2,000.00
11	Electroliers incl. conduit & pull boxes	7	EA	\$ 3,200.00	\$ 22,400.00
12	Stop sign & legends	2	LF	\$ 600.00	\$ 1,200.00
13	8" Ø DIP Water Main	1,045	LF	\$ 48.00	\$ 50,160.00
14	Fire hydrant assembly complete	4	EA	\$ 3,200.00	\$ 12,800.00
15	1.5" Ø City landscape water service with RPB	2	EA	\$ 3,000.00	\$ 6,000.00
16	8" Ø PVC (SDR-26) sewer	1,007	LF	\$ 46.00	\$ 46,322.00
17	City std. sewer manhole	6	EA	\$ 3,200.00	\$ 19,200.00
18	18" Ø RCP storm	217	LF	\$ 73.00	\$ 14,155.00
19	15" Ø RCP storm	270	LF	\$ 65.00	\$ 17,550.00
20	City std. storm manhole	2	EA	\$ 3,200.00	\$ 6,400.00
21	City std. curb inlet	7	EA	\$ 2,800.00	\$ 19,600.00
22	Erosion Control	1	LS	\$ 12,000.00	\$ 12,000.00
Total Schedule I					\$ 579,374.25
Schedule II - Out of Tract Street Improvements on Andalusia Drive fronting KinderCare					
1	Site clearing and grubbing (excludes structural demo and tree removal)	1	LS	\$ 1,500.00	\$ 1,500.00
2	Street rough grading	100	CY	\$ 9.00	\$ 900.00
3	Street finish grading	6,300	SF	\$ 0.15	\$ 945.00
4	Street pavement (4" AC on 13.5" AB)	4,200	SF	\$ 6.00	\$ 25,200.00
5	City std sidewalk on agg base (incl. handicap ramps)	776	SF	\$ 7.00	\$ 5,432.00
6	City std curb & gutter on agg. Base	156	LF	\$ 31.00	\$ 4,836.00
7	6" PCC curb along east side of Andalusia Drive	135	LF	\$ 25.00	\$ 3,375.00
8	City Std. driveway approach	1	LS	\$ 6,000.00	\$ 6,000.00
9	Street name signs	1	LF	\$ 400.00	\$ 400.00
10	Stop sign & legends	1	LF	\$ 600.00	\$ 600.00
11	8" DIP Water Main	16	LF	\$ 48.00	\$ 768.00
12	1.5" Ø City landscape water service with RPB (complete in place) KinderCare	1	EA	\$ 4,500.00	\$ 4,500.00
13	1" Ø City std. water service (complete in place) KinderCare	1	EA	\$ 1,400.00	\$ 1,400.00
14	8" PVC (SDR-26) sewer (incl pavement restoration at E. Dunne Ave)	184	LF	\$ 46.00	\$ 8,464.00
15	City std. sewer manhole	1	EA	\$ 3,500.00	\$ 3,500.00
16	18" Ø RCP storm (incl pavement restoration at E. Dunne Ave)	168	LF	\$ 73.00	\$ 10,920.00

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

17	15" Ø RCP storm	24	LF	\$ 65.00	\$ 1,560.00
18	City std. storm manhole	2	EA	\$ 2,800.00	\$ 5,600.00
19	City std. curb inlet (NO hood on the Easterly inlet)	2	EA	\$ 2,700.00	\$ 5,400.00
Total Schedule II					\$ 91,300.00

Schedule II - Out of Tract E. Dunne Avenue Sidewalk Improvements fronting KinderCare

1	Demo & haul-off existing monolithic sidewalk	1	LS	\$ 6,500.00	\$ 6,500.00
2	Install City std. detached sidewalk	1,520	SF	\$ 8.00	\$ 12,160.00
Total Schedule III					\$ 18,660.00
Estimated Const Cost (Sch I-III)					\$ 689,334.25

10% CONTINGENCY = \$68,933

TOTAL ENGINEER'S ESTIMATE = 758,267

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

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and _____ (hereinafter designated as "principal") have entered into a Subdivision Improvement Agreement:

[ENTER Subdivider NAME]
[ENTER SUBDIVISION NAME – ENTER TRACT NO. XXXX]

whereby principal agrees to install and complete certain designated public improvements, which said agreement, dated _____, 20_____, and identified as project **[ENTER PROJECT NAME]**, is hereby referred to and made a part hereof; and

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

Now, therefore, we, the principal and _____, as surety, are held and firmly bound unto the City of Morgan Hill hereinafter called ("City"), in the penal sum of _____ dollars (\$_____) lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The Surety's office is located at _____,

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

License No.: _____

Address: _____

Telephone No.: _____

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

Name of non-resident _____

Performance Bond Page 1 of 4
Version July 2017

agent:

Non-resident agent's office
address:

Telephone
No.:

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

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

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

Executed this _____ day of _____ 20____.

[form document – do not execute]

[form document – do not execute]

Principal

Principal

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

Surety

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

Attorney-in Fact

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

California Resident Agent

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

Non-resident Agent - Attorney-in-Fact

APPROVED:

[form document – do not execute]

Scott Creer, City Engineer

Date:

APPROVED AS TO FORM:

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

Donald A. Larkin, City Attorney

Date:

(Acknowledgment on following page.)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and [ENTER Subdivider NAME] (hereinafter designated as "the principal") have entered into a Subdivision Improvement Agreement:

[ENTER Subdivider NAME]
[ENTER SUBDIVISION NAME – ENTER TRACT NO.XXXX]

whereby the principal agrees to install and complete certain designated public improvements, which agreement, dated _____, 20_____, and identified as project [ENTER PROJECT NAME], is hereby referred to and made a part hereof; and

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

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

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

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

The Surety's office is located at _____,

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

License No.: _____

Address: _____

Telephone No.: _____

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

Name of non-resident agent: _____,

Non-resident agent's office address: _____

Telephone No.: _____

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

Executed this _____ day of _____, 20____.

[form document – do not execute]

Principal

[form document – do not execute]

Principal

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

Surety

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

Attorney-in Fact

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

California Resident Agent

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

Non-resident Agent - Attorney-in-Fact

APPROVED:

[form document – do not execute]

Scott Creer, City Engineer

Date:

APPROVED AS TO FORM:

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

Donald A. Larkin, City Attorney

Date:

(Acknowledgment on following page.)

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State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

EXHIBIT "D"
WARRANTY BOND
(50% of Cost of Construction)

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California (hereinafter designated as "City"), and [ENTER Subdivider NAME] (hereinafter designated as "Principal") have entered into a Subdivision Improvement Agreement (hereinafter "Agreement"):

[ENTER Subdivider NAME]
 [ENTER SUBDIVISION NAME – ENTER TRACT NO.XXXX]

whereby the Principal agrees to install and complete certain designated public improvements (hereinafter "Improvements"), which said Agreement, dated _____, 20_____, and identified as project _____, is hereby referred to and made a part hereof; and

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

Now, therefore, we, the Principal and _____ as Surety, are held and firmly bound unto the City of Morgan Hill in the penal sum of _____ dollars (\$____) for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

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

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

Warranty Bond Page 1 of 4
 Version July 2017

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

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

Attn: _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

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

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

SURETY:

Principal:

Date: _____

Date: _____

s/ [form document – do not execute]

s/ [form document – do not execute]

Name: _____

Name: _____

Title: _____

Title: _____

(Attach Acknowledgment with Notary

Seal and Power of Attorney)

APPROVED:

Warranty Bond Page 2 of 4
Version July 2017

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

[form document – do not execute]

Scott Creer, City Engineer

Date: _____

APPROVED AS TO FORM:

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

Donald A. Larkin, City Attorney

Date: _____

END OF WARRANTY BOND

Attachment: Subdivision Improvements Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)

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State of **California**
County of **Santa Clara**

On _____, 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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State of **California**
County of **Santa Clara**

On _____, 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

Warranty Bond Page 4 of 4
Version July 2017

RECORDING REQUESTED BY:

CITY OF MORGAN HILL

WHEN RECORDED MAIL DOCUMENT TO:

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

RECORD AT NO FEE PER GOVERNMENT
CODE SECTIONS 6103 & 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**STORMWATER BEST MANAGEMENT PRACTICES,
OPERATION, AND MAINTENANCE AGREEMENT**

THIS STORMWATER BEST MANAGEMENT PRACTICES OPERATION, AND MAINTENANCE AGREEMENT ("AGREEMENT") is made and entered into this _____ day of _____, 2020, by **MH ANDALUSIA 2020 INC., a California Corporation**, (hereinafter referred to as "COVENANTOR") and the City of Morgan Hill ("CITY"). CITY and COVENANTOR may be referred to individually as a "Party" or collectively as the "Parties" throughout this AGREEMENT.

RECITALS:

This AGREEMENT is made and entered into with reference to the following facts:

- A. CITY is authorized and required to regulate and control the disposition of storm and surface waters as set forth in CITY's National Pollutant Discharge Elimination System permit.
- B. COVENANTOR is the owner of a certain tract or parcel of land more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "PROPERTY").
- C. COVENANTOR desires to construct certain improvements of the kind or nature described in Morgan Hill Municipal Code Chapter 18.140 (the "ORDINANCE") on the PROPERTY that may alter existing stormwater conditions on both the PROPERTY and adjacent lands.
- D. To minimize adverse impacts due to these anticipated changes in existing storm and surface water flow conditions, COVENANTOR is required by CITY to implement Best Management Practices ("BMPs") and to build and maintain, at COVENANTOR's expense, stormwater management facilities ("FACILITIES"), more particularly described and shown in the **STORM WATER RUNOFF MANAGEMENT PLAN for Andalusia (Tract No. 10521)** prepared by **MH engineering Co** and dated **April 01, 2020**, which plans and any amendments thereto, are on file with CITY's Development Services Department, and are hereby incorporated by this reference.
- E. CITY has reviewed and approved the Stormwater Runoff Management Plan (the "PLAN") subject to the execution of this AGREEMENT.

NOW, THEREFORE, in consideration of the benefit received and to be received by COVENANTOR, its successors, and assigns, as a result of CITY's approval of the Stormwater Runoff Management Plan, COVENANTOR, hereby covenants and agrees with CITY as follows:

1. Covenants Running with the Land; Property Subject to Agreement: All of the real property described in Exhibit "A" shall be subject to this AGREEMENT. It is intended and determined that the provisions of this AGREEMENT shall run with the land and shall be binding on all parties having or acquiring any right, title, or interest in the real PROPERTY or any portion thereof and shall be for the benefit of each owner of any of said parcels or any portion of said PROPERTY and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof. Each and all of the limitations, easements, obligations, covenants, conditions, and restrictions contained herein shall be deemed to be, and shall be construed as, equitable servitudes, enforceable by any of the owners of any of the PROPERTY subject to this AGREEMENT against any other owner, tenant or occupant of the said PROPERTY, or any portion thereof.
2. Responsibility for Installation, Operation, and Maintenance: At its sole expense, COVENANTOR, its successors, and assigns, shall construct, operate, and perpetually maintain the FACILITIES in strict accordance with the PLAN and any amendments thereto that have been approved by CITY or required by the ORDINANCE. COVENANTORS with structural FACILITIES serving their property shall conduct inspections on the property in accordance with Exhibit "B."
3. Facility Modifications: At its sole expense, COVENANTOR, its successors, and assigns, shall make such changes or modifications to the FACILITIES as may be determined as reasonably necessary by CITY to ensure that the FACILITIES are properly maintained and continue to operate as originally designed and approved. COVENANTOR agrees that it shall not modify the BMPs and shall not allow BMP maintenance activities to alter the designed function of the FACILITIES from its original design unless approved by CITY prior to the commencement of the proposed modification or maintenance activity.
4. Facility Inspections by City: At reasonable times and in a reasonable manner as provided in the ORDINANCE, CITY, its agents, employees, and contractors shall have the right of ingress and egress to the FACILITIES and the right to inspect the FACILITIES in order to ensure that the FACILITIES are being properly maintained, are continuing to perform in an adequate manner, and are in compliance with the ORDINANCE, the PLAN and any amendments thereto approved by CITY.
5. Failure to Perform Required Facility Repairs or Modifications: Should either COVENANTOR or its successors and assigns fail to implement the BMPs, maintain the FACILITIES, or correct any defects in the FACILITIES in accordance with the approved design standards and/or the PLAN, and in accordance with the law and applicable regulations of the ORDINANCE, after thirty (30) days from the date of the written notice from CITY, CITY shall have the right to enter the PROPERTY to perform remedial work, for which CITY will collect reimbursement for such work from COVENANTOR. Additionally, conditions from failure to implement the BMPs or to maintain or correct the FACILITIES shall be deemed a nuisance subject to abatement of such conditions as provided in Chapter 1.18 of the Morgan Hill Municipal Code. In addition, CITY may pursue other such remedies as provided by law, including, but not limited to, such civil and criminal remedies set forth in the ORDINANCE.
6. Indemnity: COVENANTOR, its successors, and assigns, shall defend, indemnify, and hold CITY harmless of and from any and all claims, liabilities, actions, causes of action, and damages for personal injury and property damage, including, without limitation, reasonable attorneys' fees, arbitration fees, or costs and court costs, arising out of or related to COVENANTOR's, its successors', and/or assigns' construction, operation, or maintenance of the FACILITIES except claims, liabilities, actions, causes of action, and damages that arise out of CITY's sole negligence or willful misconduct or the sole

negligence or willful misconduct of any of CITY'S employees, agents, representatives, contractors, vendors, or consultants.

7. Obligations and Responsibilities of Covenantor: Initially, COVENANTOR is solely responsible for the performance of the obligations required hereunder and, to the extent permitted under applicable law, the payment of any and all fees, fines, and penalties associated with such performance or failure to perform under this AGREEMENT. Notwithstanding any provisions of this AGREEMENT to the contrary, upon the recordation of a deed or other instrument of sale, transfer or other conveyance of fee simple title to the PROPERTY or any portion thereof (a "Transfer") to a third party (the "Transferee"), COVENANTOR shall be released of all of its obligations and responsibilities under this AGREEMENT accruing after the date of such Transfer to the extent such obligations and responsibilities are applicable to that portion of the PROPERTY included in such Transfer, but such release shall be expressly conditioned upon the Transferee assuming such obligations and responsibilities by recorded written agreement for the benefit of CITY. Such written agreement may be included in the Transfer deed or instrument, provided that the Transferee joins in the execution of such deed or instrument. A certified copy of such deed, instrument, or agreement shall be provided to CITY. The provisions of the preceding three sentences shall be applicable to the original COVENANTOR and any successor Transferee who has assumed the obligations and responsibilities of COVENANTOR under this AGREEMENT as provided above.

COVENANTOR is responsible for paying to CITY an annual administrative fee as established by City Council to cover costs associated with review of inspection reports, logging inspections as required for compliance with CITY'S Phase II NPDES Permit, reporting to the Regional Water Quality Control Board, and follow-up as needed. City Council shall update fee schedules thereafter as applicable in perpetuity. COVENANTOR will be responsible for paying late fees and other penalties for submitting inspection reports and other documentation required by CITY more than seven days after submission deadlines.

8. Property Transfer: Nothing herein shall be construed to prohibit a transfer by COVENANTOR to subsequent owners and assigns.
9. Attorneys' Fees: In the event that any Party institutes legal action or arbitration against the other to interpret or enforce this AGREEMENT, or to obtain damages for any alleged breach hereof, the prevailing party in such action or arbitration shall be entitled to reasonable attorneys' or arbitrators' fees in addition to all other recoverable costs, expenses, and damages.
10. Further Documents: The Parties covenant and agree that they shall execute such further documents and instructions as shall be necessary to fully effectuate the terms and provisions of this AGREEMENT.
11. Entire Agreement: This AGREEMENT constitutes the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior agreements, whether written or oral. There are no representations, agreements, arrangements, or undertakings, oral or written, that are not fully expressed herein.
12. Severability: In the event any part or provision of this AGREEMENT shall be determined to be invalid or unenforceable under the laws of the State of California, the remaining portions of this AGREEMENT that can be separated from the invalid, unenforceable provisions shall, nevertheless, continue in full force and effect.

13. No Waiver: The waiver of any covenant contained herein shall not be deemed to be a continuing waiver of the same or any other covenant contained herein.
14. Amendment: This AGREEMENT may be amended in whole or in part only by mutual written agreement. Any such amendment shall be recorded in Santa Clara County, California. In the event any conflict arises between the provisions of any such amendment and any of the provisions of any earlier document or documents, the most recently duly executed and recorded amendment shall be controlling.
15. Authority to Execute: The persons executing this AGREEMENT on behalf of the parties warrant that they are duly authorized to execute this AGREEMENT.
16. In the event that CITY shall determine, at its sole discretion, at any future time, that the FACILITIES are no longer required, then at the written request of COVENANTOR, its successors, and/or assigns, CITY shall execute a release of this AGREEMENT which COVENANTOR, its successors, and/or assigns, shall record in the Recorder's Office, at its expense.

Executed the day and year first above written.

COVENANTOR:

By: Mary Beth Long, V.P.

Name: MARY BETH LONG

Title: VICE PRESIDENT, MH ANDALUSIA 2020 INC.

CITY OF MORGAN HILL:

By: _____

Name: CHRISTINA J. TURNER

Title: CITY MANAGER, CITY OF MORGAN HILL

APPROVED AS TO FORM:

By: _____

Name: DONALD A. LARKIN

Title: CITY ATTORNEY, CITY OF MORGAN HILL

EXHIBIT "A"**LEGAL DESCRIPTION OF PROPERTY****(TO BE ADDED BY TITLE COMPANY BEFORE RECORDING)****Attachment: Stormwater BMP Operation and Maintenance Agreement (2907 : Final Map Approval of Andalusia - Tract No. 10521)**

EXHIBIT "B"**INSPECTION REQUIREMENTS**

Inspections shall occur on a schedule compliant with the requirements imposed by the State of California. At this time, the following requirements are in place:

- (a) The COVENANTOR shall be responsible for having all stormwater management facilities inspected for condition and function by a certified Qualified Stormwater Practitioner (QSP).
- (b) Stormwater facility inspections completed by the QSP shall be completed once in the fall in preparation for the wet season, and once in the spring. Fall inspections shall include a visual inspection only. The spring inspection shall include a visual inspection as well as completion of technical tests and observations required under the CITY'S Phase II National Pollutant Discharge Elimination System (NPDES) Permit. COVENANTOR shall provide the CITY with records of inspections using the City's approved visual inspection report template (fall and spring inspections) and applicable City approved technical field data sheets (spring inspection only). COVENANTOR shall submit to the CITY all inspection documents with completed records of inspections, maintenance, and repair.

COVENANTOR understands that these requirements may be changed in the future as the direct result of changes in the regulations imposed on CITY or COVENANTOR by the State of California. CITY shall provide COVENANTOR with reasonable notice of changes in these requirements.

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

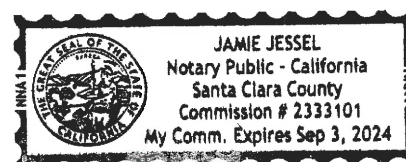
State of **California**
County of **Santa Clara**

On October 29 2020, before me, Jamie Jessel a Notary Public in and for said County and State, personally appeared Mary Beth Long proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Jamie Jessel
SIGNATURE OF NOTARY PUBLIC



(ABOVE AREA FOR NOTARY SEAL)

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

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

DRAFT



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

Wednesday, October 28, 2020 6:00 pm

Virtual Meeting

SPECIAL MEETING

A Special Meeting of the City Council was called at 6:00 pm for continuation of the Industrial Ordinance Public Hearing from the October 21, 2020 City Council meeting.

CALL TO ORDER

Mayor Constantine called the meeting to order at 6:00 pm.

ROLL CALL ATTENDANCE

Deputy City Clerk Michelle Bigelow

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

DECLARATION OF POSTING OF AGENDA

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

Minutes Acceptance: Minutes of Oct 28, 2020 6:00 PM (CONSENT CALENDAR)

PUBLIC COMMENT

Public comment opened at 6:01 pm

Brian Faircloth was called to speak.

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

ADOPTION OF AGENDA

MOTION:

Adopting the agenda as posted.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Rene Spring, Council Member
SECONDER:	Larry Carr, Council Member
AYES:	Constantine, Carr, McKay, Spring
ABSENT:	Martinez Beltran

CONTINUED PUBLIC HEARING

This item has been continued from the October 21, 2020 City Council Meeting.

1. ADOPT ORDINANCE AMENDING THE ZONING CODE TO PROHIBIT HEAVY DISTRIBUTION AND PARCEL SORTING USES, AMEND PROVISIONS RELATED TO LOCAL DELIVERY SERVICES AND CLARIFY THE DEFINITION OF SIGNIFICANT PROJECTS SUBJECT TO DESIGN REVIEW

Recommendation:

1. Open/close the public hearing;
2. Waive the first and second reading of the ordinance; and
3. Introduce the ordinance.

City Attorney Donald Larkin provided the presentation and report.

The meeting recessed at 8:14 pm and reconvened at 8:25 pm.

Public hearing opened at 8:25 pm. The following people were called to speak:

Gino Borgioli

Rick Kent

Steve Chappell

Bryan Espiritu on behalf of himself and his wife Kathlea Espiritu

Joe Baranowski on behalf of himself and Terry Williams, Gail McCloskey, Sonia Sidle, and Kathy Baranowski

Susie Jimenez

Miguel Jimenez

John Williams

Brian Matteoni

Dave

Linda Nowlen on behalf of herself and Leticia Magbual

There being no further requests to speak, the public hearing closed.

MOTION:

Amend the proposed ordinance to remove both Small and Large Parcel Hubs as a conditional use and make it not permitted (Table 18.26-1), amend section 18.108.040 to reduce the size of significance to 75,000 square feet, amend the proposed definition for Heavy Distribution in 18.124.050 C to include distributions centers of 100,000 square feet or greater, and amend 18.108.040 to make residential projects of 100 units or more significant.

RESULT: **AMENDED [UNANIMOUS]**
MOVER: Yvonne Martinez Beltran, Mayor Pro Tem
SECONDER: Rene Spring, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:
 Waiving the first and second reading of the ordinance.

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

MOTION:
 Introducing the ordinance.

RESULT: **INTRODUCED [UNANIMOUS]**
MOVER: Yvonne Martinez Beltran, Mayor Pro Tem
SECONDER: Rene Spring, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

FUTURE COUNCIL INITIATED AGENDA ITEMS

Council Member McKay asked that industry experts be brought into the industrial land use workshop.
 Council Member Spring asked that the staff review RFP criteria.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:21 pm.

MINUTES PREPARED BY:

Michelle Bigelow, Deputy City Clerk

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

Wednesday, November 4, 2020 7:00 pm

Virtual Meeting

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 called the meeting to order at 7:00 pm.

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	Late	
Larry Carr	Council Member	Remote	
John McKay	Council Member	Remote	
Rene Spring	Council Member	Remote	

DECLARATION OF POSTING AGENDA

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

Minutes Acceptance: Minutes of Nov 4, 2020 7:00 PM (CONSENT CALENDAR)

PRESENTATIONS

2021 TRANSIT SERVICE PLAN- DRAFT OPTIONS, JAY TYREE, SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

VTA PRESENTATION SUPPLEMENT

PROCLAMATIONS

Proclaiming the month of November 2020 as Philanthropy Month

CITY MANAGER'S REPORT

City Manager Christina Turner spoke to the evening's supplements and presentations. She then spoke to the two items that were continued from the October 21, 2020 meeting.

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin reported that yesterday the County Board of Supervisors approved an extension of the County's eviction moratorium for small businesses. That moratorium will be extended to the earlier of either the expiration of Governor Newsom's executive order, which is currently set to expire on March 31, 2021, or April 30, 2021 if the Governor's order is extended. If the community has questions about business evictions, they may contact City Attorney Larkin or the County.

PUBLIC COMMENT

Public comment opened at 7:23 pm. The following people were called to speak:

Gino Borgioli

Joe Baranowski

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

PUBLIC COMMENT SUPPLEMENT

ADOPTION OF AGENDA

MOTION:

Adopting the agenda as posted.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Rene Spring, Council Member
SECONDER:	Rich Constantine, Mayor
AYES:	Constantine, Carr, McKay, Spring
ABSENT:	Martinez Beltran

CONSENT CALENDAR

MOTION:

Approving consent calendar items 1 through 3 and 5 through 7.

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

Minutes Acceptance: Minutes of Nov 4, 2020 7:00 PM (CONSENT CALENDAR)

1. APPROVE PACIFIC GAS AND ELECTRIC COMPANY AGREEMENT TO UNDERGROUND DRY UTILITIES FOR THE HALE AVENUE EXTENSION PROJECT NEAR MAIN AND HALE AVENUES

Recommendation:

Approve and authorize the City Manager to execute and administer a Pacific Gas and Electric Company Agreement to underground dry utilities at the intersection of Main and Hale Avenues for the Hale Avenue Extension Project for a not to exceed amount of \$384,876.

2. APPROVE SUBDIVISION IMPROVEMENTS AGREEMENT FOR 185 SANCHEZ DRIVE

Recommendation:

1. Authorize the City Manager to execute the Subdivision Improvements Agreement with Mike Brewer (property owner); and
2. Authorize the recordation of the Subdivision Improvements Agreement.

3. APPROVE SECOND AMENDMENT TO CARBONIC SERVICE INC. SERVICE AGREEMENT

Recommendation:

1. Determine that competitive bids upon notice would not likely result in a lower price to the City from a responsible bidder or would cause unnecessary expense or delay under the circumstances per Section 3.04.150 (1) of the Morgan Hill Municipal Code; and
2. Approve and authorize the City Manager to execute and administer the second amendment to the service agreement with Carbonic Service, Inc. extending the agreement for two additional years of service at no increase to the total contract amount of \$200,000.

4. ITEM PULLED FOR DISCUSSION

5. APPROVE THE OCTOBER 21, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

6. RECEIVE CORPORATION YARD SPACE STUDY

Recommendation:

Receive Corporation Yard Space Study.

7. RECEIVE REPORT REGARDING UPCOMING 2021 COMMISSION VACANCIES - PER MADDY ACT

Recommendation:

Receive report.

ITEMS PULLED FOR DISCUSSION

4. APPROVE FISCAL YEAR 2020-21 WORK PLANS FOR PARKS AND RECREATION AND LIBRARY, CULTURE AND ARTS COMMISSIONS

Recommendation:

1. Approve the proposed Parks and Recreation Commission FY 2020-21 Work Plan; and
2. Approve the proposed Library, Culture and Arts Commission FY 2020-21 Work Plan.

Public comment opened at 7:34 pm.

There being no requests to speak, public comment closed.

MOTION

Approving the recommended actions.

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

OTHER BUSINESS

8. RECEIVE REPORT ON SCU LIGHTNING COMPLEX FIRE AND TERMINATE LOCAL EMERGENCY PROCLAMATION

Recommendation:

1. Receive report; and
2. Adopt resolution terminating the local emergency related to the SCU Lightning Complex fire.

Fire Chief Jake Hess, along with Communications and Engagement Director Maureen Tobin provided the presentation and report.

Public comment opened at 8:30 pm.

Joe Baranowski was called to speak.

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

MOTION:

Approving the recommended actions.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Larry Carr, Council Member
SECONDER:	John McKay, Council Member
AYES:	Constantine, Martinez Beltran, Carr, McKay, Spring

9. CONSIDER FOLLOW UP ITEM REQUESTING COUNCIL REPORTS BE ADDED TO COUNCIL AGENDA

Recommendation:

Consider whether to direct staff to bring a report back to City Council for a discussion of adding Council Reports to the agendas.

City Manager Christina Turner provided the report.

Public comment opened at 8:34 pm.

Armando Benavides was called to speak.

There being no requests to speak, public comment closed.

MOTION:

Direct staff to bring a report back to City Council for a discussion of adding Council Reports to the agendas.

RESULT: DIRECTED [UNANIMOUS]
MOVER: Rene Spring, Council Member
SECONDER: Yvonne Martinez Beltran, Mayor Pro Tem
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

The meeting recessed at 8:38 pm and reconvened at 8:45 pm.

PUBLIC HEARING

10. ACCEPT THE MORGAN HILL TOURISM BUSINESS IMPROVEMENT DISTRICT (MHTBID) OWNER'S ASSOCIATION ANNUAL REPORT AND ADOPT A RESOLUTION AMENDING THE MHTBID MANAGEMENT PLAN

Recommendation:

1. Accept and direct the City Clerk to file the Visit Morgan Hill Annual Report; and
2. Open and Close a Public Hearing to amend the Morgan Hill Tourism Business Improvement District (MHTBID) Management Plan to change reporting schedule to conform with the California Streets and Highways Code.

Economic Development Director Edith Ramirez, along with Krista Rupp, Executive Director for Visit Morgan Hill provided the presentation and report.

The public hearing opened at 8:54 pm.
 There being no requests to speak, the public hearing closed.

MOTION:

Approving the recommended actions.

RESULT: ACCEPTED [UNANIMOUS]
MOVER: Larry Carr, Council Member
SECONDER: John McKay, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

11. APPROVE AMENDMENTS TO THE GENERAL PLAN LAND USE MAP AND ZONING MAP, TENTATIVE PARCEL MAP AND MITIGATED NEGATIVE DECLARATION FOR A MIXED USE DEVELOPMENT ON A 19.67-ACRE SITE (APNS 817-09-039, 817-09-040 AND 817-09-041) (GPA2019-0005/ZA2019-0016/SD2019-0007/EA2019-0023-JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS))

Recommendation:

1. Open/close public hearing;
2. Adopt resolution approving the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program prepared for the project;
3. Adopt resolution approving an amendment to the General Plan land use designation;
4. Waive the first and second reading of Zoning Amendment Ordinance;
5. Introduce Zoning Amendment Ordinance; and
6. Adopt resolution approving a Tentative Parcel Map.

Principal Planner Adam Paszkowski provided the presentation and report.

The public hearing opened at 10:43 pm. The following people were called to speak:
 Steve Betando

Armando Benavides
 Brittney Sherman
 Joe Baranowski
 Stephanie Mansfield
 Gino Borgioli
 David Clancy

There being no further requests to speak, the public hearing closed.

MOTION:

Extending the meeting until 11:30 pm.

RESULT: **EXTENDED [UNANIMOUS]**
MOVER: Rich Constantine, Mayor
SECONDER: John McKay, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Extending the meeting until midnight.

RESULT: **EXTENDED [UNANIMOUS]**
MOVER: Rich Constantine, Mayor
SECONDER: Yvonne Martinez Beltran, Mayor Pro Tem
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Tabling this item to a future date to be determined.

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

MOTION:

Adopt resolution approving the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program prepared for the project.

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

MOTION:

Extending the meeting until 12:15 am.

RESULT: **EXTENDED [UNANIMOUS]**
MOVER: Rich Constantine, Mayor
SECONDER: John McKay, Council Member
AYES: Constantine, Martinez Beltran, Carr, McKay, Spring

MOTION:

Adopt resolution approving an amendment to the General Plan land use designation and eliminate independent living as an allowed use in the PD, ensure that any allowed uses in the PD are all tied to or connect to a medical campus and none of them are stand alone uses, ensure that we explicitly say no new uses will be added to the PD, explicitly no residential housing will be added to the PD, and directing staff to bring back to Council before the final reading of the ordinance, an agreement that conditions any housing permits on one of two things, either the infrastructure to a medical campus being constructed or that we are half way through the OSHPD process on a hospital.

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

MOTION:

Waive the first and second reading of Zoning Amendment Ordinance.

RESULT: **WAIVED [4 TO 1]**
MOVER: Larry Carr, Council Member
SECONDER: John McKay, Council Member
AYES: Constantine, Carr, McKay, Spring
NAYS: Martinez Beltran

MOTION:

Introduce Zoning Amendment Ordinance.

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

MOTION:

Adopt resolution approving a Tentative Parcel Map

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

FUTURE COUNCIL INITIATED AGENDA ITEMS

None.

ADJOURNMENT

There being no further business, the meeting adjourned in honor of Mayor Pro Tem Martinez Beltran's late grandmother Dolores Guitierrez at 12:16 am.

MINUTES PREPARED BY:

Michelle Bigelow, Deputy City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Cynthia Iwanaga, Management Analyst
APPROVED BY: City Manager

AWARD JANITORIAL SERVICE AGREEMENT TO FIRATO SERVICE COMPANY. INC.

RECOMMENDATION(S)

1. Deny bid protest and appeal filed by JLP Maintenance;
2. Award a two-year service agreement to Firato Service Company, Inc. in the amount of \$874,332; and
3. Authorize the City Manager to execute and administer the service agreement with Firato Service Company, Inc.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

The City contracts for janitorial services at the majority of the City facilities. The current contract expires on December 31, 2020. The purpose of this report is to summarize the results of the recent Request for Proposals (RFP) process, and to request the Council's approval and authorization to enter into a new agreement for these needed services. The proposed new service agreement has an initial two-year term with three one-year optional extensions.

The RFP was issued on August 17, 2020 and 15 proposals were received on October 8, 2020. The RFP was posted on the City website and Public Purchase. The non-mandatory virtual pre-proposal meeting and pre-proposal facility walks were well attended with over 15 attendees. The following firms submitted proposals:

1. Aim to Please Janitorial Services, Inc.
2. Allied Universal Janitorial Services
3. Building Maintenance Services, Inc.
4. Central Maintenance Company
5. Express Facility Management
6. Firato Service Company, Inc.
7. Imperial Maintenance Services, Inc.
8. Impec Group
9. JLP Building Maintenance, LLC
10. Karla's Janitorial Services and Suppliers
11. Starblast

12. Tony Fraga Building Service, Inc.
13. Tri County Building
14. Universal Building Services
15. US Metro Group, Inc.

The City's Review Committee consisted of the Public Services Director, Maintenance Manager, Maintenance Coordinator and Recreation Manager. The Recreation Manager will be the staff person managing the janitorial services agreement for the City.

The proposals were evaluated using a "Best Value," methodology in which contractors receiving a minimum score of 30 points (out of the 40 points possible) in the Qualifications, Experience and References narrative were then scored based upon their cost proposals. Of the 15 proposals received, one was deemed non-responsive because the proposal was substantially incomplete. Of the 14 responsive proposals, nine scored the minimum 30 points to advance to the scoring of their cost proposals. Due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet rate in different sections of the RFP, Bid Alternate #3 pricing was not scored. Since Bid Alternate #3 was originally valued at 1 point in the scoring criteria, eliminating this factor reduced the total possible points possible from 100 down to 99.

The final total score (including both the narrative and cost criteria) for the nine service providers who scored the minimum 30 points on the narrative were as follows:

87.18 points	1. Firato Service Company, Inc.
86.91 points	2. JLP Building Maintenance, LLC
84.25 points	3. Karla's Janitorial Services and Suppliers
83.03 points	4. Impec Groups
80.27 points	5. US Metro Group
67.16 points	6. Universal Building Services
66.35 points	7. Express Facility Management
64.24 points	8. Aim to Please Janitorial Services, Inc.
61.44 points	9. Imperial Maintenance Services, Inc.

The top three scoring firms, Firato Service Company, Inc., JLP Building Maintenance, LLC and Karla's Janitorial Services and Suppliers, were interviewed. The winning proposal was selected based on the total combined points scored by those proposals receiving 30 points or more on their qualifications, experience and references and their corresponding points for janitorial service costs. Attachment 1 is the Scoring Summary.

A bid protest was received from JLP Building Maintenance, LLC stating that they believed they were the more qualified candidate (than Firato Service Company) to service the City of Morgan Hill. They requested clarification on the narrative scoring, local preference points, and the Bid Alternate #3 exclusion. JLP Building Maintenance disputed the narrative scoring asserting that Firato Service Company's score should have been impacted (lower) in the "previous experience providing superior level of service" and "assessments of work quality, performance and working relationships by

current and recent clients” categories because Firato Service Company incurred service penalties due to below standard work during their current contract term with the City. Although Firato Service Company did have instances of not meeting standards, this does not mean that the City is not satisfied with their level of service. The purpose of the City’s outcome-based contract and inspection problem resolution process is to notify janitorial service providers when they need to bring their work up to City standards and to give them an opportunity to correct any deficiencies. When Firato Service Company has been notified that their work was below standard, they have always responded by bringing their work up to standards and satisfying staff’s requests. The four reviewers rated Firato accordingly.

Staff also confirmed that Firato Service Company did not receive a local preference as a factor in the scoring. Staff also confirmed that Bid Alternate #3 was not scored and was not considered a deciding factor in whether to award to JLP Maintenance or Firato Service Company. If the pricing for Bid Alternate #3 had been scored, it would NOT have changed the #1 and #2 ranking of Firato Service Company and JLP Maintenance as Firato Service Company bid \$390 per swim meet and JLP Maintenance bid \$400 per swim meet. Attachments 2 and 3 are the bid protest letter and the City’s response letter respectively.

City staff recommends denial of the bid protest and appeal, and award of the contract (Attachment 4) to Firato Service Company in the amount of \$874,332. If approved, the initial two-year term will be from January 1, 2021 to December 31, 2022. Due to the COVID-19 pandemic, the City’s janitorial service needs are currently reduced as some City facilities are closed. The Service Provider has acknowledged the limited level of service needed by the City. The City will provide at least five days’ notice to the Service Provider with a list of impacted facilities and services pursuant to section 5.2 of the Service Agreement. Attachment 5 is Firato Service Company’s proposal.

COMMUNITY ENGAGEMENT: Not Applicable

As janitorial services are a regular and expected City service, no efforts were made to inform the community about this proposed agreement.

ALTERNATIVE ACTIONS:

The City Council could elect not to award this service agreement and request that the services be rebid in hopes of obtaining a lower bid. Please note that the amount of this two-year agreement is \$874,332 for two years, which is slightly lower than the current agreement’s amount of \$880,859 for two years. Furthermore, this action would require the extension of the current janitorial service agreement until March 31, 2021, in order to allow enough time to rebid the services.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The Council has previously approved service agreements for janitorial services for over a decade. The City’s current agreement was approved by the Council on June 6, 2018.

FISCAL AND RESOURCE IMPACT:

If approved, the total funding authorization for this agreement will be \$874,332 for two years. Funding for the janitorial services is budgeted and accounted for in the Building Maintenance budget (Fund 740) of each facility serviced.

CEQA (California Environmental Quality Act): Categorical Exemption

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

LINKS/ATTACHMENTS:

1. Janitorial RFP Scoring Summary_distributed_102720
2. JLP_Maintenance_Bid_Protest_Letter
3. Response_to_JLP_Protest_Letter
4. Firato_Service_Co._Service_Agmt_FY21_22
5. Firato_Service_Co._Inc_Proposal

SHEET 1

City of Morgan Hill Janitorial Services RFP:

NARRATIVE SCORING POINTS

	NARRATIVE SCORING (40 points)															
ITEM	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Previous Experience providing superior level of janitorial service at like-sized public and/or private facilities.	10.00	7.15	-	5.15	6.95	7.78	7.90	8.15	7.50	7.53	8.20	3.88	5.85	5.50	9.13	6.03
Assessments of work quality, performance and working relationships by current and recent clients	15.00	11.75	-	12.50	6.50	10.00	12.25	10.75	11.25	13.38	8.75	11.75	13.50	11.75	12.25	12.75
Qualifications of staff to be assigned to provide janitorial services to the City	5.00	4.08	-	2.90	4.08	4.13	4.33	4.08	4.08	4.08	4.08	2.68	3.08	3.45	4.25	4.00
Well defined Safety Program and Disinfecting Protocol	10.00	7.43	-	6.03	7.45	8.13	9.25	8.48	8.63	7.70	9.00	5.08	4.33	5.08	8.03	7.28
SUBTOTALS: NARRATIVE POINTS	40.00	30.40	-	26.58	24.98	30.03	33.73	31.45	31.45	32.68	30.03	23.38	26.75	25.78	33.65	30.05

* = Did not score the minimum 30 points

**=Non-responsive

SHEET 2

City of Morgan Hill Janitorial Services RFP:
BID PRICING AMOUNTS

	BID PRICING															
Item	Price from Lowest Bidder	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Base Bid: Janitorial Services	747,800.00	1,184,587.80	-	-	-	1,203,105.54	759,332.00	1,361,338.00	820,084.00	747,800.00	764,712.00	-	-	-	1,287,588.00	802,340.00
Bid Alt #1: Playhouse After Performance Cleaning	45.00	200.00	-	-	-	45.00	67.50	150.00	90.00	250.00	60.00	-	-	-	139.00	99.00
Bid Alt #2: Council Chamber Sunday Only Service	235.00	5,805.00	-	-	-	235.00	419.25	825.00	390.00	480.00	480.00	-	-	-	760.00	910.00
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	27.00	50.00	-	-	-	27.50	32.50	57.00	30.00	28.00	29.95	-	-	-	27.00	35.95
Bid Alt #5: Magical Bridge Playground Restrooms	400.00	6,000.00	-	-	-	1,050.00	1,467.50	2,259.00	400.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00
Bid Alt #6: Magical Bridge Playground and Parking Lot	800.00	6,500.00	-	-	-	1,350.00	1,505.00	4,800.00	800.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00
Bid Alt #7: All Facilities- Additional Carpet Cleaning	32.00	50.00	-	-	-	55.00	47.50	57.00	35.00	32.00	35.00	-	-	-	43.00	45.00
Bid Alt #8: All Facilities-On-Call Janitorial Services	27.00	50.00	-	-	-	45.00	47.50	57.00	30.00	40.00	29.95	-	-	-	27.00	37.95

Attachment: Janitorial RFP Scoring Summary_102720 (2857 : Janitorial Services Agreement)

SHEET 3

City of Morgan Hill Janitorial Services RFP:
BID PRICING POINTS and GRAND TOTAL PROPOSAL POINTS

	BID PRICING SCORING (60 points)															
Item	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Base Bid: Janitorial Services	50.00	31.56	-	-	-	31.08	49.24	27.47	45.59	50.00	48.89	-	-	-	29.04	46.60
Bid Alt #1: Playhouse After Performance Cleaning	1.00	0.23	-	-	-	1.00	0.67	0.30	0.50	0.18	0.75	-	-	-	0.32	0.45
Bid Alt #2: Council Chamber Sunday Only Service	1.00	0.04	-	-	-	1.00	0.56	0.28	0.60	0.49	0.49	-	-	-	0.31	0.26
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	1.00	0.54	-	-	-	0.98	0.83	0.47	0.90	0.96	0.90	-	-	-	1.00	0.75
Bid Alt #5: Magical Bridge Playground Restrooms	1.00	0.07	-	-	-	0.38	0.27	0.18	1.00	0.27	0.40	-	-	-	0.30	0.20
Bid Alt #6: Magical Bridge Playground and Parking Lot	1.00	0.12	-	-	-	0.59	0.53	0.17	1.00	0.53	0.81	-	-	-	0.60	0.40
Bid Alt #7: All Facilities- Additional Carpet Cleaning	1.00	0.64	-	-	-	0.58	0.67	0.56	0.91	1.00	0.91	-	-	-	0.74	0.71
Bid Alt #8: All Facilities-On-Call Janitorial Services	3.00	0.64	-	-	-	0.71	0.67	0.56	1.07	0.80	1.07	-	-	-	1.19	0.84
SUBTOTALS: BID PRICING POINTS	59.00	33.84	-	-	-	36.33	53.45	29.99	51.58	54.23	54.23	-	-	-	33.51	50.22
GRAND TOTAL: NARRATIVE AND PRICING POINTS	99.00	64.24	-			66.35	87.18	61.44	83.03	86.91	84.25				67.16	80.27
		8				7	1	9	4	2	3				6	5

Point Score Calculation is Lowest bidder's price (on Sheet 2) divided by each Contractor's price (on Sheet 2) times the number of points available for the item.
For example, Firato Services's Base Bid Points are calculated: 747,800/759,332 X 50 points = 49.24 points

Attachment: Janitorial RFP Scoring Summary_distributed_102720 (2857 : Janitorial Services Agreement)



48834 Kato Road suite 109A Fremont, CA 94538
 ☎ Phone : (800) 388-8883 Fax: (510) 656-8301

October 29, 2020

City of Morgan Hill
 RFP for Annual Janitorial Services
 Bid #: CSD2021-006

To Whom It May Concern:

JLP Building Maintenance, LLC. regretfully and respectfully submits this bid protest to the RFP identified above. The purpose of this letter is to receive clarification from the deciding members as to how the tabulation for narrative was reached. As well as request a reconsideration based on the following:

1. The total point difference between Firato Service Co. and JLP Building Maintenance, LLC is .27 points. As seen in sheet 3 on notice of intent to award tabulation attachment. We would like to request as mentioned above clarification on point based system in the narrative and dispute scoring.
2. Firato Service Co. as mentioned in Addendum #3, has a history incurring service penalties during their contract period. Per City response to question 5 pertaining to the above "the current contractor has had penalties deducted therefore not receiving 100% of payment. There have been approximately five (5) warnings, three (3) level 2 deductions, and nine (9) level 3 deductions." Based on this in the narrative score, Firato Service Co. score would have been impacted more in item "previous experience providing superior level of janitorial service at like-sized public and/or private facilities" and "assessments of work quality, performance, and working relationships by current and recent clients." Allowing JLP Building Maintenance, LLC to surpass the .27 point difference previously mentioned. In addition, as stated in RFP page 16, Section 1-8 Outcome-based contract and inspection problem resolution process "The Contractor will be paid for work rated as "meets standards". Contractor will not be paid for work rated as "below standard" until conditions improve and rate as "meet standards" if the below standard work is attributed to neglect on the part of the Contractor. If an area does not meet City standards, it will be considered "below standard". Contractor will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the Contractor. City staff will work closely with Contractor's representatives to achieve the results described in the standards and inspection criteria. However, responsibility for meeting standards rests with the Contractor." Based on addendum response Firato Service Co. has reached many times what the city considers "below standard."
3. JLP also requests clarification as to whether or not being a local, headquartered in the City of Morgan Hill became a factor. Firato Service Co. is based/located in Morgan Hill. RFP does not state any SBA preference, Local. Etc.



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4. JLP received a phone call from the City on 10/27//2020 to inform and confirm receipt of notice of intent of award. They stated it came down to a \$10.00 difference for the swim meets which was for bid alternate #3. Email (intent of award) stated, "Responses were evaluated according to the criteria stated in the solicitation. Please note Bid Alternate #3 was not scored due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet cost. The total possible points awarded was 99 points instead of 100 points. Please see attached Scoring Summary." JLP did outperform Firato Service Co. per scoring summary for Bid Alternate #4 (Aquatics center swim meet dayporter services) which was considered with an hourly rate. JLP Building Maintenance, LLC scored 0.96 and Firato Service Co. a 0.83. Bid Alternate #3 should not have been considered the deciding factor between both contractors.

JLP Building Maintenance, LLC. firmly believes it is a more qualified candidate to service the City of Morgan Hill. Currently contracted to perform very similar duties for other clients of similar size, both public and private. Thank you for your time and consideration.

 10/29/2020
 Stephanie Clivio, COO

48834 Kato Rd. Suite 109A
 Fremont, CA 94538

(510) 656-8300 ext. 106

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

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ADDENDUM NO. 3

DATE: September 14, 2020

TO: ALL RESPONDING PARTIES TO THE RFP FOR
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. The following language is added to the Request for Proposals (RFP):

In submitting a bid, Contractor understands and agrees that the services shall be provided in accordance with all applicable laws, including but not limited to the Displaced Janitor Opportunity Act (California Labor Code §§ 1060 et seq.) and the California Property Service Workers Protection Act (California Labor Code §§ 1420 et seq.). A successor contractor or successor subcontractor shall retain, for a 60-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding four months or longer at the site or sites covered by the successor service contract unless the successor contractor or successor subcontractor has reasonable and substantiated cause not to hire a particular employee based on that employee's performance or conduct while working under the terminated contract.

2. Is the lights change included in the contract, is the day porter for Community & Cultural Center from 2 pm to 4pm Wednesday only ?

The actual light bulbs will be provided by the City, but it is the contractors responsibility to check and replace the lights on a daily basis.

CCC day porter requests can vary depending on events and usage in the facility. When large group gatherings are permitted to happen again the CCC will likely resume day porter services on Wednesdays starting at 2pm and ending at 4pm. The City would work with the contractor on adding this service if/when it resumes

3. Can you provide current janitorial staffing numbers for each location from current contractor and if you feel this is sufficient?

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



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Based on City staff observations, each site typically has two (2) staff that provide service. It is up to the contractor as to how they choose to staff each site based on the scope of work. It is less about the number of staff and more about the quality of work performed on a nightly basis, and completing work in the time allocated (or before facility opens back to the public).

4. Has the city had to hire an outside service provider to correct work of the incumbent causing a deduction of the monthly contract price? (Section 1-5: Corrective Work)

No, the City has not had to hire an outside contractor to correct any work.

5. Has the current incumbent incurred any service penalties during the contract period? If so, how many and what level 1,2, or 3? Was the incumbent ever not paid 100% of the monthly contract price? (Section 1-8: Outcome-based Contract and Inspection Problem Resolution Process)

Yes, the current contractor has had penalties deducted therefore not receiving 100% of payment. There have been approximately five (5) warnings, three (3) level 2 deductions, and nine (9) level 3 deductions.

6. Has the incumbent ever been back charged for nonperformance? (Section 1-9: Services Not Performed)

No, the current contractor has not been back charged for nonperformance.

7. How many staff are currently employed for the janitorial crew? Is this number of staff sufficient for completing the work? How many full-time and part-time employees are there?

Per City staff observations, per site there are typically two (2) janitorial staff that come in each night. The City does not dictate the amount of staff, but focuses on the quality of work based on the scope of work for each facility and whether it is completed in the window of time allowed. The Centennial Recreation Center has the shortest window because it closes at 10 p.m. and opens again at 4:30 a.m. It is up to the awarded contractor as to how they want to staff a facility to successfully perform the scope on a nightly basis. In the current contract some janitorial crews work at multiple sites.

The City of Morgan Hill does not have access to the information regarding the number of full-time and part-time employees. The current service provider provides staffing sufficient to complete the work, and is compensated on a monthly basis for services performed as described in the schedule previously provided in Addendum #2.



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8. What is the total yearly cost for the current contract?

The total yearly cost for the current contract is a not to exceed amount of \$440,429.50. This consists of the janitorial base bid services of \$376,687.00 and a total allowance of \$63,742.50 for the following as-needed services:

Council Chamber Sunday Only Cleanings	\$ 5,805.00
Playhouse After Performance Cleanings	\$ 8,437.50
Police Dept. On-Call Services	\$ 4,500.00
Downtown Parking Garage Extra Cleanings	\$12,500.00
Aquatics Center Additional Swim Meets	\$12,500.00
City Facilities – Additional Carpet Cleaning	\$10,000.00
City Facilities – Misc. Facility Extras	\$10,000.00
TOTAL FOR AS-NEEDED SERVICES	\$63,742.50

9. Do all the janitors need to be background checked?

Yes, all the janitors need to complete background checks.

10. For the background check, it states that the background check may be performed at the Police Department site. This brings the question; can the background check be performed where we chose? If I'm not mistaken, currently the City pays \$35 and the contractor pays \$15. For Morgan Hill, would the contractor pay in full a total of \$83?

Yes, you can have the background check performed at locations other than the City of Morgan Hill Police Department, but the background checks must include a Department of Justice and FBI background check. The estimated cost to complete a background check at the Morgan Hill Police Department is \$69.

11. Is the Police Department the only location requiring a background check?

No, all city facilities/locations require background checks for janitorial staff.

12. If the current staff stays on will they need background checks again?

Yes, per the Morgan Hill Police Department, new background checks will be required of current staff that stays on. Background checks are not sharable, they are valid only for the company that requested them.

13. Who is the current vendor?



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The current vendor is Firato Service Company, Inc.

14. Will the incumbent be bidding on this RFP?

Yes, we anticipate that the incumbent will be bidding on this RFP.

15. Is the current incumbent a union or non-union provider?

The current incumbent is a non-union provider.

16. When will the new contract start?

The new contract starts on January 1, 2021.

17. Where can we find a copy of the addendums?

Addendums are posted on the City website at <https://www.morgan-hill.ca.gov/bids.aspx?bidID=351> and at www.publicpurchase.com

18. California law regarding no janitor left behind-if you switch service providers, we are required to hire the current staff. This is not union, but are you requiring living or prevailing wages? Are you able to provide wage rates and current incumbent information?

While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wage rates or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

The DIR does not provide a State prevailing wage for janitorial services, and the City of Morgan Hill does not have a living wage ordinance or policy.

The City is only able to provide the current fee schedule as previously produced in Addendum #2.

19. What is the minimum wage in Morgan Hill?

For employees and businesses in Morgan Hill there is no local ordinance for minimum wage. Minimum wage in Morgan Hill is based upon the State of California minimum wage. https://www.dir.ca.gov/dlse/faq_minimumwage.htm



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Date	Minimum Wage for Employers with 25 employees or less	Minimum Wage for Employers with 26 employees or more
January 1, 2021	\$13.00 per hour	\$14.00 per hour
January 1, 2022	\$14.00 per hour	\$15.00 per hour

20. If the wage rates could be provided that would help in being able to compare apples to apples, otherwise only the current incumbent knows the current pay wages. If a new service provider is chosen, we will have to provide those same rates to the current staff.

The City is only able to provide the fee schedule as previously produced in Addendum #2. While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wages or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

21. Does the current contractor provide health benefits?

The City does not have access to this information, and the City does not require any specific benefits be provided.

22. What is a disinfecting protocol?

This is dependent upon what product you are using for cleaning services and what the dwell time is. We regularly use "Strikebak" at our facilities, which has a dwell time of 10 minutes. We follow the label's instructions on the product and that's how City staff disinfects throughout the day and also the fitness equipment.

23. Each contractor proposes an independent disinfecting protocol?

It is up to each contractor how they want to perform their disinfecting at each facility as long as they follow the scope that we provided in the RFP.

24. On the Subcontractor List submittal are we obligated to fill in any subcontractor even if we are not going to use them?

No, if you do not have any subcontractors, please state "Not Applicable," on the Subcontractor List form.

25. Do you provide consumable products?

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



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Yes, the City provides all the consumable products (toilet paper, urinal cartridges, paper towels, soap, light bulbs, etc.)

26. Are the picnic tables at the Aquatics Center included in the pressure washing schedule?

Yes, under Section 5-6, "Pressure wash picnic area (tables & ground) and ground directly in front of the concessions stand and BBQ areas. During the off-season this occurs one (1) time per month and daily during summer season.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.

Contractor's Representative

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)

SHEET 1

City of Morgan Hill Janitorial Services RFP:

NARRATIVE SCORING POINTS

ITEM	NARRATIVE SCORING (40 points)															US Metro Group
	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karia's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	
Previous Experience providing superior level of Janitorial service at like-sized public and/or private facilities.	10.00	7.15	-	5.15	6.95	7.78	7.90	8.15	7.50	7.53	8.20	3.88	5.85	5.50	9.13	6.03
Assessments of work quality, performance and working relationships by current and recent clients	15.00	11.75	-	12.50	6.50	10.00	12.25	10.75	11.25	13.38	8.75	11.75	13.50	11.75	12.25	12.75
Qualifications of staff to be assigned to provide Janitorial services to the City	5.00	4.08	-	2.90	4.08	4.13	4.33	4.08	4.08	4.08	4.08	2.68	3.08	3.45	4.25	4.00
Well defined Safety Program and Disinfecting Protocol	10.00	7.43	-	6.03	7.45	8.13	9.25	8.48	8.63	7.70	9.00	5.08	4.33	5.08	8.03	7.28
SUBTOTALS: NARRATIVE POINTS																
	40.00	30.40	**	26.58	24.98	30.03	33.73	31.45	31.45	32.68	30.03	23.38	26.75	25.78	33.65	30.05

* = Did not score the minimum 30 points

**=Non-responsive

SHEET 2

City of Morgan Hill Janitorial Services RFP:
BID PRICING AMOUNTS

		BID PRICING															
Item	Price from Lowest Bidder	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Kara's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group	
Base Bid: Janitorial Services	747,800.00	1,184,587.80	-	-	-	1,203,105.54	759,332.00	1,361,338.00	820,084.00	747,800.00	764,712.00	-	-	-	1,287,588.00	802,340.00	
Bid Alt #1: Playhouse After Performance Cleaning	45.00	200.00	-	-	-	45.00	67.50	150.00	90.00	250.00	60.00	-	-	-	139.00	99.00	
Bid Alt #2: Council Chamber Sunday Only Service	235.00	5,805.00	-	-	-	235.00	419.25	825.00	390.00	480.00	480.00	-	-	-	760.00	910.00	
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	27.00	50.00	-	-	-	27.50	32.50	57.00	30.00	28.00	29.95	-	-	-	27.00	35.95	
Bid Alt #5: Magical Bridge Playground Restrooms	400.00	6,000.00	-	-	-	1,050.00	1,467.50	2,259.00	400.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00	
Bid Alt #6: Magical Bridge Playground and Parking Lot	800.00	6,500.00	-	-	-	1,350.00	1,505.00	4,800.00	800.00	1,500.00	992.00	-	-	-	1,326.00	2,000.00	
Bid Alt #7: All Facilities- Additional Carpet Cleaning	32.00	50.00	-	-	-	55.00	47.50	57.00	35.00	32.00	35.00	-	-	-	43.00	45.00	
Bid Alt #8: All Facilities-On-Call Janitorial Services	27.00	50.00	-	-	-	45.00	47.50	57.00	30.00	40.00	29.95	-	-	-	27.00	37.95	

SHEET 3

City of Morgan Hill Janitorial Services RFP:
 BID PRICING POINTS and GRAND TOTAL PROPOSAL POINTS

BID PRICING SCORING (60 points)																
Item	Points Available	Aim to Please Janitorial	Allied Universal	Building Maintenance Services	Central Maintenance Co.	Express Facility Management	Firato Service Co.	Imperial Maintenance Services	Impec Group	JLP Building Maintenance	Karla's Janitorial	Starblast	Tony Fraga Building	Tri-County Building	Universal Building	US Metro Group
Base Bid: Janitorial Services	50.00	31.56	-	-	-	31.08	49.24	27.47	45.59	50.00	48.89	-	-	-	29.04	46.60
Bid Alt #1: Playhouse After Performance Cleaning	1.00	0.23	-	-	-	1.00	0.67	0.30	0.50	0.18	0.75	-	-	-	0.32	0.45
Bid Alt #2: Council Chamber Sunday Only Service	1.00	0.04	-	-	-	1.00	0.56	0.28	0.60	0.49	0.49	-	-	-	0.31	0.26
Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bid Alt #4: Aquatics Center Swim Meet Day Porter Services	1.00	0.54	-	-	-	0.98	0.83	0.47	0.90	0.96	0.90	-	-	-	1.00	0.75
Bid Alt #5: Magical Bridge Playground Restrooms	1.00	0.07	-	-	-	0.38	0.27	0.18	1.00	0.27	0.40	-	-	-	0.30	0.20
Bid Alt #6: Magical Bridge Playground and Parking Lot	1.00	0.12	-	-	-	0.59	0.53	0.17	1.00	0.53	0.81	-	-	-	0.60	0.40
Bid Alt #7: All Facilities- Additional Carpet Cleaning	1.00	0.64	-	-	-	0.58	0.67	0.56	0.91	1.00	0.91	-	-	-	0.74	0.71
Bid Alt #8: All Facilities-On-Call Janitorial Services	3.00	0.64	-	-	-	0.71	0.67	0.56	1.07	0.80	1.07	-	-	-	1.19	0.84
SUBTOTALS: BID PRICING POINTS	59.00	33.84	-	-	-	36.33	53.45	29.99	51.58	54.23	54.23	-	-	-	33.51	50.22
GRAND TOTAL:	99.00	64.24	-	-	-	66.35	87.18	61.44	83.03	86.91	84.25	-	-	-	67.16	80.27
NARRATIVE AND PRICING POINTS	8	7	1	9	4	2	3	6	5							

Point Score Calculation is Lowest bidder's price (on Sheet 2) divided by each Contractor's price (on Sheet 2) times the number of points available for the item.
 For example, Firato Services's Base Bid Points are calculated: 747,800/759,332 X 50 points = 49.24 points

stated in this RFP. Contractor shall operate and maintain an e-mail address at which the City may send inspection reports largely consisting of photos taken of areas that the Service Provider maintains. The e-mail address must have sufficient capacity to accept numerous inspection reports from the City without delay or rejection.

The Contractor will be paid for work rated as "meets standards". Contractor will not be paid for work rated as "below standard" until conditions improve and rate as "meet standards" if the below standard work is attributed to neglect on the part of the Contractor. If an area does not meet City standards, it will be considered "below standard". Contractor will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the Contractor. City staff will work closely with Contractor's representatives to achieve the results described in the standards and inspection criteria. However, responsibility for meeting standards rests with the Contractor.

The Contractor shall be responsible for janitorial services as described in this document and per the maintenance standards stated in this RFP. The cost of maintaining the areas shall be included in the base bid unless otherwise called out as "extra work" in this Request for Proposals.

During the first three (3) months of the contract (unless the current Contractor is the successful Contractor), the Contractor will receive one hundred percent (100%) of the monthly contract payment. During this period, Contractor will inspect the sites at least monthly and will discuss inspections with City. This process and time frame will allow the Contractor time to become familiar with the individual locations. Following this period, the Contractor shall perform quality assurance inspections a minimum of every month, or more frequently if deemed necessary by the Contractor.

The Contractor will provide electronic versions of the monthly inspections to the City by the 10th of the following month as to each site's compliance with City standards. An action plan with deadlines must be provided to the City to indicate when corrections will be made if an area is deemed "below standard". Failure to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the Contractor if any scheduled use, (including, but not limited to, special events or recreation programs) of City facilities are impacted by neglect on the Contractor's part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the Contractor for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

The City will perform inspections and prepare reports weekly, which will be e-mailed to the Contractor. The first time a site fails to meet City Standards per the weekly inspections, the Contractor will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will be incurred. If a site is not brought back into compliance within the allotted timeframe the following penalties will occur:

1. First Penalty: Contractor to receive warning.

Morgan Hill Notice of Intent to Award to Firato Service Company

Cynthia Iwanaga <Cynthia.Iwanaga@morganhill.ca.gov>

Tue 10/27/2020 2:13 PM

To: sclivio jlpbuilding.com <sclivio@jlpbuilding.com>

📎 1 attachments (125 KB)

Janitorial RFP Scoring Summary_distributed102720.pdf;

October 27, 2020

City of Morgan Hill

NOTICE OF INTENT TO AWARD TO FIRATO SERVICE COMPANY

Request for Proposals (RFP) # and Title: **CSD2021-006 – Annual Janitorial Services**

Due Date and Time: **October 8, 2020 @ 11:00 a.m.**

A response to the solicitation was submitted by:

**Aim to Please Janitorial Services, Inc.
Allied Universal Janitorial Services
Building Maintenance Services Inc.
Central Maintenance Co.
Express Facility Management
Firato Service Company, Inc.
Imperial Maintenance Services, Inc.
Impec Group
JLP Building Maintenance, LLC
Karla's Janitorial Services and Suppliers
Starblast
Tony Fraga Building Service, Inc.
Tri County Building
Universal Building Services
US Metro Group, Inc.**

Responses were evaluated according to the criteria stated in the solicitation. Please note Bid Alternate #3 was not scored due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet cost. The total possible points awarded was 99 points instead of 100 points. Please see attached Scoring Summary.

We intend to award a contract at the November 18, 2020 City Council meeting to:

Firato Service Company, Inc.

Thank you for your time and efforts in preparing a response to this solicitation. Please e-mail me if you would like additional information or have any questions about the evaluation process.

Any protests of this decision must be submitted electronically in writing to the City Attorney's Office at cynthia.hasson@morganhill.ca.gov before 5 p.m. no later than two (2) working days after the issuance of this

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)

Notice of Intent to Award. The protest must be in writing, clearly identify the RFP number and title, and detail the nature of the protest.

The successful company is instructed not to begin work, purchase materials, or enter into subcontracts relating to the services until both the recipient and City sign the contract.

We appreciate your interest in doing business with the City of Morgan Hill.

Sincerely,

Cynthia Iwanaga
Management Analyst
E-mail: cynthia.iwanaga@morganhill.ca.gov

Attachment: JLP_Maintenance_Bid_Protest_Letter (2857 : Janitorial Services Agreement)



CITY ATTORNEY'S OFFICE
CITY OF MORGAN HILL
17575 PEAK AVENUE
MORGAN HILL, CA 95037
TEL: 408-779-7271
FAX: 408-779-1592
WWW.MORGANHILL.CA.GOV

November 2, 2020

Via e-mail only to Stephanie Clivio at sclivio@jlpbuilding.com

Ms. Stephanie Clivio, COO
JLP Building Maintenance, LLC
48834 Kato Road, Suite 109A
Fremont, CA 94538

Dear Ms. Clivio:

On October 29, 2020, the City Attorney's Office for the City of Morgan Hill received a bid protest from JLP Building Maintenance, LLC for the Annual Janitorial Services Request for Proposals (RFP) requesting clarification from the deciding members (review committee) as to how the tabulation for the narrative was reached, local preference and bid alternate #3. After conferring with the maintenance team of the Community Services Department, the following is the response.

Questions #1 and #2: The protest alleges that Firato Service Company's score should have been impacted in the narrative scoring of "previous experience providing superior level of janitorial service at like-sized public and/or private facilities," and "assessments of work quality, performance, and working relationships by current and recent clients," due to the response to question #5 in Addendum #3 stating the current incumbent's incurred service penalties during the current contract period.

Response: Although Firato Service Company had instances of not meeting standards, this does not mean that the City was not satisfied with their level of service. The purpose of the City's outcome-based contract and inspection problem resolution process is to notify janitorial service providers when they need to bring their work up to City standards and to give them an opportunity to bring their work up to City standards. When Firato Service Company has been notified that their work was below standard, they have always responded by bringing their work up to City standards and satisfying City requests. The City review committee has thoroughly reviewed and evaluated each proposal received, and the four reviewers rated Firato accordingly.

Question #3: JLP requested clarification as to whether or not being a local business, headquartered in the City of Morgan Hill was a factor since Firato Service Company is based/located in Morgan Hill.

Response: No, local preference was not a factor. Local preferences were not provided to Firato Service Company

Questions #4: Clarification regarding scoring of Bid Alternate #3

Response: As stated in the Notice of Intent to Award, Bid Alternate #3 was not scored due to an inconsistency in the bid documents, which inadvertently requested pricing both as an hourly rate and as a per swim meet cost. It was not considered a deciding factor as to whether to award to JLP Maintenance or Firato Service Company. In the phone call with JLP, City staff did state that if the pricing for Bid Alternate #3 had been scored, it would not have changed the #1 and #2 rankings of Firato Service Company and JLP Maintenance as Firato Service Company had bid \$390 per swim meet and JLP Maintenance had bid \$400 per

November 2, 2020
Response to JLP Protest
Page 2

meet. Bid Alternate #3 is not included in the proposed agreement with Firato Service Company.

The Janitorial RFP provided that the "winning proposal will be selected based on the total combined points scored by those proposals receiving 30 points or more on the Qualifications, Experience, References and their corresponding points for Janitorial Service Costs." Firato Service Company had the highest combined score of those proposals receiving 30 points or more. The City staff will be recommending to the City Council denial of the protest and award of the contract to Firato Service Company.

Sincerely,

Cynthia L. Hasson

Cynthia L. Hasson
Assistant City Attorney

Attachment: Response to JLP Protest Letter (2857 : Janitorial Services Agreement)

SERVICE AGREEMENT
Firato Service Company, Inc.
Annual Janitorial Services and Extra Services

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

1. **City Authority**. This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. **Term of Agreement**. This Agreement shall cover services rendered from the Effective Date of this Agreement until December 31, 2022 at which time SERVICE PROVIDER'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum of three one-year extensions. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service**. The services to be performed by SERVICE PROVIDER shall be annual janitorial services and extra janitorial services as further described in **Exhibit A**.
4. **Compensation**. SERVICE PROVIDER shall be compensated as follows:
 - 4.1. **Amount**. \$874,332.00. Total compensation to SERVICE PROVIDER under this Agreement during its initial term set forth in Section 2 above shall not exceed Eight Hundred Seventy-Four Thousand Three Hundred Thirty-Two dollars and shall be billed based on the rate and basis set forth in **Exhibit B**. If the City Manager extends the term of this Agreement pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to SERVICE PROVIDER during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for each subsequent extended one-year term exceed 105% of the maximum compensation allowed to be paid to SERVICE PROVIDER for one year of service during the immediately preceding prior year of service.
 - 4.2. **Billing**. SERVICE PROVIDER shall provide CITY with an invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by SERVICE PROVIDER on a monthly basis unless otherwise specified in Exhibit B. All invoices shall be sent to the CITY addressed to the department head or project manager identified below in Section 14 Notices. Payment will be made to SERVICE PROVIDER within thirty (30) days of receipt of invoice by CITY. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.

Attachment: Firato_Service_Co_Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

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

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

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

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

7. **Hazardous Materials.** Without limiting any other requirement or obligation of SERVICE PROVIDER under this Agreement, if SERVICE PROVIDER needs to use any material or chemical considered to be a hazardous material under any federal, state or local law, regulation or policy, SERVICE PROVIDER agrees to fully and timely abide by and comply with all laws, regulations and policies pertaining to the use, transport, removal, handling, disposal or other activity related to any and all such materials or chemicals. Prior to

commencement of work or services under this Agreement, SERVICE PROVIDER shall provide CITY with a complete list of the hazardous materials SERVICE PROVIDER reasonably anticipates it may need to use to provide the services of SERVICE PROVIDER under this Agreement, together with the reasonably anticipated quantities thereof, if requested by CITY.

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

8.1. **Insurance Types and Amounts.**

- 8.1.1. Commercial General Liability (CGL). SERVICE PROVIDER shall maintain CGL against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater.
- 8.1.2. Automobile Liability. SERVICE PROVIDER shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if SERVICE PROVIDER does not own automobiles, then SERVICE PROVIDER shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater.
- 8.1.3. Workers’ Compensation Insurance and Employer’s Liability. SERVICE PROVIDER shall maintain Workers Compensation coverage, as required by law, in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER’s combined insurance policies (including any excess or “umbrella” policies), whichever is greater. If SERVICE PROVIDER is self-insured, SERVICE PROVIDER shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.
- 8.1.4. Pollution (Environmental) Liability. If the performance of SERVICE PROVIDER’s work or service under this Agreement involves hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials, SERVICE PROVIDER shall procure and maintain Pollution Liability covering the SERVICE PROVIDER’S liability for bodily injury, property damage and environmental damage resulting from pollution and related cleanup costs arising

out of the work or services to be performed under this Agreement. Coverage shall be provided for both work performed on site, as well as during the transport of hazardous materials. Such coverage shall be in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

8.1.5. Professional Liability.

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

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

8.1.6. Sexual Abuse/Molestation Liability (SML): If the performance of SERVICE PROVIDER's work or service under this Agreement involves contact with minors, SERVICE PROVIDER shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) two hundred thousand dollars (\$200,000.00) each claim, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

8.2. **Endorsements.** SERVICE PROVIDER shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

8.2.1. General Liability and pollution liability (when pollution liability applies).

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

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

8.2.1.3. insurance shall be primary non-contributing.

8.2.2. Workers Compensation.

If the performance of SERVICE PROVIDER'S work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, SERVICE PROVIDER'S presence during site visits and meetings, then insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

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

8.4. **Certificates.** SERVICE PROVIDER shall furnish CITY of Morgan Hill with copies of all certificates as outlined herein, whether new or modified, promptly upon receipt. In the event of a claim or legal action, CONSULTANT shall promptly furnish CITY of Morgan Hill with copies of all policies outlined herein. No policy subject to the SERVICE PROVIDER's agreement with the CITY shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein

Certificate Holder address:

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

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

10. **Compliance with Law.**

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

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

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

Judgments or Decisions During Term of Contract: If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that SERVICE PROVIDER or any subcontractor it employs to perform work under this Agreement has violated any applicable wage and hour law, or SERVICE PROVIDER learns of such a judgment, decision, or order that was not previously disclosed, SERVICE PROVIDER shall inform the City Attorney, no more than fifteen (15) days after the judgment, decision or order becomes final or of learning of the final judgment, decision or order. SERVICE PROVIDER and its subcontractors shall promptly satisfy and comply with any such judgment, decision, or order, and shall provide the City Attorney with documentary evidence

of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. CITY reserves the right to require SERVICE PROVIDER to enter into an agreement with CITY regarding the manner in which any such final judgment, decision, or order will be satisfied.

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

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

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

11. **Independent Contractor.** SERVICE PROVIDER is an independent contractor and not an agent or employee of CITY.
12. **Confidentiality.** All data, documents, or other information received by SERVICE PROVIDER from CITY or prepared in connection with SERVICE PROVIDER'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by SERVICE PROVIDER without prior written consent by CITY.
13. **Conflict of Interest and Reporting.** SERVICE PROVIDER shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
14. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of SERVICE PROVIDER is as follows:

Firato Service Company, Inc.
17485 Monterey Road, Suite 200
Morgan Hill, CA 95037

Address of CITY is as follows:

Public Services Director	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	City of Morgan Hill
Morgan Hill, CA 95037	17575 Peak Avenue
	Morgan Hill, CA 95037

15. **Licenses, Permits and Fees.** SERVICE PROVIDER shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.
16. **SERVICE PROVIDER'S Proposal.** If applicable, this Agreement shall include SERVICE PROVIDER'S proposal or bid which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.
17. **Maintenance of Records.**
- 17.1. **Maintenance.** SERVICE PROVIDER shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. SERVICE PROVIDER shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then SERVICE PROVIDER shall retain said records until such action is resolved.
- 17.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the SERVICE PROVIDER and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.
- 17.3. **Ownership of Work Product.** All documents or other information developed or received by SERVICE PROVIDER for work performed under this Agreement shall be the property of CITY. SERVICE PROVIDER shall provide CITY with copies of these items upon demand or upon termination of this Agreement.
18. **Familiarity with Work.** By executing this Agreement, SERVICE PROVIDER represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should SERVICE PROVIDER discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at SERVICE PROVIDER'S risk, until written instructions are received from CITY.
19. **Time of Essence.** Time is of the essence in the performance of this Agreement.
20. **No Assignment.** Neither this Agreement nor any portion shall be assigned by SERVICE PROVIDER, without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.
21. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

22. **Defense and Indemnification.**

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

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

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

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

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

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

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

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

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

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

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[Signatures on Next Page]

Attachment: Firato_Service_Co._Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

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

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

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

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

ATTEST:

CITY OF MORGAN HILL

City Clerk/Deputy City Clerk

City Manager

Michelle Bigelow

Christina J. Turner

Print Name

Print Name

Date:

Date:

APPROVED AS TO FORM:

FIRATO SERVICE COMPANY, INC.

City Attorney

By:

President and

Donald A. Larkin

By:

Rich FIRATO - CEO

Print Name

Print Name and Title of Signer.

If Corporate: Chairman, President or Vice President

Date:

Date:

11/1/20

By:

By:

NILK FIRATO - Secretary

Print Name and Title of Signer.

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

Date:

11/1/20

Attachment: Firato Service Co. Service Agmt FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

**EXHIBIT A
SCOPE OF SERVICES**

Please see attached Scope of Services.

Attachment: Firato_Service_Co._Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

JANITORIAL - SCOPE OF SERVICES AND SPECIAL PROVISIONS

Introduction and General Information:

As of the effective Date of this Agreement, the City's janitorial service needs are limited or unnecessary as many City facilities are closed due to the COVID-19 pandemic. The City shall provide at least five (5) days' notice to Service Provider via a side letter as to which facilities and services described below are suspended or reinstated pursuant to section 5.2 of the Agreement.

1-1 SCOPE OF SERVICE The Contractor shall furnish all labor, equipment, cleaning solutions, and other services required to satisfactorily perform the janitorial services required to the Facilities as outlined in this document.

Contractor understands and agrees that the services shall be provided in accordance with all applicable laws, including but not limited to the Displaced Janitor Opportunity Act (California Labor Code §§ 1060 et seq.) and the California Property Service Workers Protection Act (California Labor Code §§ 1420 et seq.)

The Contractor shall furnish the City within fifteen (15) days after approval of the contract, a work schedule showing the proposed dates and time of work for the locations shown on the proposal.

Janitorial Specifications are described in Sections 2 through 7.

1-2 Term is stated in Service Agreement

1-3 WORK HOURS The starting time for any, and all janitorial services, except for day porter services, shall be no earlier than the closing time for the facility and shall be completed prior to the opening of time for the next day unless otherwise noted.

- **Community and Cultural Center** Cleaning Hours must start at 10 p.m. Monday through Thursday and be completed by 6:00 a.m. Friday, Saturday and Sunday cleaning hours must start at midnight and be completed by 6:00 a.m.
- **Council Chamber Building** – Cleaning hours on Sundays, the building will close by 8:00 p.m. on Sunday and reopen Monday at 7:00 a.m.
- **Centennial Recreation Center** is an active facility on weekdays from 4:30 a.m. to 10:00 p.m., Saturday-Sunday from 6:30 a.m. to 8:00 p.m.
- **Dennis Kennedy Aquatics Center** is open weekdays from 5:00 a.m. to 8:00 p.m. (9:00 p.m. June through October), Saturdays from 7:00 a.m. to 12:00 p.m. (summer season to 6:30 p.m.), and Sundays 11:30 a.m. to 6:30 p.m. (summer season only). "Summer season" is the Wednesday prior to Memorial Day through the third weekend in August." See Section 5-19: Aquatics Center Summer Season Schedule on page 35. Cleaning hours need to take place when the facility is not open.
- **Corporation Yard** – Quarterly, Triannual and Semi-Annual Only. Work must be done between 5:00 p.m. and 5:00 a.m. Monday through Friday or anytime on the weekends.

- **Railroad Park** – Cleaning hours are from 12:00 a.m. to 7:00 a.m.
- **Downtown Parking Garage** - Cleaning hours are from 12:00 a.m. to 7:00 a.m.
- **City Hall/DSC Building**- Annual services to be coordinated with City Maintenance Staff (typically during the last week of December)
- **Information Services Department** – Cleaning hours are from 6:00 p.m. to 5:00 a.m.
- **Magical Bridge Playground** – Cleaning hours are from 12:00 a.m. to 7:00 a.m.
- **MH Police Department**- Building is open 24/7. Janitorial services should be performed between 6:00 p.m. and 5:00 a.m. Monday, Tuesday, Wednesday, Thursday and Saturday

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

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

1-4 WORKMANSHIP AND QUALITY LEVEL All work shall be performed by staff directly employed and supervised by the Contractor. The Contractor shall provide management and technical supervision through competent supervisors as required to provide the specified janitorial services. The Contractor shall be responsible for the skills, methods and actions of all employees, subcontractors and for all work done.

The Contractor shall cooperate with the representative authorized by the City to enable them to determine the Contractor's conformity with these specifications and the adequacy of the work being performed. The Contractor shall give personal supervision to the work and will meet with the Recreation Manager or designated City representative, a minimum of twice per month, at a schedule mutually agreed upon.

1-5. CORRECTIVE WORK The Contractor shall perform the work to the satisfaction, of the Recreation Manager or designated representative. Inspections may be made by the City any time and request from the Contractor corrective work. If corrective work is required, the City will provide a written list of items, the Contractor shall correct deficiencies as directed. If deficiencies are not corrected in a timely manner, the City may perform the work using others and deduct the cost from the Contractor's payment.

1-6. LOCATIONS Diagrams of the facility are provided as part of the contract specification.

1-7. JANITORIAL STANDARDS The contractor shall furnish all labor, materials, tools, cleaning supplies, services and special skills necessary for the provision of complete high-quality janitorial services from beginning to end of the contract. The work shall include all tasks needed to maintain the facilities, their furnishings and fixtures in sanitary condition and having an overall appearance of cleanliness and neatness.

- a. **Blinds:** Blinds shall be cleaned with a vacuum cleaner using tools designed for cleaning blinds.

Standard: Blinds shall be free of dust and give an overall clean appearance.

- b. **Chrome Surfaces:** Cleaning chrome requires the removal of surface spots, fingerprints, smudges, etc., with the appropriate chrome polish.

Standard: Surfaces will present a clean uniform shining appearance free of all soil, marks, smudges, streaks.

- c. **Damp Mopping:** Damp mopping requires the use of cotton or similar yarn type string mops (24 oz.) that have been mechanically wrung/squeezed to remove excess solution for purposes of removing light soil, dirt, liquid or other foreign material from a floor that does not require the complete mopping of the area or when the area is not soiled sufficiently to require wet mopping.

Standard: A damp mopped floor shall be free of all dirt, debris soil, liquids or other foreign material. All splash marks/spots on walls and furniture/fixtures shall be removed before completion of the damp mopping task. All items moved to accomplish this task shall be returned to their original positions. Mop and mop bucket need to be rinsed after each use.

- d. **Day Porters:** Day porters assigned to specific facilities as noted in agreement.

Standard: Day porters on duty at any facility shall be available to respond within twenty minutes of any of the contract locations to cleanup reported problems such as spills or accidents.

- e. **Disinfecting:** Disinfecting is the application of a germicidal solution to surfaces to kill or neutralize 99.9% of the material containing or supporting the growth of bacterial/viral organisms. Surfaces should remain "wet" for a minimum of 10 minutes or per manufacturer's recommendation.

Standard: Surfaces shall be as free of material containing living bacteria, viruses, or other contaminations that are capable of causing infections.

- f. **Dispenser Cleaning and Service:** Dispenser cleaning/service requires damp wiping dispensers with a disinfectant, checking/refilling of all towel, toilet tissue, seat covers, soap, or any other dispensers which may be identified by the Contract Administrator.

Standard: Dispensers will be disinfected, present a clean uniform shining appearance free of all soil, marks, smudges, streaks and will have an adequate supply of the applicable dispensed products.

- g. **Dusting:** Normal or low dusting includes all levels up to ten (10) feet in height. All high dusting will be above ten (10) feet high.

Standard: Items shall be free of any laden airborne materials, streaks, smudges, and cobwebs. Laden airborne matter shall be removed by either mechanical, chemical, or manual means. Devices, which merely displace or redistribute the matter, such as feather dusters, will not be used, unless treated to attract and hold the matter. All items moved to accomplish this task shall be returned to their original position.

- h. **Entrance Glass:** Cleaning of glass is cleaning the inside and outside glass surfaces and the surrounding boundary of the applicable entrance area.

Standard: Glass shall be free of streaks, smudges, fingerprints, etc. Surfaces surrounding the entrance shall be free of dirt, dust, fingerprints, and have a clean appearance.

- i. **Entrance Mats:** Carpet mats shall be vacuumed with a commercial vacuum before spot cleaning. Entrance mats made of rubber or polyester shall be swept, shaken, vacuumed or washed. Entrance mats shall be lifted, moved to remove soil and moisture

underneath, and replaced.

Standard: There shall be no dirt left on surfaces.

- j. **Fixtures:** Cleaning of restroom & kitchen fixtures and fountains require the removal of dust, dirt, debris, spots, stains, and smears from sinks, slop sinks, toilets, urinals, and fountains with a germicidal solution.

Standard: Fixtures will be disinfected and there shall be no dust, dirt, spots or debris on the fixtures.

- k. **Furniture:** Cleaning of furniture and tables requires dusting and/or damp wiping and disinfecting.

Standard: Surfaces are to be free of dirt, dust, debris, marks, and film.

- l. **Glass/Window:** Glass and window cleaning requires the removal of dirt, soil, smudges, fingerprints, and other foreign material from glass window, doors, partitions, or any other items, which may consist in whole or part of a glass, or similar material including mirrors.

Standard: Glass surfaces shall be free of all dirt, soil, smudges, streaks, smears, film, or any other foreign substances. All excess spray/solution must be removed from any surrounding trim or surfaces and glass/window surfaces shall have a uniformly bright appearance. Any items moved to accomplish this task must be returned to their original positions.

- m. **Policing:** Policing is picking up paper, trash, empty bottles, containers, and other discarded materials; spillages, accidents, plumbing failures, and inclement weather.

Standard: Area(s) being policed shall be free of debris. Area(s) shall present an overall clean appearance.

- n. **Polishing:** Polishing requires the use of a high-speed floor machine and a clean pad designed for polishing or buffing.

Standard: The floor should have a “non-yellowed” high-gloss appearance.

- o. **Receptacles and Cleaning:** Cleaning and disinfecting receptacles is defined as wiping or washing containers with a germicidal solution and replacing plastic liners.

Standard: Receptacles shall be considered properly cleaned when both the inside and outside are clean, free of stains, dried refuse and odors, and a plastic liner replaced, if necessary.

- p. **Refrigerators:** Requires cleaning outside surfaces, especially the handles with a germicidal detergent solution.

Standard: Outside surfaces shall present an overall clean appearance.

- q. **Restrooms:** Cleaning of restrooms requires the removal of trash, cleaning of floors, fixtures, urinals, toilets, receptacles, faucets, handles, dispensers, walls, partition stalls, and doors with a germicidal solution. All glass, chrome, and stainless-steel surfaces shall be cleaned and buffed to a shine.

Standard: Restrooms shall be considered properly cleaned when floors are mopped and fixtures, urinals, toilets, waste receptacles, wash basins, faucets, handles, dispensers, partition stalls, and doors are cleaned with a germicidal solution. All glass, chrome, and stainless-steel surfaces shall be cleaned and buffed to a shine, waste receptacles emptied, and dispensers refilled. Urinal cartridges changed as needed when not draining properly.

- r. **Safety Data Sheets:** Safety Data Sheets (SDS) must be provided for all chemicals used at each facility. SDS sheets must be updated on an annual basis.

Standard: Each facility will have designated location for SDS and will be maintained by the contractor.

- s. **Scrubbing:** Machine scrubbing requires the use of mechanized scrubbing/vacuum machines to be more aggressive than wet mopping; this may include large areas such as halls, lobbies, garages, ramps, or similar large areas which would otherwise require extensive labor to complete in a reasonable time period.

Standard: Machine scrubbing shall be held to the same quality standard as wet mopping and shall remove all scuff marks. Floor scrubbing shall not remove floor finish.

- t. **Shower Curtains:** Cleaning of curtains requires washing curtains with an approved cleaner that will eliminate fungus and green mold.

Standard: Washed with a germicidal solution with no mold and/or odor remaining.

- u. **Shower Stalls:** Cleaning of shower stalls is defined as the removal of soap scum, mold, stains, and odors from surfaces (including grout) and cleaning the entire enclosure with a germicidal solution or steam cleaning.

Standard: Walls, ceiling, enclosures, grout, and fixtures are cleaned with a germicidal solution and chrome is buffed to shine. There shall be no mold and/or odor remaining.

- v. **Shower Safety Mats:** Cleaning of mats requires washing mats with an approved cleaner that will eliminate fungus and mold.

Standard: Shower safety mats shall be considered properly cleaned when they are washed with a germicidal solution.

- w. **Spot Cleaning:** Spot cleaning requires the removal of dirt, soil, debris, liquids, stains, or other foreign materials from carpeted areas which can be accomplished by cleaning only the immediately affected area where cleaning the whole area would not be necessary. Spot cleaning may be accomplished by any of the methods contained herein and as dictated by the circumstances of the soiling. Carpet spots shall be removed immediately with an approved carpet cleaning solution in such a manner, which will not leave rings or discoloration.

Standard: Spot cleaning shall remove completely any evidence of the soiling which necessitated the cleaning and return the finish of the area affected to its pre-soiled condition without evidence of occurrence or cleaning.

- x. **Sweeping or Dust Mopping:** Sweeping/dust mopping requires the removal of loose dirt, dust, debris, and other foreign material through either manual or mechanized methods, as appropriate for the location and situation.

Standard: A swept area shall be free of all loose dirt, grit, lint, dust, debris, or other foreign material with no build up in corners, crevices, under or around furniture parts. All items moved to remove dirt shall be returned to their original location.

- y. **Trash/Waste Removal:** Trash/waste removal requires the collection of all materials, which have been placed into appropriate containers, and taken to a specified site for disposal.

Standard: All trash/waste and soiled liners shall be removed from all trash/waste containers, and a new trash/waste liner shall be fitted into all such containers.

- z. **Vacuuming:** Vacuuming requires the mechanical removal of loose dust, dirt, soil, debris, and other foreign material from carpeted floors and other items (e.g. couches, chairs, walls, curtains/drapes), which require this method of cleaning.

Standard: There shall be no evidence of any dust or dirt or any other loose foreign material. Materials shall be left in a lint free state. All items moved during this process shall be returned to their original positions.

- aa. **Wet Mopping:** Wet mopping requires the removal of built up dirt, soil, liquids, or other foreign materials from a floor using clean cotton or similar yarn type string mops (24 oz.) and mechanically wrung out so as to have sufficient neutral detergent and water solution or disinfecting detergent and water solution. This shall include rinsing if required or as recommended by the detergent manufacturer.

Standard: A wet mopped floor shall be free of all dirt, debris, soil, liquids, or other foreign material. It will present a uniform appearance free of streaks, smudges, heel marks, or any other marks, which can be reasonably removed through this cleaning method. All splash marks/spots on walls and furniture/fixtures shall be removed before completion of the wet mopping task. All items moved to accomplish this task shall be returned to their original positions.

1-8 OUTCOME-BASED CONTRACT AND INSPECTION PROBLEM RESOLUTION PROCESS

City will regularly inspect the Contractor's work and rate it according to the maintenance standards stated in this RFP. Contractor shall operate and maintain an e-mail address at which the City may send inspection reports largely consisting of photos taken of areas that the Service Provider maintains. The e-mail address must have sufficient capacity to accept numerous inspection reports from the City without delay or rejection.

The Contractor will be paid for work rated as "meets standards". Contractor will not be paid for work rated as "below standard" until conditions improve and rate as "meet standards" if the below standard work is attributed to neglect on the part of the Contractor. If an area does not meet City standards, it will be considered "below standard". Contractor will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the Contractor. City staff will work closely with Contractor's representatives to achieve the results described in the standards and inspection criteria. However, responsibility for meeting standards rests with the Contractor.

The Contractor shall be responsible for janitorial services as described in this document and per the maintenance standards stated in this RFP. The cost of maintaining the areas shall be included in the base bid unless otherwise called out as "extra work" in this Request for Proposals.

During the first three (3) months of the contract (unless the current Contractor is the successful

Contractor), the Contractor will receive one hundred percent (100%) of the monthly contract payment. During this period, Contractor will inspect the sites at least monthly and will discuss inspections with City. This process and time frame will allow the Contractor time to become familiar with the individual locations. Following this period, the Contractor shall perform quality assurance inspections a minimum of every month, or more frequently if deemed necessary by the Contractor.

The Contractor will provide electronic versions of the monthly inspections to the City by the 10th of the following month as to each site's compliance with City standards. An action plan with deadlines must be provided to the City to indicate when corrections will be made if an area is deemed "below standard". Failure to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the Contractor if any scheduled use, (including, but not limited to, special events or recreation programs) of City facilities are impacted by neglect on the Contractor's part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the Contractor for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

The City will perform inspections and prepare reports weekly, which will be e-mailed to the Contractor. The first time a site fails to meet City Standards per the weekly inspections, the Contractor will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will be incurred. If a site is not brought back into compliance within the allotted timeframe the following penalties will occur:

1. First Penalty: Contractor to receive warning.
2. Second Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the Contractor will be assessed a \$25 monthly deduction per deficiency.
3. Third Penalty: At the same site within (12) months of the First Penalty Assessment, the Contractor will be assessed a \$75 monthly deduction per deficiency.

The parties will observe the following progressive problem resolution process:

1. Written notice of the problem.
2. Field conference with City inspector and Contractor's field representative to identify problem and agree on solution as presented by Contractor.
3. Conference between City's representative and Contractor's principal.
4. Imposition of penalties and/or correcting defect at Contractor's cost.
5. Termination of Contract.

1-9. SERVICES NOT PERFORMED The City reserves the right to back charge the contractor for services not performed. If services are not performed as per the contract or schedule submitted, after 5-day notice to contractor of failure to perform, the City may then contract out the service and back charge the contractor cost plus 15%.

1-10. MATERIALS AND EQUIPMENT The Contractor shall, at all times, furnish and maintain equipment necessary to perform work under this contract. If equipment breaks down, the Contractor is responsible to complete the work within 24 hours. If the Contractor is unable to complete the work within that time period, the City may deduct the applicable portions, pro rata, from the payment to the Contractor.

The City will provide all light bulbs, toilet tissue, hand towels, paper seat covers, liquid soap for dispensers, and plastic trash can liners. Supplies will be inventoried and provided on a weekly basis to assigned custodial storage area.

The custodial contractor is to supply all cleansers, disinfectants, solvents, waxes, cleaning tools, equipment and any additional supplies that may be necessary for contractor to perform to contract specifications. In some cases, the City may require specific products to be used. The Recreation Manager or designee shall approve all cleaning products and solutions in advance of their use.

1-11. SAFETY & SECURITY The Contractor and staff shall follow all established safety procedures and shall take special care not to endanger the public in any way. All floors should be completely dry by the opening of facilities each day. The Contractor is responsible for the security of all doors at the conclusion of work in each room. All exterior doors should remain locked at all times. Interior doors that are found open or unlocked shall be left in the same position/condition in which they were found.

1-12. FINGERPRINTING AND BACKGROUND CHECKS All Contractor staff who will be working on City facilities during business hours or at the Police Station must pass a background check a State of California Department of Justice Criminal Records Check. The Record Check may be performed at the Morgan Hill Police Department located at: 16200 Vineyard Boulevard, Morgan Hill, CA 95037.

The Contractor is responsible for maintaining and updating background check information for their employees. The Contractor will be charged approximately \$83 per each employees' background check.

1-13. EMERGENCY SITUATIONS For medical or public safety emergencies occurring at the Facilities call 9-1-1. For all building maintenance emergencies (water leaks, etc.) contact the Maintenance Coordinator or designated staff to report the issue immediately (24-hours/day).

**Facility #1: COMMUNITY & CULTURAL CENTER AND PLAYHOUSE
17000 Monterey Road**

All work necessary for complete janitorial service including but not limited to the following:

2-1. MAIN RESTROOMS & CHILDREN'S PAVILION RESTROOMS

Main Building: (7 days/week)

Children's Pavilion: Sunday – Friday (no Saturday service)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean and disinfect all counters, fixtures and dispensers.
- h. Clean and disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

Restroom Information

Restrooms	Basins	Toilet Bowls	Urinals
Main Building Men's	4	4	3
Main Building Women's	4	8	0
CP Children's	1	1	0
CP Adult	1	1	0
Totals	10	14	3

800 square feet of restroom area (Tile and vinyl)

2-2. MEETING ROOMS, DANCE ROOM & HALLWAYS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Dust mop hardwood floors with fiber mop or approved treatment method.
- e. Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- f. Spot clean all carpets/floors, as necessary.
- g. Clean all entry/exit door windows inside and out.
- h. Clean and disinfect door handles with approved cleaner.
- i. Spot clean walls, mirrors and windows with approved cleaner.
- j. Dust wipe down, disinfect cabinets and countertops.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Clean all white boards.
- m. Spot clean, vacuum, and/or wipe down and disinfect tables, chairs, and lobby

- furniture in use.
- n. Dust all baseboards and sills.

2-3. HIRAM MORGAN HILL BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all trash from floors, including stage, and tables.
- d. Wipe down and disinfect all tables and chairs in the room.
- e. Sweep and then damp mop all non-carpeted areas with approved cleaner (including stage).
- f. Spot clean any stains/spills on all carpets/floors, as necessary.
- g. Disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods
- j. Dust all baseboards and sills.

2-4. EL TORO BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Disinfect door handles with approved cleaner.
- e. Spot clean walls and windows with approved cleaner.
- f. Spot clean and remove any gum, residue or stains from all areas with approved methods
- g. Wipe down/disinfect all tables and chairs in the room.
- h. Dust all baseboards and sills.

2-5. CHILDREN'S PAVILION – 6 days/week service (Sun – Fri)

- a. Clean restrooms per 2-1
- b. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- c. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- d. Sweep and then damp mop floors with approved cleaner.
- e. Spot clean floors, as necessary.
- f. Disinfect door handles and light switches with approved cleaner.
- g. Spot clean walls, mirrors and windows with approved cleaner.
- h. Dust, wipe down/disinfect cabinets and countertops.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods
- j. Wipe down/disinfect all tables and chairs.
- k. Dust all baseboards and sills.

2-6. KITCHEN – 5 days/week service (Tuesday, Wednesday, Friday, Saturday and Sunday)

- a. Empty wastebaskets and trash containers; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Clean and wipe down/disinfect cabinets and countertops.
- e. Wash out and disinfect basins and faucet handles with approved cleanser, rinse and dry; damp dry basin traps.
- f. Disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner.
- h. Disinfect door handles and light switches with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

2-7. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets, as necessary.
- f. Disinfect door handles and light switches with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust wipe down or vacuum all furniture, cabinets, and countertops.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods

2-8. PLAYHOUSE RESTROOM CLEANING – 2 days/week service (Wed & Sun)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all trash from floors, including stage, sound booth and theater seats.
- d. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- e. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- f. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- g. Urinal cartridges need to be changed as needed when not draining properly.
- h. Disinfect all counters, fixtures and dispensers.
- i. Disinfect door handles with approved cleaner.
- j. Replenish all paper supplies and soap dispensers.
- k. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- l. Hose/mop floors with disinfectant.
- m. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- n. Dust all sills and light fixtures.

2-9 MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days/week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. All doors and windows are to be checked, closed and locked securely.
- c. Report graffiti to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- d. Clean drinking fountains.
- e. Collect cardboard, flatten and place in recycle bins.
- f. Report location of all burnt out light bulbs to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- g. Spray buff floors in all restrooms
- h. Clean all ground level windows in hallway inside and out.
- i. Dust and/or wash interior walls (floor to ceiling) removing dust and debris.
- j. Dust and remove spider webs from the ceilings, windowsills, blinds, light fixtures, cabinets, crevices, counters, desks and open spaces.
- k. Apply tile cleaner/approved cleaner on restroom walls and tile surfaces.
- l. Remove all entry mats and clean pat down to remove dirt.
- m. Dust exterior of ceiling level vents.
- n. Spray buff classroom, dance room and El Toro room floors.
- o. Remove, clean and replace all light fixtures lower than 10 feet in height.
- p. Wipe down all door hinges.
- q. All compost material should be collected throughout the facility and placed in the green compost bins

2-10. BIMONTHLY SERVICES (Every other month)

- a. Shampoo, with truck mounted cleaning unit, carpeted areas in the Hiram Morgan Hill Room as well as the main hallway to the end of the restrooms bimonthly as scheduled with City Staff.

2-11. QUARTERLY SERVICES

- a. Shampoo, with truck mounted cleaning unit, all carpeted areas four times annually as scheduled with the City staff (Madrone, Machado, Staff Offices, and Hallway from the Restrooms to the end of the West Hallway.

2-12. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all vinyl floors per approved methods (CCC and Playhouse).
- b. Scrub and disinfect all tile and grout restroom floors (CCC and Playhouse)
- c. Remove all restroom floor drains, scrub clean and replace.
- d. Clean all windows inside and out for the entire facility. (Does not include high windows, in the El Toro Room, Hiram Morgan Hill Room and Playhouse.)

2-13. ANNUAL SERVICES

- a. Deep clean of the kitchen (Typically performed the last week of December)
 - i. Clean and degrease all stainless steel (except hood vents), all walls, doors/door frames, all ceiling tiles, tbar grids, light covers and fixtures, air vents, floor drains.
 - ii. Sweep and mop all floors
 - iii. Clean inside ovens
 - iv. Clean Stove tops

2-14. SPECIAL CLEANING SERVICES AT PLAYHOUSE FACILITY (AFTER PERFORMANCE CLEANING)
(Bid Alternate #1)

It is estimated that the playhouse will be scheduled 125 nights per year which will require cleaning services to be provided on an as needed basis. The use schedule of the facility will be provided by the 15th of the prior month. Late schedule additions may occur, with a minimum of 48 hours provided. Areas of cleaning include the lobby, seating area, entry, hallways, and restrooms.

- a. Clean restrooms per Section 2-8 (Playhouse Restroom Cleaning)
- b. Clean all litter/waste from seating area.
- c. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- d. Vacuum all carpeted areas.
- e. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- f. Spot clean all carpets/floors/theater seats, as necessary.
- g. Disinfect door handles with approved cleaner.
- h. Spot clean walls, mirrors and windows with approved cleaner.
- i. Dust, wipe down or vacuum all theatre seats, cabinets, and countertops.
- j. Wipe down banisters.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Wipe down all tables.
- m. Dust all baseboards and sills.
- n. Clean all entry/exit windows inside and out

2-15. COMMUNITY CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Vinyl	Hardwood	Tile	Laminate
<u>Main Building:</u>						
Hiram Morgan Hill Room	4594	3196				1398
Hallway btwn Hiram & Kitchen	360		360			
Main Hallways	3870	3870				
Kitchen	600					
Poppy Jasper Room	625		625			
Diana Murphy Room	625		625			
Miramonte Dance Room	780			780		
Office Areas	750	600	150			
Madrone Room	650	650				

Machado Room	400	400				
El Toro Room	1770			1770		
Restrooms	740				740	
Children's Pavilion	800		800			
Playhouse:						
Seating Area	1566	1566				
Entry	100				100	
Lobby	612	612				
Walkways	640		640			
Restrooms	400				400	
Dressing Rooms	120		120			
Dressing Rm Bathrooms	90				90	
Total for Rooms Needing Service	20,092	10,894	3,185	2,550	840	1,398
Restrooms	Basins	Toilet Bowls	Urinals			
Main Building Men's	4	4	3			
Main Building Women's	4	8	0			
Children's Pavilion (child)	1	1	0			
Children's Pavilion (adult)	1	1	0			
Playhouse Men's	2	2	2			
Playhouse Women's	2	5	0			
Playhouse Dress 1	1	1	0			
Playhouse Dress 2	1	1	0			
Totals	10	14	3			

2019 Facility Rental Information

	Days with Banquets	Days with Meetings
Hiram MH Room	172	205
El Toro Room	61	185

Facility #2: COUNCIL CHAMBERS 17555 Peak Avenue

All work necessary for complete janitorial service including but not limited to the following:

3-1. RESTROOMS AND MAIN BUILDING – Sunday Only **(Bid Alternate #2)**

- a. Empty wastebaskets and replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all

- stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Disinfect all counters, fixtures and dispensers.
- h. Disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Hose/mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

3-2. COUNCIL CHAMBERS, MEETING ROOMS, OFFICES AND HALLWAYS – Sundays Only
(Bid Alternate #2)

- a. Empty wastebaskets and recycle containers as needed; replaced liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Mop floors with disinfectant.
- e. Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- f. Spot clean/mop all carpets/floors, as necessary.
- g. Clean all entry/exit door windows inside and out.
- h. Disinfect door handles with approved cleaner.
- i. Spot clean walls, mirrors and windows with approved cleaner.
- j. Dust, wipe down or vacuum all furniture, cabinets and countertops.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Clean all white boards.
- m. Wipe down/disinfect all tables.
- n. Dust all baseboards and sills.

3-3. KITCHEN/BREAK ROOM – Sundays Only
(Bid Alternate #2)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Disinfect and wipe down cabinets, and countertops.
- e. Wash out basins with approved cleanser, rinse and dry, damp dry basin tramps.
- f. Disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner. Clean door handles with approved cleaner.
- h. Spot clean and remove any gum, residue or stains from all areas with approved methods.

3-4. SEMI-ANNUAL SERVICES (PERFORMED TWICE A YEAR)

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards
- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #3: CENTENNIAL RECREATION CENTER (CRC)
171 W. Edmundson Avenue

All work necessary for complete janitorial service including but not limited to the following:

4-1. ALL RESTROOMS & LOCKER ROOMS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out sinks with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Replace air fresheners in the West Wing and Senior Center restrooms monthly.

4-2. MAIN LOBBY/ADJACENT ROOMS & MAIN HALLWAYS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.

- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Clean and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-3. MULTI-PURPOSE ROOM & KITCHEN – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean/disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down and disinfect all tables and chairs in the room.

4-4. SENIOR CENTER AREAS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean/disinfect door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down/disinfect or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-5. TEEN CENTER ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor

- free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Dust, wipe down/disinfect or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls and windows with approved cleaner.
- g. Clean/disinfect door handles with approved cleaner.
- h. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-6. KIDS CLUB ROOM – service required 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Vacuum carpeted area of floor.
- e. Dust, wipe down/disinfect or vacuum all furniture including tables and chairs, cabinets, and countertops.
- f. Clean all entry/exit door windows inside and out.
- g. Wash out sink and drinking fountain with approved cleanser, rinse and dry.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-7. FITNESS ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors including under equipment and then damp mop floor with approved cleaner.
- d. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls, windows and mirrors with approved cleaner.
- g. Clean/disinfect door handles with approved cleaner.
- h. Clean and wipe down all drinking fountains
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-8. GYMNASIUM AND BOTH AEROBICS ROOMS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor

- free.
- c. Dust mop floor using a fiber mop or approved treatment.
- d. Clean bleachers and under bleachers.
- e. Scrubber should be used to clean the floors 3 times a week (Monday, Wednesday and Friday) and the other 4 should be wet mop using approved cleaner.
- f. Clean all entry/exit door windows inside and out.
- g. Spot clean walls, ground level windows and mirrors with approved cleaner.
- h. Clean/disinfect door handles with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-9. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

4-10 LIFEGUARD ROOM (Once a week)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- d. Clean all entry/exit door windows inside and out.
- e. Clean/disinfect door handles with approved cleaner.
- f. Spot clean walls and windows with approved cleaner.
- g. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- h. Replace burnt out light bulbs, as necessary.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods

4-11. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers located in enclosed patios and

inside the pool area are to be emptied as needed; replace plastic liners. Clean receptacles.

- c. All doors and windows are to be checked, closed and locked securely.
- d. Report graffiti to Centennial Recreation Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- e. Clean all drinking fountains.
- f. Collect cardboard, flatten and place in recycle bins.
- g. Scrub all tile floor areas using approved methods.
- h. Damp mop stained concrete floors with approved cleaner.
- i. Clean all ground level windows in Main Lobby inside and out.
- j. Dust and remove spider webs from the ceilings, windowsills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- k. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- l. Vacuum and spot clean all entry mats and clean floor below mats
- m. Vacuum all ground level vents and dust exterior of ceiling level vents.
- n. Wipe down all door hinges.
- o. Clean all ground level interior windowsills.
- p. Remove, clean and replace all light fixtures lower than 10 feet in height.
- q. Dust TV's and fans in Fitness, east hallway and Aerobics Rooms.
- r. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris.
- s. Wipe down/disinfect all tables and chairs in the room.
- t. All compost material should be collected throughout the facility and placed in the green compost bins

4-12. MONTHLY SERVICES

- a. Scrub, recoat and buff floors in the Multi-Purpose Room, Kitchen, Teen Center, and Kids Club Room
- b. Scrub, re-coat/wax and buff stained concrete floors using approved methods and material.

4-13. TRIENNIAL (Three times a year) SERVICES

- a. Clean all windows inside and out for the entire facility once each during the Summer, Fall and Spring seasons. (Includes high windows, in the Natatorium, Gym and other areas). Use approved cleaner to remove hard water spots.

4-14. QUARTERLY SERVICES

- a. Shampoo carpeted areas four times annually as scheduled with the City staff.
- b. Pressure wash all pavement at facility front entrance. Schedule with City staff.

4-15. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all linoleum floors per approved methods.
- b. Strip, wax, and buff all tile floors per approved methods in west wing restrooms, locker rooms, family changing rooms, hallway and senior center restrooms.
- c. Remove all floor drains, scrub clean and replace.

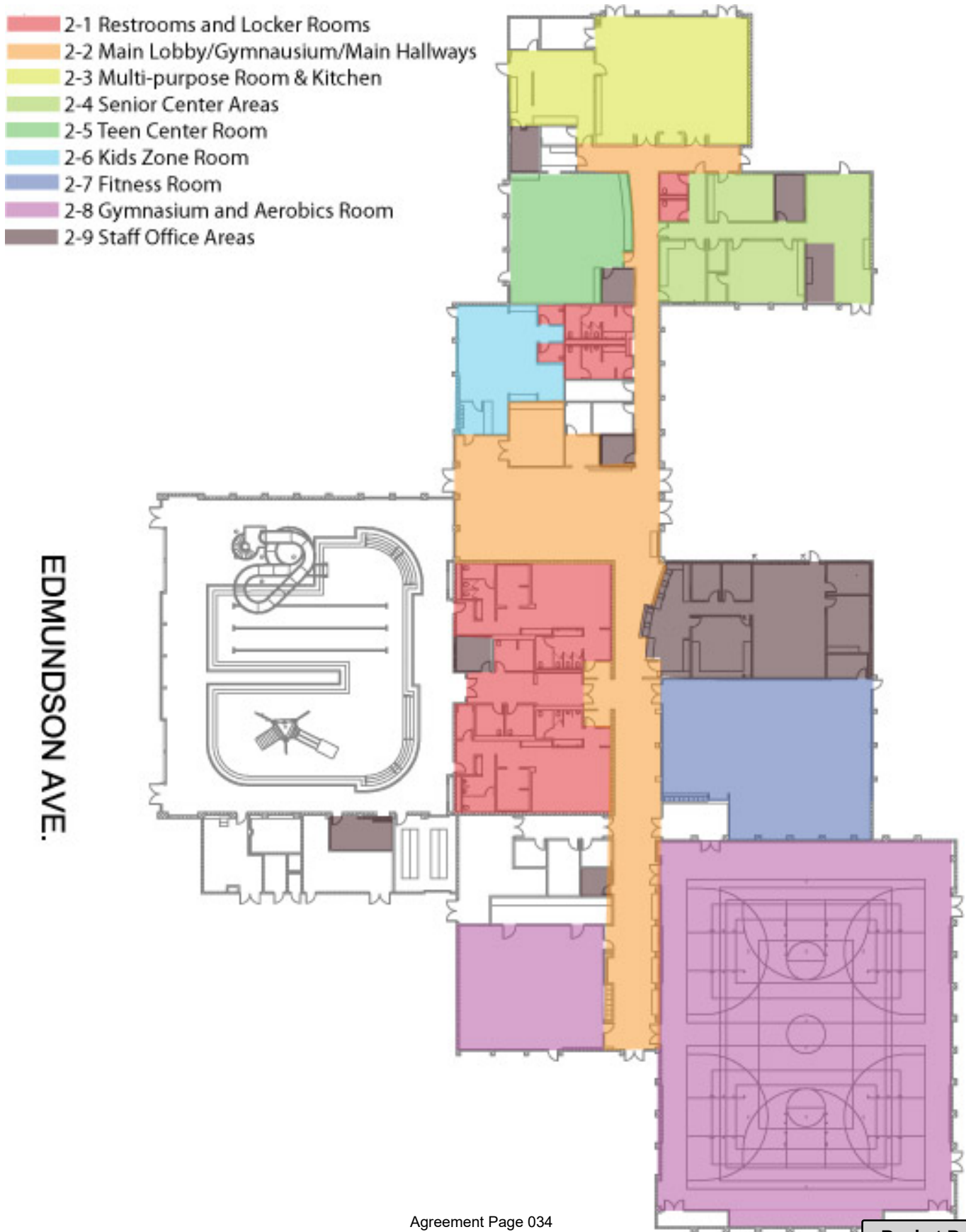
- d. Remove, dust, wash and replace all light fixtures.
- e. Dust and remove spider webs from walls, ceilings, windowsills, skylights, crevices, railings, etc. over 10 feet in height.

4-16 ANNUAL SERVICES

- a. Concrete floors to be striped and waxed annually using approved materials and methods.
- b. Strip, wax and clean the bottom row of baseboard tiles in the locker rooms and family changing rooms.

4-17. DAY PORTER SERVICES

- a. Day Porter Services to be provided by one male and one female custodian, Monday – Friday 11:00 a.m. – 1:00 p.m. and from 5:00 p.m. – 7:00 p.m. ; Saturday and Sunday 12:00 p.m. – 2:00 p.m. (These are starting and ending hours).
- b. Work to include: Clean and disinfect restrooms, restock dispensers, empty trash containers.
- c. Clean locker rooms
- d. Disinfect drinking fountains as needed
- e. Damp mop floors as needed
- f. Walk building for litter & debris, outside entrances and parking lot
- g. Clean entrance doorways and glass as needed.
- h. Spot clean walls and doors throughout facility.
- i. Day Porters must sign in and out each day at the front desk.

4-18. CRC SITE INFORMATION AND FACILITY DIAGRAM

Centennial Recreation Center Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Hardwood	Tile	Epoxy	Rub
Sr. Ctr. Lobby/Reception/Hallways	1127	1127						
Sr. Coord. Office	132	132						
Activity Room 1	464	464						
Activity Room 2	308	308						
Computer Room	277	277						
Sr. Ctr. Restrooms	112					112		
West Wing Hallways	1280		1280					
West Wing Restrooms	500					500		
Multi-Purpose Room	1796			1796				
Kitchen	623						623	
Nutrition Office	124			124				
Teen Juice Bar Area	88			88				
Teen Center	1401			1401				
Teen Coord. Office	109	109						
Main Lobby	2100	518	1582					
Membership Office	102	102						
Vending Alcove	103		103					
Party Room	331		331					
Kid Zone Room	970			970				
Kid Zone Restrooms	96					96		
East Wing Hallway	2020		2020					
Main Reception/Hallway	456	456						
Assoc. Exec. Office	104	104						
MSA Office	106	106						
Staff Work Room	359			359				
Staff Cubicles	812	812						
Facility Manager's Office	131	131						
Staff Break Room	241			241				
Locker Room Hall	310					310		
Men's Locker Room/Restrooms	1173					1173		
Women's Locker Room/Restrooms	1211					1211		
Family Changing Room 1	132					132		
Family Changing Room 2	94					94		
Family Changing Room 3	94					94		
Aquatics Office	122					122		
Lifeguard Break Room	204						204	
Fitness Room	3001							3001
Health & Fitness Dir. Office	91	91						
Gymnasium	10684				10684			
Aerobics Room	1753				1753			
New Aerobics Room	2610				2610			
Total for Rooms Needing Service		4737	5316	4979	15047	3844	827	3001
Restrooms	Basins	Toilets	Urinals	Showers				
Sr. Center – Men's	1	1						
Sr. Center - Women's	1	1						
West Wing – Men's	2	1	2					
West Wing - Women's	2	3						
Kid Zone - Boys		1						
Kid Zone - Girls		1						

Attachment: Firato_Service_Co_Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

Locker Room – Men's	4	3	4	7
Locker Room - Women's	4	7		7
Locker Room - Families	3	3		3
Basins in other Rooms	6			
Totals	23	21	6	17

Facility #4: DENNIS KENNEDY AQUATICS CENTER
16200 Condit Road

Complete janitorial services to be provided every day facility is open, including but not limited to the locations listed below. Note that the Aquatics Center operates year- round but has a very high use during the summer swim season when a significantly higher frequency of service will be required. Alternately, during the off season, some rooms, such as the party room, are rarely used.

5-1. STAFF OFFICE AREAS/STAFF RESTROOMS - 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets, as necessary.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Dust window blinds.
- m. Vacuum and spot clean all entry mats including floors underneath mats.
- n. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-2. RETAIL AREA – Off Season: 3 days/week service (Sun, Tues & Thurs) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- d. Clean all entry/exit door windows inside and out.
- e. Clean/disinfect door handles with approved cleaner.
- f. Spot clean walls and windows with approved cleaner.
- g. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.

- h. Spot clean and remove any gum, residue or stains from all areas with approved methods
- i. Clean cobwebs with extension pole
- j. Clean the glass of the display case inside and out.
- k. Ensure all compost bins are emptied and placed in the green compost bins for pick up in
- l. in the garbage enclosure
- l. Vacuum and spot clean all entry mats including flooring underneath mats.

5-3. SMALL (TEAM) LOCKER ROOMS & FAMILY CHANGING ROOMS – 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Clean all showers, restroom walls and tile surfaces with approved cleaner.
- s. Pressure wash all epoxy floors.
- t. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-4. LARGE LOCKER ROOMS - 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all

- stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Pressure wash rubber mat in women's team locker room.
- s. Clean all showers, restroom walls and tile surfaces with approved cleaner.
- t. Pressure wash all epoxy floors.
- u. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-5. EVENT ROOM – 1x per month / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpets
- d. Sweep and then mop floors.
- e. Clean/disinfect all counters, fixtures and sinks.
- f. Clean/disinfect door handles with approved cleaner.
- g. Wipe clean all tables and chairs
- h. Replenish all paper supplies and soap dispensers.
- i. Spot clean walls.
- j. Spot clean windows
- k. Replace burnt out light bulbs, as necessary.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.
- n. Vacuum and spot clean all entry mats including floors underneath mats.

5-6. ENCLOSED OUTDOOR AREAS – Off Season: 1x per month; Summer Season Daily

- a. Empty exterior trash cans and recycle receptacles as needed, replace liners
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Pressure wash picnic area (tables & ground) and ground directly in front of the

- concessions stand and BBQ areas.
- d. Wipe clean exterior showers, lockers and fountains.
- e. Ensure all compost bins are emptied and placed in the green compost bins for pick up in the garbage enclosure.

5-7. QUARTERLY SERVICES

- a. Clean event room mosquito screens
- b. Clean ventilation covers in team locker rooms, family changing rooms and locker rooms
- c. Scrub and degrease large locker room and family changing floors

5-8. SEMI-ANNUAL SERVICES

- a. Shampoo office carpets.
- b. Strip and wax floors in event room.
- c. Scrub and degrease Small Locker Room.
- d. Scrub and degrease Retail Area floors.
- e. Remove, dust, wash and replace all light fixtures.
- f. Clean all windows inside and out for the entire facility. (Includes high windows in the Retail Area, Coordinator's office, Ticket window).
- g. Dust/wipe all light fixtures throughout the facility

5-9. AQUATICS CENTER SUMMER SEASON SCHEDULE

The Aquatics Center operates year-round, and has very high use during the Summer Swim Season. The Summer Season starts Memorial Day weekend through the third weekend of August - 7 days per week.

- a. Day Porter Service-Two (2) day porters, one male and one female will be needed daily (7 days a week) for four (4) hours from late May through mid August.

5-10. SWIM MEET PRE AND POST CLEANING
(Bid Alternate #3) (one time cost per swim meet)

Swim meets will be scheduled well in advance with the Service Provider. Swim meets occur throughout the entire year and can start as early as Friday afternoon. All swim meets ends by Sunday afternoon. Additional pre and post cleanings will be needed prior to each swim meet as listed below.

Pre Swim Meet Cleaning (must be completed by the Wednesday prior to the swim meet)

- a. Cleaning of the Event Room (See Section 5-5)
- b. Emptying of all outside trash cans throughout the facility.

End of Swim Meet Cleaning (must be completed by the Sunday night at the end of the swim meet)

- a. Cleaning of the Event Room (See Section 5-5)
- b. Emptying of all outside trash cans throughout the facility.

5-11. SWIM MEET DAY PORTER SERVICES
(Bid Alternate #4) (hourly rate)

During the swim meets Day Porter services will be required. Days and times will be coordinated well in advance of the swim meet occurring. Throughout the swim meet, the Day Porters will restock and clean locker rooms/restrooms, empty trash throughout the facility and pick up litter throughout the facility.

- a. Day Porter Service – Two (2) day porters, one male and one female will be needed during the specified times.
- b. Work to include: Clean and disinfect restrooms, restock dispensers, empty trash containers.
- c. Clean locker rooms
- d. Disinfect drinking fountains as needed
- e. Damp mop floors as needed
- f. Walk building for litter & debris, outside entrances and parking lot
- g. Clean entrance doorways and glass as needed.
- h. Spot clean walls and doors throughout facility.
- i. Day Porters must sign in and out each day at the front desk.

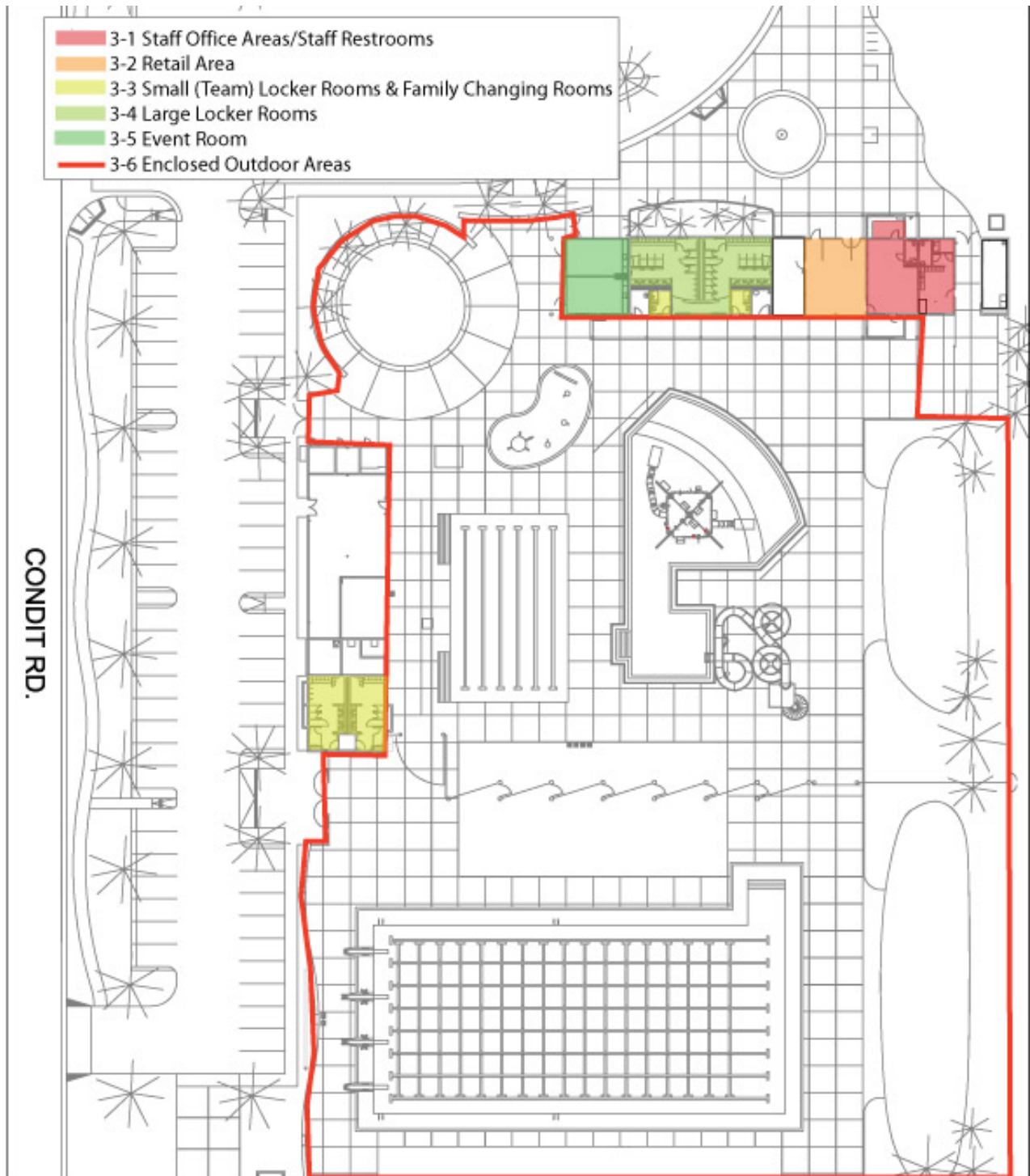
5-12. AQUATICS CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Epoxy Resin
Event Room	550			550	
Retail Area	500		500		
Staff Area/Restrooms	694	400		294	
Family Changing Rooms	100				100
Small (Team) Locker Rooms/Restrooms	600				600
Large Locker Rooms/Restrooms	800				800
Total Rooms Needing Service	3244	400	500	844	1500

Restrooms	Basins	Toilet Bowls	Urinals	Showers
Staff Area/Staff Restrooms	3	2	0	1
Family Changing Rooms	2	2		2

Small (Team) Locker Rooms/Restrooms	8	8	4	2
Large Locker Rooms/Restrooms	10	12	5	8
Event Room	2	0	0	0
Totals	25	24	9	13



Facility #5: CORPORATION YARD
100 Edes Court

All work will be scheduled in advance with City Staff:

6-1 QUARTERLY SERVICES

- a. Shampoo, with truck mounted cleaning unit, carpeted areas four times annually as scheduled with City staff.

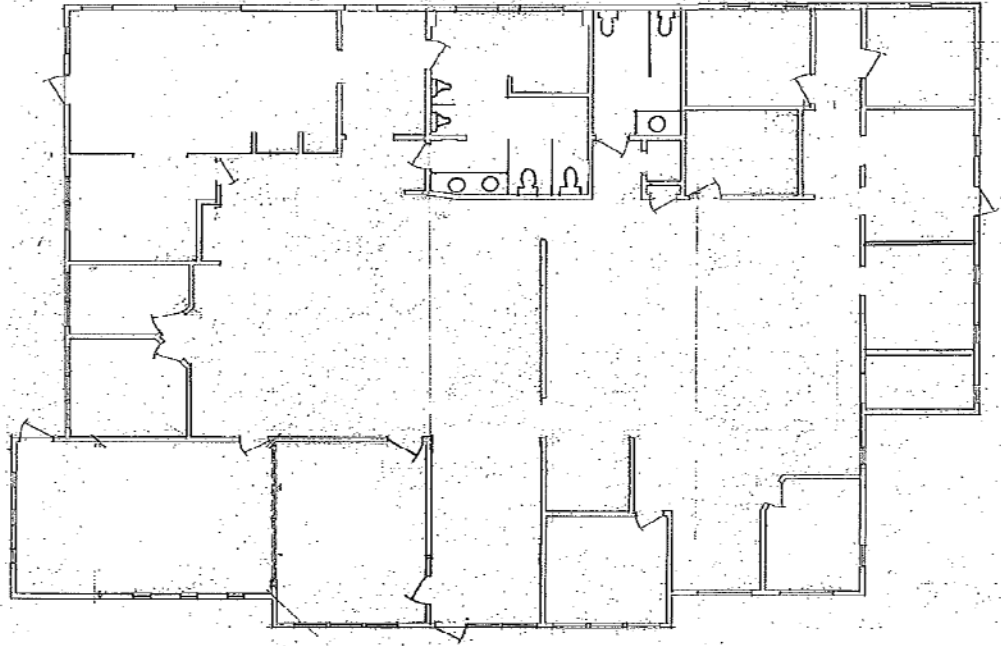
6-2 TRIANNUAL SERVICES

- a. Strip, wax and buff all vinyl floors per approved methods
- b. Clean all windows inside and out for the entire facility

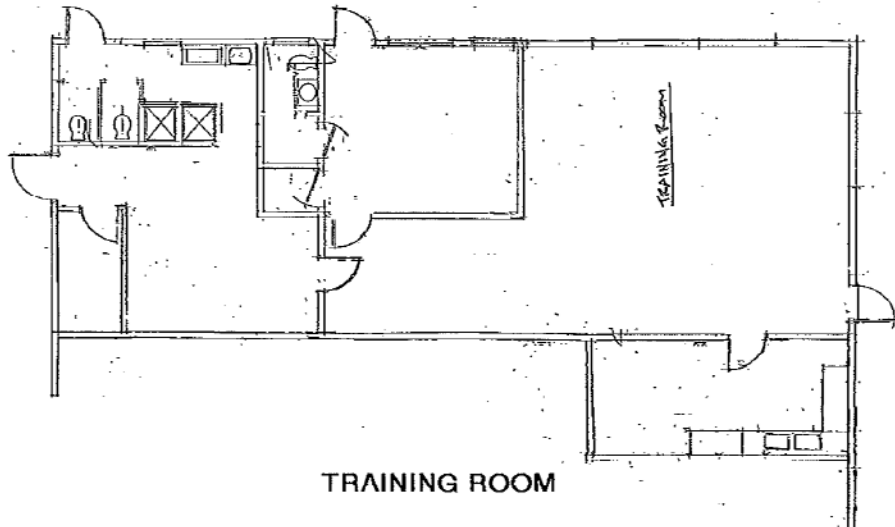
6-3 SEMI-ANNUAL SERVICES

- a. Remove all restroom floor drains, scrub clean and replace.

6-4 CORPORATION YARD – SITE INFORMATION AND FACILITY DIAGRAM



OFFICES



TRAINING ROOM

PUBLIC WORKS CORPORATION YARD

Facility #6: RAILROAD PARK**Depot Street between Third and Fourth Streets****7-1 RESTROOMS – Service 7 days/week**

- a. Empty trash cans and replace plastic liners as needed. Take trash to the parking structure dumpster.
- b. Clean all mirrors and surrounding stainless steel/chrome with disinfectant
- c. Wash out basin with approved cleanser, rinse and dry; damp dry basin traps
- d. Clean/disinfect all toilets, damp dry all external surfaces; clean all stainless steel/chrome
- e. Clean all counters, fixtures, and dispensers
- f. Clean door handles
- g. Replenish all paper supplies and soap dispensers
- h. Damp wipe doors, walls
- i. Hose/mop floors with disinfectant
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods
- k. Check lights and report outages to the Maintenance Coordinator or designated representative same day
- l. Dust ceiling, fixtures and walls as needed
- m. Report all graffiti to Maintenance Coordinator or designated representative same day

7-2 RAILROAD PARK/PARKING LOT – Service 7 days/week

- a. Litter pick up throughout entire park and parking lot
- b. Empty trash/recycling if ½ full or more and take trash to the parking structure dumpster.
- c. Clean and wipe down all drinking fountains
- d. Clean all body fluids and spills anywhere in the park/parking lot
- e. Report all graffiti to Maintenance Coordinator or designated representative same day

Facility #7: DOWNTOWN PARKING GARAGE**50 East Third Street****8-1 DAILY SERVICES**

- a. Litter pick up throughout the garage (including stairwells and underneath)
- b. Empty trash/recycling if ½ full or more and put in the parking structure dumpster.
- c. Inspect elevator function and report any problems same day
- d. Inspect elevator for damage or graffiti and report any problems same day
- e. Clean all body fluids and spills anywhere in the garage and elevator
- f. Clean elevator floors
- g. Wipe down the entire inside of the elevator
- h. Remove any postings, tape, string, etc.
- i. Check lights and report outages to the Maintenance Coordinator or designated representative same day

8-2 WEEKLY SERVICES

- a. Clean elevator doors (inside and out) with stainless steel cleaner
- b. Dust and clean the handrails, maps, EV chargers, phones, trash/recycle receptacles

8-3 EXTRA GARAGE CLEANING-Annual Service

- a. Pressure washing of stairwells and cleaning ceiling beams that collect dirt and dust.

Facility #8: CITY HALL/DEVELOPMENT SERVICES CENTER (DSC) BUILDING
17575 Peak Avenue

9-1 ANNUAL SERVICES

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards
- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #9: POLICE DEPARTMENT
16200 Vineyard Drive

10.1 ALL RESTROOMS & LOCKER ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean/disinfect all counters, fixtures and dispensers.
- h. Clean/disinfect door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers and benches (front, top, and outside) with a damp cloth and disinfectant.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs, as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Vacuum all carpeted areas.

10-2. MAIN ENTRANCE/LOBBY AREA/ AND HALLWAYS (INCLUDING BACK HALLWAY BY LOCKER ROOMS/GYM) – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.
- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Clean/disinfect and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

10-3. LUNCH/BREAK ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash, recycle and compost receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean/disinfect all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean/disinfect door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down all tables and chairs in the room.

10-4. CONFERENCE ROOMS/INTERVIEW ROOMS/BRIEFING ROOM/REPORT WRITING ROOM (OPEN OFFICE ON MAP)/EOC/RECORDS/SPECIAL OPS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean/disinfect door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.

- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- k. Any papers left on tables will be left as found.

10-5. EVIDENCE PROCESSING/JAIL/BOOKING AND PROCESSING/LOUNGE/DISPATCH/COPY ROOM – 3 days/week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean/disinfect door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- K. Any papers left on tables will be left as found.

10-6. STAFF OFFICE AREAS – Trash 5 days a week and rest of service 3 days/week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas including under the desk.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

10-7. OUTSIDE TRASH AREA

- a. Brown recycling containers need to be put outside of the gate for Recology to pick up on Tuesday evening and brought back in Wednesday
- b. Green compost containers need to be put outside of the gate for Recology to pick up on Saturday evening and brought back in Monday

10-8. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 5 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers emptied as needed; replace plastic liners. Clean receptacles.
- c. Collect cardboard, flatten and place in recycle bins.
- d. Scrub all tile floor areas using approved methods.
- e. Clean all ground level windows in Main Lobby inside and out.
- f. Dust and remove spider webs from the ceilings, windowsills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- g. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- h. Vacuum and spot clean all entry mats and clean floor below mats
- i. Vacuum all ground level vents and dust exterior of ceiling level vents.
- j. Wipe down all door hinges.
- k. Clean all ground level interior windowsills.
- l. Remove, clean and replace all light fixtures lower than 10 feet in height.
- m. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris.
- n. Wipe down all tables and chairs in the room.
- o. No persons shall be admitted into the building by the janitors.
- p. All doors and main access points shall be locked during and after each service.
- q. Follow all MHPD security measures and protocols as directed.

10-9. ANNUAL SERVICES

- b. Truck mounted steam extraction of all carpeted areas.

Facility #10: INFORMATION SERVICES (IS) DEPARTMENT
16200 Vineyard Drive #100

11-1 STAFF OFFICE AREA/HALLWAY/TRAINING ROOM– 2 days a week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean/disinfect door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down/disinfect or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs, as necessary.

- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

Facility #11: MAGICAL BRIDGE PLAYGROUND, RESTROOMS AND PARKING LOT
Located in Community Park (171 W Edmundson)

12-1 MAGICAL BRIDGE PLAYGROUND RESTROOMS – Service 7 days/week
(Bid Alternate #5)

There will be two (2) different sets of restrooms that need to be cleaned. The new restroom at the Magical Bridge Playground will be an Execloo, similar to the restroom at Railroad Park. There is a second restroom facility between the Tennis Courts and Ball Fields that will also need to be cleaned.

- a. Empty trash cans and replace plastic liners as needed. Take trash to the parking structure dumpster.
- b. Clean all mirrors and surrounding stainless steel/chrome with disinfectant
- c. Wash out basin with approved cleanser, rinse and dry; damp dry basin traps
- d. Clean/disinfect all toilets, damp dry all external surfaces; clean all stainless steel/chrome
- e. Clean all counters, fixtures, and dispensers
- f. Clean door handles
- g. Replenish all paper supplies and soap dispensers
- h. Damp wipe doors, walls
- i. Hose/mop floors with disinfectant
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods
- k. Check lights and report outages to the Maintenance Coordinator or designated representative same day
- l. Dust ceiling, fixtures and walls as needed
- m. Report all graffiti to Maintenance Coordinator or designated representative same day

12-2 MAGICAL BRIDGE PLAYGROUND/PARKING LOT – Service 7 days/week
(Bid Alternate #6)

- a. Litter pick up throughout entire park and parking lot
- b. Empty trash/recycling if ½ full or more and take trash to the parking structure dumpster.
- c. Clean and wipe down all drinking fountains

- d. Clean all body fluids and spills anywhere in the park/parking lot
- e. Report all graffiti to Maintenance Coordinator or designated representative same day

Please note: Magical Bridge Playground is currently under construction with an anticipated opening day of May 2021. Cleaning start date will be determined as construction is closer to completion.

#12: ADDITIONAL SERVICES FOR ALL CITY FACILITIES

13-1 HOURLY ON-CALL CARPET CLEANING (Bid Alternate #7)

- a. Carpet cleaning

13-2 HOURLY ON-CALL JANITORIAL SERVICES (Bid Alternate #8)

- a. On-Call Janitorial Services to include, but not be limited to cleaning City facilities outside of prescheduled dates and times. Specific gender personnel might also be required to clean restrooms during operational hours.

EXHIBIT B SCHEDULE OF COMPENSATION RATES

Please see attached Schedule of Compensation Rates.

The rate schedule is composed of two parts: a base bid for regular services, and bid alternates for services that will be performed only when requested and approved by CITY. CITY reserves the right to reduce or add services upon thirty (30) days' notice to SERVICE PROVIDER.

PAYMENT PROVISIONS

As described in the Scope of Work, this Agreement is outcome-based, with an inspection and rating process. Both SERVICE PROVIDER and CITY shall perform inspections as described in the Scope of Work. SERVICE PROVIDER will be paid only for work rated as "meets standards." SERVICE PROVIDER will not be paid for work rated as "below standard," until conditions improve and rate as "meets standards," if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER. If an area does not meet CITY standards, it will be considered "below standard." SERVICE PROVIDER will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER.

CITY will perform inspections and prepare reports weekly, which will be e-mailed to the SERVICE PROVIDER. The first time a site fails to meet CITY standards per the weekly inspections, the SERVICE PROVIDER will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will occur:

1. First Penalty: SERVICE PROVIDER to receive warning
2. Second Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$25 monthly deduction per deficiency.
3. Third Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$75 monthly deduction per deficiency.

The parties will observe the following progressive problem resolution process:

1. Written notice of problem.
2. Field conference with CITY inspector and SERVICE PROVIDER'S field representative to identify problem and agree on solution as presented by SERVICE PROVIDER.
3. Conference between CITY's representative and SERVICE PROVIDER'S principal.
4. Imposition of penalties and/or correcting defects at SERVICE PROVIDER'S cost.
5. Termination of Contract

No payment will be made for services not performed. CITY reserves the right to back charge the SERVICE PROVIDER for services not performed as per the contract or schedule submitted, after 5-days' notice to SERVICE PROVIDER of failure to perform, CITY may then contract out the service and back charge the SERVICE PROVIDER cost plus 15%.

If deficiencies are not corrected in a timely manner, CITY may perform the work using others and deduct the cost from SERVICE PROVIDER's payment as described in the Payment Provisions.

Attachment: Firato_Service_Co_Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

If SERVICE PROVIDER is unable to complete the work within the specified time period, CITY may deduct the applicable portions, pro rata, from the payment to SERVICE PROVIDER.

Failure by SERVICE PROVIDER to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the SERVICE PROVIDER if any scheduled use (including, but not limited to, special events or recreation programs) of CITY facilities are impacted by neglect on the SERVICE PROVIDER'S part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the SERVICE PROVIDER for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

EXHIBIT B- SCHEDULE OF COMPENSATION

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Base Bid

Janitorial Services at City of Morgan Hill Facilities

BASE BID		Column A	Column B
Base Bid Item	Item	Annual Amount	Bid Total: Two-Year Amount
1.	Community and Cultural Center: Section 2-1 thru Section 2-13, and Section 2-15	\$82,893.00	\$165,786.00
2.	Council Chamber Building: Section 3-4. Semi-Annual Cleaning Only (2 times per year)	\$3,600.00	\$7,200.00
3.	Centennial Recreation Center: Section 4-1 thru Section 4-18	\$130,415.00	\$260,830.00
4.	Dennis Kennedy Aquatics Center: Section 5-1 thru Section 5-8, and Section 5-12	\$32,076.00	\$64,152.00
5.	Dennis Kennedy Aquatics Center: Section 5-9 and Section 5-12	\$32,600.00	\$65,240.00
6.	City Corporation Yard: Section 6-1 thru Section 6-4	\$3,600.00	\$7,200.00
7.	Railroad Park: Section 7-1 thru Section 7-2	\$12,468.00	\$24,936.00
8.	Downtown Parking Garage: Section 8-1 thru Section 8-3	\$21,252.00	\$42,504.00
9.	City Hall/Development Services Center (DSC) Building: Section 9-1	\$3,640.00	\$7,280.00
10.	Police Department Sections 10-1 thru Section 10-9	\$53,742.00	\$107,484.00
11.	Information Services Department Section 11-1	\$3,360.00	\$6,720.00

Base Bid Total (Column B)

\$759,332.00

Attachment: Firato Service Co. Service Agmt FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 1-3
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 1: Playhouse After Performance Cleaning

Bid Alternate Item	Item	Cost per Cleaning
1.	Community and Cultural Center Playhouse: Special Cleaning Services at Playhouse Facility (After Performance Cleaning) (Section 2-14)	\$ 67.50

Bid Alternate -1	
Cost per cleaning	\$67.50

BID ALTERNATE 2: Council Chamber Sunday Only Service

Bid Alternate Item	Item	Monthly Rate
2.	Council Chamber Building: Sunday Only Service (Sections 3-1 to 3-3)	\$ 419.25

Bid Alternate -2	
Monthly Rate	\$419.25

BID ALTERNATE 3: NOT INCLUDED IN CONTRACT

		\$

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THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 4-6
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 4: Aquatics Center Swim Meet Day Porter Services

Bid Alternate Item	Item	Hourly Rate for Porter Services
4.	Dennis Kennedy Aquatics Center: Swim Meet Day Porter Services (Section 5-11)	\$ 32.50

Bid Alternate -4	
Hourly Rate	\$32.50

BID ALTERNATE 5: Magical Bridge Playground Restrooms

Bid Alternate Item	Item	Monthly Rate
5.	Magical Bridge Playground Restrooms: Cleaning of two (2) restroom facilities (Section 12-1)	\$ 1,467.37

Bid Alternate -5	
Monthly Rate	\$1,467.37

BID ALTERNATE 6: Magical Bridge Playground & Parking Lot

Bid Alternate Item	Item	Monthly Rate
6.	Magical Bridge Playground & Parking Lot: Cleaning of Playground and Parking Lot (Section 12-2)	\$ 1,505.00

Bid Alternate -6	
Monthly Rate	\$1,505.00

Attachment: Firato Service Co. Service Agmt FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 7-8
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 7: All City Facilities – Additional Carpet Cleaning

Bid Alternate Item	Item	Hourly Rate
7.	All Facilities: Additional Carpet Cleaning (Section 13-1)	\$ 47.50

Bid Alternate -7	
Hourly Rate	\$47.50

BID ALTERNATE 8: All City Facilities – On-Call Janitorial Services

Bid Alternate Item	Item	Hourly Rate
8.	All City Facilities: On-Call Janitorial Services including, but not limited to cleaning City facilities outside of preschedule dates and times. (Section 13-2)	\$ 47.50

Bid Alternate -8	
Hourly Rate	\$47.50

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

Work shall be performed by **SERVICE PROVIDER** at the frequency and at the times specified in the Scope of Work for each facility. All work designated as on-call, annual, semi-annual and quarterly shall be scheduled and performed as directed by City staff.

Attachment: Firato_Service_Co._Service_Agmt_FY21_22 [Revision 1] (2857 : Janitorial Services Agreement)

ORIGINAL

**CITY OF MORGAN HILL
COMMUNITY SERVICES DEPARTMENT
CITY HALL
17575 PEAK AVE,
MORGAN HILL, CA 95037**

**Response to RFP for City
Janitorial Services**

Submitted By:

Firato Service Company, Inc.
17485 Monterey Road, Suite 200
Morgan Hill, CA 95037

Contact: Tony Benjamin
Phone: (408) 779-4101
Cell: (408) 832-0808
Email: tony@firato.com

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)

Submitted by Firato Service Company, Inc. an S-Corporation

FIRATO SERVICE Co., INC.

October 9th 2020

Cynthia Iwanaga
Management Analyst- City of Morgan Hill
17575 Peak Ave,
Morgan Hill, CA 95037
Email: Cynthia.iwanaga@morganhill.ca.gov

To: Cynthia,

Thank you for giving Firato Service Co., Inc. the opportunity to provide a comprehensive proposal for janitorial services for the City of Morgan Hill. Our janitorial firm has been providing janitorial services to the entire Bay Area, Salinas, and Monterey for over 36 years. We take pride in our ability to provide the communication, consistency, and commitment that it takes to properly service our client's facilities. We look forward to the opportunity to continue to provide our proven core principles to the City of Morgan Hill and your hard working staff moving forward.

Firato Service Co., Inc. is the answer to an increasing demand in Building Maintenance from Property Managers, Owners, Government agencies wants: (1) Clean, reliable and courteous services in a productive and clean environment (2) direct and quick access/ response for emergency maintenance services (3) direct communication with line supervisors, operations and account managers, followed up with written reports on building inspections, and (4) access at a cost they can afford. Firato's mission is to make your facilities trouble free, clean, and ready for business.

Firato Service Co., Inc. personnel will manage the activities, under the terms and conditions listed in in your Request for Proposals for Janitorial Services and the Janitorial Services Scope of Work and Special Provisions.

We thank you for the opportunity to provide you with a comprehensive proposal for janitorial services for your City facilities. We strongly believe that the services we provide will continue to benefit the City of Morgan Hill through our everyday reliable services. Our goal is to instill confidence in you, thus making it possible for you to spend your valuable time with your clients and staff in a productive and clean environment.

Sincerely,



Tony Benjamin
Regional Sales Manager
Firato Service Co., Inc.

17485 Monterey Road, Suite 200 • Morgan Hill, CA 95037
(408) 779-4101 www.firato.com

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)

Proposal to Provide Janitorial Services At City of Morgan Hill Facilities

Firato Service Company, Inc. ("Bidder") hereby submits this Bid Proposal to the City of Morgan Hill ("The City") for the above-referenced project ("Project") in response to the Notice Inviting Bids and in accordance with the Contract Documents referenced therein.

1. **Base Bid.** Bidder proposes to perform and fully provide Janitorial Services as specified in the Contract Documents, for the two-year (2-year) time period from January 1, 2021 to December 31, 2022, for the following price ("Base Bid"):

Seven hundred fifty nine thousand three Dollars (\$ 759,332.00).
hundred thirty two dollars

1b. **Bid Alternates.** Bidder submits the following prices for the specified bid alternates:

Alternate #1: Playhouse Facility – After Performance Cleaning (Section 2-14)

Add: \$ 67.50 Per Performance Cleaning Cost

Alternate #2: Council Chamber Sunday Only Services (Sections 3-1 thru 3-3)

Add: \$ 419.25 Monthly Rate

Alternate #3: Dennis Kennedy Aquatics Center Special Cleaning and Day Porter Services (Section 5-10)

Add: \$ 39.00 Hourly Rate

Alternate #4: Dennis Kennedy Aquatics Center Additional Day Porter (Section 5-12)

Add: \$ 32.50 Hourly Rate

Alternate #5: Magical Bridge Playground Restrooms (Section 12-1)

Add: \$ 1,467.50 Monthly Rate

Alternate #6: Magical Bridge Playground and Parking Lot (Section 12-2)

Add: \$ 1,505.00 Monthly Rate

Alternate #7: All Facilities Additional Carpet Cleaning (Section 13-1)

Add: \$ 47.50 Hourly Rate

Alternate #8: All Facilities On-Call Janitorial Services (Sections 13-2)

Add: \$ 47.50 Hourly Rate

2. **Addenda.** Bidder acknowledges receipt of the following addenda:

Addendum:	Date Received:	Addendum:	Date Received:
#01	<u>8/26/2020</u>	#05	<u> </u>
#02	<u>9/3/2020</u>	#06	<u> </u>
#03	<u>9/14/2020</u>	#07	<u> </u>
#04	<u>9/28/2020</u>	#08	<u> </u>

3. **Bidder's Warranties.** By signing and submitting this Bid Proposal, Bidder warrants the following:

3.1 Bidder has thoroughly examined the Contract Documents, and represents that, to the best of Bidder's knowledge there are no errors, omissions, or discrepancies in the Contract Documents.

3.2 Bidder has had the opportunity to examine the Worksite and local conditions at the Project location.

3.3 Bidder is fully qualified to perform the Work.

3.4 Bid has carefully reviewed this Bid Proposal and is solely responsible for any errors or omissions contained in its completed Bid.

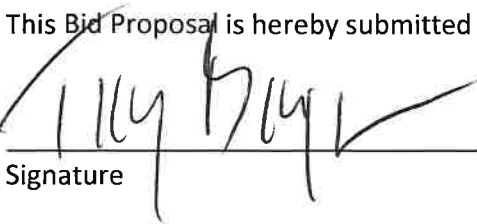
4. **Award of Contract.** By signing and submitting this Bid Proposal, Bidder agrees that if Bidder is awarded the Contract for the Project, that within ten (10) days following issuance of the notice of award to Bidder, Bidder shall:

4.1 Enter into a Contract with The City in accordance with the terms of this Bid Proposal, by signing and submitting to The City the Contract form included with the Contract Documents; and

4.2 Submit to The City the insurance certificate(s) and endorsement(s) as required by the Contract Documents.

This Bid Proposal is hereby submitted on October 8th,, 2020:

Signature



Tony Benjamin- Regional Sales Manager
Name and Title [print]

Firato Service Company, Inc.

Company Name

JS-LR-000019682

Dept. of Industrial Relations (DIR) #

17485 Monterey St, Suite 200, 408-779-4101

Address

Phone

Morgan Hill, CA 95037

tony@firato.com

City, State, Zip

E-Mail Address

Attachments:

- Attachment A: Bid Schedule
- Attachment B: Response to Narrative Questions
- Attachment C: Wage Theft Prevention Bid Certification
- Attachment D: Acceptance of Terms of Agreement
- Attachment E: Non-Collusion Affidavit
- Attachment F: Subcontractors List (if applicable)
Addenda (if applicable)

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Name of Janitorial Service Provider: Firato Service Company, Inc.

**Attachment A
Bid Schedule: Base Bid**

Janitorial Services at City of Morgan Hill Facilities

BASE BID		Column A	Column B
Base Bid Item	Item	Annual Amount	Bid Total: Two-Year Amount
1.	Community and Cultural Center: Section 2-1 thru Section 2-13, and Section 2-15	\$82,893.00	\$165,786.00
2.	Council Chamber Building: Section 3-4. Semi-Annual Cleaning Only (2 times per year)	\$3,600.00	\$7,200.00
3.	Centennial Recreation Center: Section 4-1 thru Section 4-18	\$130,415.00	\$260,830.00
4.	Dennis Kennedy Aquatics Center: Section 5-1 thru Section 5-8, and Section 5-12	\$32,076.00	\$64,152.00
5.	Dennis Kennedy Aquatics Center: Section 5-9 and Section 5-12	\$32,600.00	\$65,240.00
6.	City Corporation Yard: Section 6-1 thru Section 6-4	\$3,600.00	\$7,200.00
7.	Railroad Park: Section 7-1 thru Section 7-2	\$12,468.00	\$24,936.00
8.	Downtown Parking Garage: Section 8-1 thru Section 8-3	\$21,252.00	\$42,504.00
9.	City Hall/Development Services Center (DSC) Building: Section 9-1	\$3,640.00	\$7,280.00
10.	Police Department Sections 10-1 thru Section 10-9	\$53,742.00	\$107,484.00
11.	Information Services Department Section 11-1	\$3,360.00	\$6,720.00

Base Bid Total (Column B)

\$759,332.00

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Attachment: Firato Service Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 1-3
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 1: Playhouse After Performance Cleaning

Bid Alternate Item	Item	Cost per Cleaning
1.	Community and Cultural Center Playhouse: Special Cleaning Services at Playhouse Facility (After Performance Cleaning) (Section 2-14)	\$ 67.50

Bid Alternate -1	
Cost per cleaning	\$67.50

BID ALTERNATE 2: Council Chamber Sunday Only Service

Bid Alternate Item	Item	Monthly Rate
2.	Council Chamber Building: Sunday Only Service (Sections 3-1 to 3-3)	\$ 419.25

Bid Alternate -2	
Monthly Rate	\$419.25

BID ALTERNATE 3: Aquatics Center Swim Meet Pre and Post Cleaning

Bid Alternate Item	Item	Cost per swim meet
3.	Dennis Kennedy Aquatics Center: Swim Meet Pre and Post Cleanings (Section 5-10)	\$ 390.00

Bid Alternate -3	
Cost per swim meet	\$390.00

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 4-6
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 4: Aquatics Center Swim Meet Day Porter Services

Bid Alternate Item	Item	Hourly Rate for Porter Services
4.	Dennis Kennedy Aquatics Center: Swim Meet Day Porter Services (Section 5-11)	\$ 32.50

Bid Alternate -4	
Hourly Rate	\$32.50

BID ALTERNATE 5: Magical Bridge Playground Restrooms

Bid Alternate Item	Item	Monthly Rate
5.	Magical Bridge Playground Restrooms: Cleaning of two (2) restroom facilities (Section 12-1)	\$ 1,467.37

Bid Alternate -5	
Monthly Rate	\$1,467.37

BID ALTERNATE 6: Magical Bridge Playground & Parking Lot

Bid Alternate Item	Item	Monthly Rate
6.	Magical Bridge Playground & Parking Lot: Cleaning of Playground and Parking Lot (Section 12-2)	\$ 1,505.00

Bid Alternate -6	
Monthly Rate	\$1,505.00

Name of Janitorial Service Provider: Firato Service Company, Inc.

Attachment A
Bid Schedule: Alternates 7-8
 Janitorial Services at City of Morgan Hill Facilities

BID ALTERNATE 7: All City Facilities – Additional Carpet Cleaning

Bid Alternate Item	Item	Hourly Rate
7.	All Facilities: Additional Carpet Cleaning (Section 13-1)	\$ 47.50

Bid Alternate -7	
Hourly Rate	\$47.50

BID ALTERNATE 8: All City Facilities – On-Call Janitorial Services

Bid Alternate Item	Item	Hourly Rate
8.	All City Facilities: On-Call Janitorial Services including, but not limited to cleaning City facilities outside of preschedule dates and times. (Section 13-2)	\$ 47.50

Bid Alternate -8	
Hourly Rate	\$47.50

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Attachment: Firato Service Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Attachment B
Response to Technical Questions from
Janitorial Services RFP

Section 1: Previous Experience in providing a superior level of service on like-sized public and/or private projects: (Up to 10 points)

Please answer the following:

1. How many years has your company been in business under its present business name?

- A. Firato Service Company, Inc. was established in 1984 and has been in business under the same business name for over 36 years.

2. Describe your previous experience providing janitorial like-sized public agencies and/or private companies.

- A. Firato Service Company, Inc. has been providing janitorial services to like sized public agencies and private companies of all shapes and sizes all over the Bay Area, Salinas, and Monterey since 1984. We currently service the County of Monterey and their numerous locations totaling over 900,000 square feet of cleanable office space for the past 12 years. Our firm has been servicing the City of Morgan Hill's facilities from 2014-present. We take great pride in the services we provide and look forward continuing to provide the City of Morgan Hill with the communication, consistency, and commitment that it takes to properly service your facilities moving forward.

3. Describe management personnel's experience with accounts of similar size and scope, company structure, and staff assigned to the resulting agreement.

- A. Our management personnel's experience with accounts of similar size and scope, company structure, and staff as the City of Morgan Hill ranges from 36 years to no less than 10 years of experience. Our CEO Rich Firato has been in the janitorial industry for over 36 years. Our Sales Manager Tony Benyamin has been in the industry for over 18 years and our Lead Supervisor Eduardo Arias has been in the industry over 22 years. All of our management personnel here at Firato Service Company, Inc. have extensive experience in providing our customers with the communication, consistency, and commitment that our customers have come to expect with our services. Our management personnel will remain in place if Firato Service Company, Inc. is selected to continue as the City of Morgan Hill's janitorial service provider.

4. What is your approach to inspection, quality control and customer satisfaction?

A. Firato Service Company, Inc's approach to inspection, quality control, and customer satisfaction starts with our proprietary management system that we use to communicate between our supervisors, office staff, and janitorial team members. This management system allows us to effectively communicate, track, and evaluate all work performed by our janitorial teams in a timely manner by logging and streamlining any and all complaints, work orders, and service requests that arise on any given day into our online system. This system is on all of our team's smart phones and in our office computers and allows for timely communication and resolution of any janitorial concerns between our account managers, supervisors, and janitorial team members thus allowing quicker response times and ensuring that all facilities are clean and ready for business each and every working day.

Firato Service Company, Inc. believes in Communication, Consistency and Commitment. This philosophy has been the driving force behind our customer service and quality control program over the past 36 years. Our customer service program all starts with our personnel. We look for the following characteristics in our teams: good character, good references, good common sense, stability, demonstrated good work ethic, the physical ability to do the work, and a desire and reason to do this kind of work. Experience is a prerequisite, additional training is provided in our methods and to our standard. New teams are supervised nightly for as long as it takes to ensure that they can adhere to the standard to which they were trained. After this period, team members are further motivated to do good work through quality work incentives based on inspections. We always treat our hard working team members with the respect and courtesy they deserve. Our low turnover and long term relationships are the strongest indication that we have an excellent personnel and quality control program. Trust and respect between management and team members is essential toward meeting our goal of operating a quality business with integrity and delivering the highest levels of satisfaction to our clients. By giving quality people the tools they need to succeed we can ensure that our clients are satisfied with the services we provide each and every working day. If any problems or concerns arise, our account managers and supervisors are on call 24/7 to ensure that any of our clients' needs are taken care of promptly.

5. Describe a situation in which your company had to use an innovative or creative approach to solve a challenging janitorial issue.

- A. The Morgan Hill Unified School District contacted us in early March to ask us how we can help them clean and disinfect all their school facilities due to the constantly evolving situation that is Covid-19. In response to this challenging situation, Firato outlined a specific plan to address their direct needs. We quickly identified proper EPA Certified Disinfecting and Sanitizing solutions, proper application methods, dwell times, and processes that were used to thoroughly clean and disinfect all areas throughout all of their facilities. We have adapted our services to Help Stop the Spread with Preventative Maintenance for our clients. As the Covid-19 situation continues to evolve we have identified new and even more effective ways of cleaning and protecting our client's facilities using the newest forms of molecular technology that protects surfaces against microscopic organisms. These innovative approaches to cleaning and protecting commonly touched surfaces are available

to you as an added service that go hand in hand with nightly disinfecting. Please contact us if you would like more information on this new approach to protecting your facilities.

6. State any and all instances of being disqualified, removed, or otherwise prevented from completing the terms of any previous contracts over the past five (5) years. Give names, street addresses, and phone numbers and explain the circumstances.

- A. Firato Service Company, Inc. has not been disqualified, removed, or prevented from completing the terms of any previous contracts over the past 5 years.

Section 2: Assessment of Work Quality, Performance and Working Relationships with Current and Recent Clients: (Up to 15 points)

1. List three (3) like-sized customers that you have provided ongoing janitorial services to within the last three (3) years. Provide the following information for each contact:

- a. Customer Name
- b. Customer Contact Name
- c. Phone Number
- d. E-Mail Address
- e. Number of years your firm has provided janitorial services to Customer.
- f. Names of facilities/locations where services have been provided.

County of Monterey

Mario Salazar
(831) 755-4800

Customer since 2008- 12 years

Janitorial Services provided in the following facilities totaling roughly 900,000 square feet:

- Administration building
- Public Safety Building
- 911/OES Building
- Admin/Library Building
- Health Building
- Probation Building
- Youth Center
- Government Center
- Contracts and Purchasing Building

Tanimura & Antle

Jeff Taylor
(831) 594-3423

Customer since 2012- 8 years

Janitorial Services provided in the following locations:

- Main Building
- Gym
- Cooler Building
- Café

- Building 4
- Shop Building
- Work Trailers

Silver Creek Sportsplex and ClubSport

Jeff Brongiel

(408) 828-9861

Customer Since 2009- 11 years

Janitorial Services provided in the following areas:

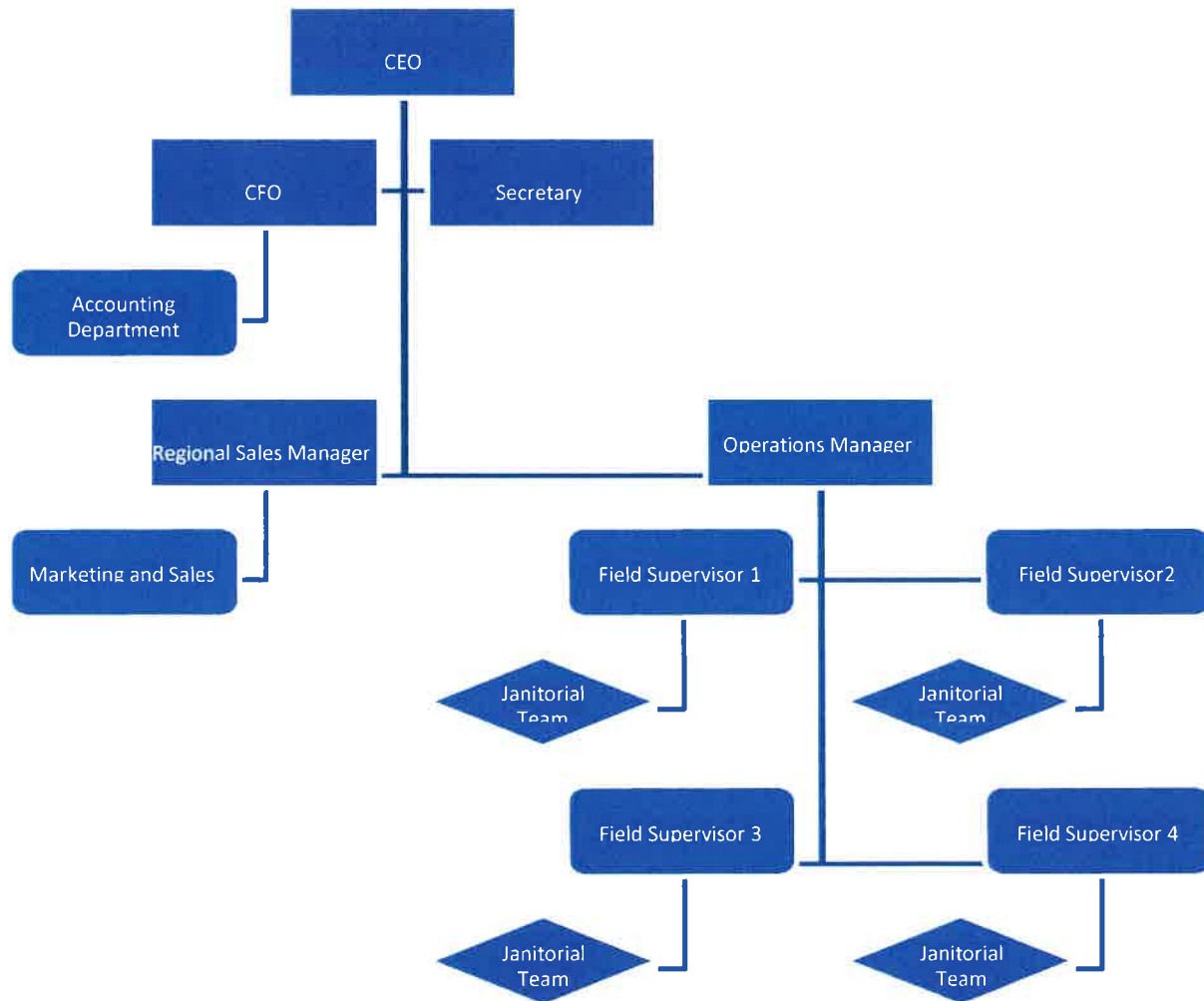
- ClubSport entire gym facility- 80,000 square feet.
- Sportsplex entire facility- 250,000 square feet

Section 3: Qualifications of Staff to be assigned to provide janitorial services at City Facilities. (Up to 5 points)

1. Attach an organizational chart for your company, or the local office that would service this contract

A. Please see our organizational chart below. Our main office is located at 17485 Monterey Road, Suite 200, Morgan Hill, CA 95037 in Downtown Morgan Hill. This office will be responsible for continuing to service the City of Morgan Hill's contract for Janitorial Services.

2. For the local office to serve this contract, list the following:



A. Total number of staff assigned to City of Morgan Hill

A. Including the Account Manager, Supervisor and Seasonal Staff, there will be 16 janitorial team members assigned to the City of Morgan Hill's facilities on a nightly basis to provide janitorial services. There will be 4 janitorial team members assigned to the City of Morgan Hill's facilities to provide the periodical work.

B. Names and qualifications of key staff including years in the industry and with your firm.

A. Key Staff and their Qualifications:

Rich Firato- CEO-Firato Janitorial

36 years of experience in providing the communication, consistency, and commitment that is needed to accommodate our diverse client base and their diverse needs. Firato is distinguished in the industry as a leader and innovator. He founded his janitorial firm based around the client and each and every one of their individual needs. Firato is determined to continue to provide the highest level of quality service for years to come.

Tony Benyamin- Regional Sales Manager- Firato Janitorial

18 years of experience in sales and account management for Firato Janitorial. Productivity and account management have led to high levels of customer satisfaction throughout the last 16 years here at Firato Janitorial.

Nick Firato: Marketing and Sales- Firato Janitorial

10 years of experience in marketing, sales, and account management for Firato Janitorial. Bachelor's degree in Management Accounting with strict focus on meeting and exceeding customers' needs and requests.

Eduardo Arias: Operations Manager

22 years of experience in the janitorial and building maintenance industry. Responsibilities include but are not limited to the following; Train new personnel. Prepare work order schedules, address service corrections, inventory and order supplies. Whenever necessary, may also assist workers to ensure that all tasks are completed in a timely manner. Is in direct communication with Account Manager on a daily basis

C. Number of new hires in the last six months.

A. There has been 1 new team member brought on in the last 6 months.

3. Briefly describe your employee training program and requirements.

A. Training Program and Requirements: Firato Service Company, Inc.

All workers, including managers and supervisors, shall have training and instruction on general and job- specific safety and health practices. Training and instruction is provided as follows:

- “Train the Trainer” Program: all supervisors are trained and certified as safety trainers. The OSHA training guideline model is used in the development of our instructional program. This model allows managers and safety trainers, to determine the content and format of training. These are the basic steps:
 - Determine if Training is Needed
 - Identify Training Needs
 - Identify goals and Objectives
 - Develop Learning Activities
 - Conduct the Training
 - Evaluate Program Effectiveness
 - Improve the Program

Employee and Contractor Training Program – Training and instruction is provided as follows:

- When the Prevention Program is established in a new account, and or reviewed;
- To all new workers;
- To all workers given new job assignments for which training has not been previously provided;
- Whenever new substances processes, procedures or equipment are introduced to the workplace and represent a new hazard;
- Whenever the employer is made aware of a new or previously unrecognized hazard;
- To supervisors to familiarize them with the safety and health hazards to which workers under their immediate direction and control may be exposed; and
- To all workers with respect to hazards specific to each contractor’s job assignment.
- Summary of the standard and this written program
- Chemical and physical properties of hazardous materials (e.g., flash point, reactivity) and methods that can be used to detect the presence or release of chemicals.
- Physical hazards of chemicals (e.g., potential for fire, explosion, etc.).
- Health hazards, including signs and symptoms of exposure, associated with exposure to chemicals and any medical condition known to be aggravated by exposure to the chemical.
- Procedures to protect against hazards (e.g., personal protective equipment required, proper use, and maintenance; work practices or methods to assure proper use and handling of chemicals; and procedures for emergency response).
- Work procedures to follow to assure protection when cleaning hazardous chemical spills and leaks.
- Where MSDS’s are located, how to read and interpret the information on both labels and MSDS’s, and how contractor may obtain additional hazard information.

Training Topics

Some of these topics are also used for our Training Program for New-Hire and/or promoted Supervisor.

The Following programs may not be applicable to all work areas:

- Accident Investigation – Supervisors
- Accident Prevention – Supervisors
- Back Safety
- Blood borne Pathogens
- Blood borne Pathogens Emergency Response Team
- Clean room and Lab Safety
- Company Safety Policy Company Safety, Policy, Rules, Customers
- Confined Space
- Confined Entry Procedures
- Employee/Contractor Safety Responsibility
- Ergonomics
- First Aid Training
- Fire Safety
- Hazard analysis, Job – Supervisors, Foremen
- Hazard Communication – MSDS
- Hazardous Materials Handling
- Housekeeping Safety
- Ladder Safety
- Lock-out/Tag-out
- New Employee/Contractor Orientation
- Personal Protective Equipment
- Safety Meeting Attendance
- Slips, Trips and Falls
- Substance Abuse Policy
- Train The Trainer – Supervisors, Foremen
- Toxic and Hazardous Substances
- Work Hazard

Section 4: Safety Program and Disinfecting Protocols. (Up to 10 points)

1. Describe in detail your Safety Program, including what safety precautions you use for your staff?

A. Please see below for Firato Service Company, Inc.'s detailed Safety Program:

- I. New Contractor Safety Orientation
- II. General Safety Rule
- III. Hazard Assessment
- IV. Wet Floor Sign Rules

New Contractor Safety Orientation

ORIENTATION OBJECTIVES: To start new contractors with an awareness, of the importance of safety and their responsibilities for maintaining a safe and healthy work environment, and to give an overview of workplace safety basics. The result should be more safety-conscious new employees who are receptive to learning and practicing the specifics of a safe, healthy workplace. The HR Department is in charge of maintaining the new hire orientation records.

The New Contractor Orientation is conducted in two parts:

The first orientation is a general new employee orientation that emphasizes safety awareness rather than specific hazards and procedures. The second orientation takes place at the job site, with emphasis on the customer's emergency procedures and the customer safety code of practices, as well as on the job training.

Part I. – The Safety Department, in coordination with the Human Resources Department conducts this part of the orientation at the headquarters office, as follows:

- 1. Injury and Illness Prevention Program: Policy, Employee Responsibility, Communication,
- 2. Inspections, Investigation, Disciplinary Action, and Incentive Program.
- 3. Hazard Communication Program: The Right To Know Law, Material Safety Data Sheets,
- 4. Product Labels, Use of Personal Protective Equipment
- 5. Blood borne Pathogens: Hepatitis B Vaccine
- 6. Back Safety
- 7. Slip Trips and Falls

Specialized Training if required includes:

- 1. Clean room Training
- 2. GMP Training
- 3. Confined Spaces
- 4. Respiratory Protection
- 5. Asbestos Training
- 6. Lifting In Construction

7. Back Care in Construction Clean-up

Part II. – The second part of the orientation is conducted at the job site. The trainer/supervisor in charge of the new employee must receive the employee along with New Hire Documentation Form, and complete the training is job specific, in compliance with the customer's expectations. The new employee must then be trained in the following topics:

1. Emergency Exits
2. Lock/out Tag/out if applicable
3. Fire extinguisher: customers expectations
4. Customers Safety Rules
5. Eye wash areas
6. Location of MSDS (sheets) and explanation of chemicals/cleaner the employee will be using.
7. Clean room Job Specific Training
8. Confined Spaces if required
9. Office Cleaning Training
10. Any other specific training in accordance to the nature of the job.

"To our new contractor." (For Instructor's use before orientation begins):

"As new employees, you are learning a lot of different things about what we do and how we work. Today we're going to talk about one of the most important parts of your job because it has to be part of every single thing you do. That is safety".

We want you to have the understanding and knowledge you need to prevent accidents, As you learn each part of your job, you'll learn about any potential hazards or risks. And you'll learn how to work safely. But safety is more than specific procedures; it's really a way of life. We put a lot of effort into safety for a number of reasons:

- *Safety is the law. Almost every piece of equipment or substance we use or operation we perform is the subject of some government safety regulation.*
- *Safety protects you from injuries or from illness resulting from exposure to hazardous substances. Safety protects the community we live in. When we prevent fires, explosion, spills, and other emergencies – or respond to them quickly and properly – we help to ensure the safety of people in the area and the quality of the air we breathe and water we drink.*

"You will find that making safety a part of the job will soon become second nature. A little initial effort to develop a safety mind-set will pay off over and over again. The safety we're talking about is, after all yours"

NEW CONTRACTOR ORIENTATION Safety and Human Resources
TRAINING DOCUMENTATION for Janitorial

cc: employee personnel file, OSHA FILE, job site file.

PART I.

THIS MEETING WAS CONDUCTED AT THE COMPANY'S MAIN OFFICE.

- ☐ REVIEW OF ALL APPLICATION FORMS, RULES and REGULATIONS, SEXUAL HARRASMENT.
- ☐ INJURY AND ILLNESS PREVENTION PROGRAM. SAFETY POLICY, EMPLOYEE RESPONSIBILITIES IN SAFETY, COMMUNICATION, INSPECTIONS, INVESTIGATIONS, and DISCIPLINARY ACTION
- ☐ HAZARD COMMUNICATION/RIGHT – TO – KNOW: MSDS, PRODUCT LABELS
- ☐ USE OF PERSONAL PROTECTIVE EQUIPMENT
- ☐ BLOODBORNE PATHOGENS FOR LABORATORIES AND RESTROOM CLEANERS
- ☐ HEPATITIES B VACCINATIN DECLINATION FORM. OFFER VACCINE TO EMPLOYEEES EXPOSED TO BBP HAZARDS
- ☐ BLOODBORNE PATHOGENES PERSONAL PROTECTIVE EQUIPMENT
- ☐ BACK SAFETY, SLIPS TRIPS AND FALLS

PART II.

THIS PART OF THE ORIENTATION TRAINING WAS CONDUCTED AT THE JOB SITE.

- ☐ CUSTOMER'S EMERGENCY PROCEDURES, COMMUNICATION, AND EVACUATION
- ☐ GENERAL EMERGENCY PRODEDURAES,
- ☐ REPORTING OF EMERGENCIES
- ☐ GENERAL EVACUATION PROCEDURES TO INCLUDE PROCEDURES TO FOLLOW BEFORE, DURING AND AFTER AN EVACUATION

SPECIALIZED TRAINING IF APPLICABLE
ASBESTOS TRAINING
CLEANROOM CLEANING VIDEOS (3) CONFINED
SPACES
RESPIRATORY PROTECTION
LIFTING IN CONSTRUCTION BACK
CRE IN CONSTURCTION CLEAN
UP HAZMAT

I understand this training and agree to comply with the Firato Service Company code of Safety Practices as well as the specific safety rules and procedures for my work area. I further understand my right to ask questions or provide safety information to my employer either directly or anonymously without fear of reprisal.

❖ EMPLOYEE NAME:
❖ DATE:
❖ CONTRACTOR SOCIAL SECURITY NUMBER:
❖ TRAINER NAME AND SIGNATURE:

❖ JOB SITE:
❖ TYPE OF WORK:
❖ SUPERVISOR NAME AND SIGNATURE:

Responsibilities

Management

Management has the duty and responsibility to provide a safe place to work that is free of recognized hazards. It is our duty to provide the tools, training, and enforcement of established safety rules and regulations. Management shall demonstrate a positive attitude toward the achievement of strong safety program, with the objective of preventing personal injury and property damage through direct and active support.

1. Know the safety records of all Supervisors; use their knowledge of safety in evaluation for promotion.
2. Make safety a frequent topic in routine discussions with managers, supervisors, and employees.
3. Include the discussion of the safety problems at staff meetings and at other appropriate occasions.
4. Require status reports (at least monthly on safety activities and progress within the organization.
5. Require that new hired employees receive training in safe work methods.
6. Make the necessary appropriations to meet the requirements of an effective safety program.
7. Continually enforce the safety program and discharge any employee willfully disregarding this program.

SAFETY ADMINISTRATOR:

The Safety Administrator has the authority and the responsibility for implementing and maintaining this Prevention Program.

1. Insure that the safety program is managed effectively in their facility.
2. Assist with implementation and coordination of the program, as well as quarterly Management Safety Meetings.
3. On a Bi-monthly basis, perform on site safety inspections.
4. Apprise management with the results of each inspection.
5. Provide monthly safety meeting topics that relate to operations and any possible known hazards.
6. Assist management with accident investigations.
7. Issue safety warnings when such actions are needed.
8. Insure that employees and students are properly trained for their work activity.
- 9.

SUPERVISORS:

Managers and supervisors are responsible for implementing and maintaining the Prevention Program in work areas and for answering co-workers questions about the Prevention Program.

Supervisors are one of the most important keys to the success of the program. They are responsible for the establishment and ongoing success of the program. Accident prevention procedures will be included in all activities by the application of complete safety planning.

SUPERVISORS RESPONSIBILITIES:

1. Assume full responsibility for all safety activities in his area of responsibility.
2. Direct the safety program for his area of responsibility.
3. Promote full support of the safety program by advocating the program.
4. Delegate responsibilities for various safety functions and authority for department and job safety promotion.
5. Require full safety compliance by all.
6. Consistently enforce job safety rules.
7. Maintain the disciplinary actions necessary to develop a good functioning safety program.
8. Plan for prompt accident investigations and ensure that proper reports are completed and their distribution is accomplished.
9. Be directly concerned with the planning for those operations, which have a potential loss above that of normal hazards.
10. Have the contractors, tools, materials, and equipment that are needed to do the job safety on hand prior to starting of the work.
11. Be responsible for the housekeeping effort at our facility and on our client's property.
12. Review new work and new personnel for safety needs, complete familiarization with safety requirements is an integral part of total responsibility.
13. Monitor the safety attitudes of all personnel, their responsibilities toward the safety program, and their participation in the job safety effort.
14. Make there own safety inspections and corrections on daily basis.
15. Insist on compliance with all established safety regulations before and during work.
16. Conduct safety meetings and other activities to reinforce safety consciousness when need arise.
17. The proper safety training and instruction is given to employees.
18. Assist with accident investigations to ensure proper reporting and documentation and then follow accident with prompt corrections to eliminate recurrences.
19. Establish safety as an active part of all work and take required corrective action immediately within the responsibility of their position.
20. Coordinate planning and work activities with other supervisory personnel performing within or adjacent to their assigned work areas.

SUPERVISORS RESPONSIBILITIES CONT:

21. Provide continuing safety instruction while issuing daily work assignments to focus attention upon potential hazards and changes in work conditions and procedures.
22. Actively support the safety program.
23. Continuously observe and evaluate work conditions and work procedures to detect and correct unsafe conditions and practices.
24. Be receptive to, and encourage employees to report unsafe practices and conditions and to submit practical suggestions for correction.
25. Participate in training courses designed to increase safety awareness and procedures.
26. Maintain high standards in housekeeping and sanitations of the work environment.
27. Insure that personal protective equipment is provided for the job at hand and utilized by the contractor.

CONTRACTOR:

Each contractor has the duty and responsibility to follow established safety rules and regulations. Contractors should perform their task in a safe and proper manner, immediately report all unsafe conditions to their supervisor, use required personal protective equipment, and seek guidance when in questioned. If injured o the job, the employee should inform his/her supervisor.

All contractors are required, as a condition of being a contractor to develop safe work habits and to contribute in every manner possible to the safety of themselves, their co-workers, and the general public.

1. Promptly report all accidents and injuries, which will occur in the course of their employment to their immediate supervisor.
2. Promptly report to your immediate supervisor all unsafe practices or conditions you observe.
3. Cooperate with and assist in the investigation of accidents to identify their causes In order to prevent their reoccurrence.
4. Actively support and participate in safety promotion and educational measures utilized in your work are activities.
5. Be familiar with observe all approved safety procedures for your work.

Training and Instruction

All contractors, including managers and supervisors, shall have training and instruction on general and job-specific safety and health practices. Training and instruction is provided as follows:

- “Train the Trainer” Program: all supervisors are trained and certified as safety trainers.

The OSHA training guideline model is used in the development of our instructional program. This model allows managers and safety trainers, to determine the content and format of training. These are the basic steps:

- Determine if Training is Needed
- Identify Training Needs
- Identify goals and Objectives
- Develop Learning Activities
- Conduct the Training
- Evaluate Program Effectiveness
- Improve the Program

Contractor Training Program – Training and instruction is provided as follows:

- When the Prevention Program is established in a new account, and or reviewed;
- To all new workers;
- To all workers given new job assignments for which training has not been previously provided;
- Whenever new substances processes, procedures or equipment are introduced to the workplace and represent a new hazard;
- Whenever the employer is made aware of a new or previously unrecognized hazard;
- To supervisors to familiarize them with the safety and health hazards to which workers under their immediate direction and control may e exposed; and
- To all workers with respect to hazards specific to each employee’s job assignment.
- Summary of the standard and this written program
- Chemical and physical properties of hazardous materials (e.g., flash point, reactivity) and methods that can be used to detect the presence or release of chemicals.
- Physical hazards of chemicals (e.g., potential for fire, explosion, etc.).
- Health hazards, including signs and symptoms of exposure, associated with exposure to chemicals and any medical condition known to be aggravated by exposure to the chemical.
- Procedures to protect against hazards (e.g., personal protective equipment required, proper use, and maintenance; work practices or methods to assure proper use and handling of chemicals; and procedures for emergency response).
- Work procedures to follow to assure protection when cleaning hazardous chemical spills and leaks.

- Where MSDS's are located, how to read and interpret the information on both labels and MSDS's, and how employee may obtain additional hazard information.

Training Topics

Some of these topics are also used for our Training Program for New Contractor. The Following programs may not be applicable to all work areas:

- Accident investigation – Supervisors
- Accident Prevention – Supervisors
- Back Safety
- Blood borne Pathogens
- Blood borne Pathogens Emergency Response Team
- Clean room and Lab Safety
- Company Safety Policy Company Safety, Policy, Rules, Customers
- Confined Space
- Confined Entry Procedures
- Contractor Safety Responsibility
- Ergonomic
- First Aid Training
- Fire Safety
- Hazard analysis, Job – Supervisors, Foremen
- Hazard Communication – MSDS
- Hazardous Materials Handling
- Housekeeping Safety
- Ladder Safety
- Lock-out/Tag-out
- New Employee Orientation
- Personal Protective Equipment
- Safety Meeting Attendance
- Slips, Trips and Falls
- Substance Abuse Policy
- Train The Trainer – Supervisors, Foremen
- Toxic and Hazardous Substances
- Work Hazards

General Safety Rules

The following are some of the safety rules and policies that you, as contractor, should make every effort to serve and follow in order to insure safe working environment for yourself and others. These are not all of the safety rules that you will be required to comply with, but are some of the ones that should be brought to your attention immediately.

1. *Safety is the first priority for Firato Service Company.*
2. *Safe scheduling habits: Plan your job ahead of time. Acquire all of the correct equipment and plan your steps. Always wear the proper protected equipment required for the job.*
3. *Work at a steady pace to prevent any danger. Walk in hallways or in stair or in buildings with caution.*
4. *Equipment and devices are required for the work that you are beginning to do. Firato Service Company will provide protective equipment to employees while on duty.*
5. *FSC employee is required to submit a report of any unsafe conditions or defective equipment including vehicles to your supervisor and main office.*

6. FSC employee will submit a report of any injuries or accidents to your supervisor and main office immediately. FSC has a 24 Hours hotline at 408-779-4101 to be used regardless of severity.
7. If in doubt regarding safety procedures, consult your supervisor before acting. Understand your assignment and safety precautions need before you start working.
8. For your own safety and of others avoid using any equipment or tools that you have not been authorized and properly trained to operate.
9. FSC is a Drug and Alcohol free company. The use/or possession of illegal drugs or alcohol for the abuse of prescription drugs that would affect working ability or company property on the job-site is expressly prohibited and the employee will be subject to disciplinary action up to and including termination.
10. Good housekeeping is a part of everyone's job. Keep your work area clean and orderly. Pick up after each job and secure your tools, each department area must be clean before quitting time.
11. Be aware of work going on around you, what machines are operating and watch for slippery areas. EXTRA CARE IS NEEDED TO AVOID INJURY FROM A SLIP AND FALL.
12. Keep stair free of loose objects. Never store anything in a stairwell.
13. FSC does not allow childish behavior that will result to thoughtless unsympathetic pranks. CHILDISH ACTS ARE NOT ALLOWED IN ANY FORM OR FASHION.
14. DO NOT PILE OR STORE MATERIAL IN AISLES, WALKWAY, OR IN SUCH A WAY AS TO BLOCK FIRE OR SAFETY EQUIPMENT, EYEWASHES, ELECTRICAL CIRCUITS AND EXITS.
15. USE ONLY LADDERS, WHICH ARE IN GOOD CONDITION. ALL PORTABLE LADDERS, EXCEPT STEPLADDERS, SHOULD BE EQUIPPED WITH SAFETY SHOES. BE SURE TO TIE OFF THE LADDER. When placing ladders, place the ladder with the base about one-fourth of the ladder length from the wall or object against which they lean. Use both hands and face the ladder when going up and down. Use a hand-line to raise and lower material you need.
16. NEVER REMOVE materials, which is being used for accident prevention/safety barrier, such as machine guards, lockout or tag-out labels.
17. All FSC contractors are required to read and become familiar with the company's safety program before being sent to job site.
18. Keep all tools, and materials out of aisles and walking areas.
19. Do not touch or talk to an employee operating a machine or power tool.
20. All non-office personnel must wear a full shoe. Rubber soles, preferably with a nonskid grooved heel and sole, are required, leather tops are recommended. Always select shoes with low heels to give more surfaces on which to support the weight of the body evenly.
21. No employee is allowed to tamper with electrical wiring. They must unplug the machine or tool before performing maintenance (by authorized personnel only), report needed repairs to your Supervisor or assigned Manager. Any defective tool or machine should be clearly tagged "out of service" with an itemized list of defects attached.
22. FSC contractors are required to familiarize themselves with the purpose, operation, and location of the fire extinguishers and all emergency exits.
23. Smoking is not permitted at any FSC accounts, except in designated areas.
24. Each contractor is directly responsible for proper care of company property. All property shall be used in a safe and proper manner.

Hazard Assessment

Periodic inspections to identify and evaluate workplace hazards are performed by competent observers: experienced operational supervisors/managers that belong to the safety committee. These inspections take place in all of our job sites.

Periodic inspections are performed according to the following schedule:

- *When we initially established our Prevention Program;*

- When new substances, processes, procedures or equipment which present potential new hazards are introduced into the workplace;
- When new, previously unidentified hazards are recognized;
- When occupational injuries and illnesses occur; and whenever workplace conditions warrant an inspection

PROGRAM ANALYSIS

The purpose of the Program Analysis section is to insure that all operational hazards are identified and those abatement measures are initiated and monitored. This involves maintaining an operational hazards identification list, abatement and corrective action response, and review of inspections, accidents, injuries and other information that can indicate on the small scope trend analysis and on the large scope overall safety program effectiveness.

- Hazard abatement policy for specific operational hazards requires written procedures to abate operational hazards, which cannot be eliminated, and documented corrective action for hazards that can be corrected. Safety Inspection Reports and Hazard Surveys will be reviewed and a statistical report indicating the number and type of deficiency will be made on a periodic basis. Statistical reports on accidents, injuries, and near misses will be made by the Safety Trainer.
- On a periodic and annual basis statistical information will be evaluated to determine the effectiveness of abatement and corrective action measures. Reviews of accidents, incidents, and injuries as well as inspection reports will identify any trends and additional required corrective actions.

Accident Exposure Investigations:

Procedures for investigating workplace accidents and hazardous substance exposures include:

- Interviewing injured workers and witnesses;
- Examining the workplace for factors associated with the accident/exposure;
- Determining the cause of the accident/exposure;
- Taking corrective action to prevent the accident/exposure from reoccurring;
- Recording the findings and actions taken.

Accident Exposure Investigations Cont.

Upon occurrence of an accident or incident on the job the following personnel will be notified immediately:

- The contractor's immediate supervisor.

Formal investigations will be conducted on serious accidents and injuries, or incidents where litigation may result. Supervisors will insure investigations are conducted on minor accidents and injuries.

The investigation must be fact-finding, not fault finding. The purpose is to learn the true cause so that similar accidents/incidents can be prevented, and to determine facts bearing on legal liability.

ACCIDENT REPORT

From the investigation, a written report must be completed for an accident/incident; the report should be completed by the contractor's supervisor and must be completed as soon as possible after the investigation is complete. The report shall contain the following:

1. Detailed description of the accident including answers to the following:
 - a) What Happened?
 - b) Who was involved?
 - c) When did it happen?

d) What injuries/property damage resulted?

2. List of whom was notified – owner, insurance company, OSHA, etc., and when they were notified.
3. List of who investigated the accident.
4. Photographs taken.
5. Diagrams made.
6. Witness statements.
7. Police report.
8. Contract documents involved, rental agreements, and hold harmless clauses.
9. Conclusions should be developed regarding the physical cause of the accident, but should be given to anyone other than an officer of the company, who will make distribution.

Hazard Correction:

Unsafe or unhealthy work conditions; practices or procedures shall be corrected in a timely manner based on the severity of the hazards shall be corrected according to the following procedures:

- When observed or discovered; and
- When an imminent hazard exist which cannot e immediately abated without endangering employee(s) and/or property, we will follow our customers emergency evacuation plan, and we will remove all exposed workers from the area except those necessary to correct the exiting condition. Workers who are required to correct the hazards shall be provided with the necessary protection.

HAZARDOUS COMMUNICATION COMPANY POLICY

To our Employees for Instructor's Use):

"As you participate in our safety training programs, you'll learn how to identify hazards on the job. It's up to us to make sure you have the training and knowledge to identify hazards. It's up to you to pay attention to training programs, to ask questions, and to take advantage of the procedures and protective equipment that are available to keep you safe on the job".

"You attitude toward safety is essential to our workplace safety. You have to take safety seriously and be safety conscious in everything you do. You always have to look for the worst that could happen so you can take action to keep it from happening. As you participate in training programs and safety meetings, pay close attention to what to look for and what to do in emergencies so that you develop the knowledge and confidence you need to prevent accidents on the job".

"There are a number of basics in our safety program that will help you become an informed, safety conscious employee"

- *"Each hazardous substance container has a label that shows hazard information and safety instructions. Each substance also has a detailed material safety data sheet (MSDS). The MSDS's are kept mainly in the janitor's closets, or in a centralized location. Your Site Supervisor will instruct you when you get to your job site. You'll find that MSDS'S contain many useful details both on the circumstances that can make the substance particularly hazardous and on what to do to prevent accidents. You will be attending Monthly Safety Meetings where MSDS's are constantly studied. The cleaning products you will be using are usually not corrosive or poisoning, but you should treat all chemicals as hazardous"*
- *"Make sure that every spray bottle you use has a label indicating the product name and risks the may be exposed to, NEVER USE A SPRAY BOTTLE WITHOUT A LABEL, AND NEVER SMELL THE CONTENTS OF ANY SPRAY BOTTLE, LABELED OR UNLABELED.*

HAZARDOUS COMMUNICATION COMPANY POLICY CONT.

- *"If you spot a spill, fire, or other emergency, it's usually best to leave the response to trained people. To report an emergency, call the people whose numbers are listed at your job site, know where the alarms and fire extinguishers are. If you hear an alarm that sounds like this (demonstrate), that means there's a possible dangerous emergency, You should then evacuate by a routine that will be demonstrated to you in your New Hire Orientation Part II. At the customers site"*

HAZARDOUS COMMUNICATION: THE WRITTEN PROGRAM

Firato Service Company is complying with the OSHA Hazard Communication Standard, Title 29 Code of federal Regulations 1901.1200, by compiling a hazardous chemicals list, by using MSDSs, by ensuring that containers are labeled, and by providing our employees with training.

This program applies to all work operations in our company where employees may be exposed to hazardous substances under normal working conditions or during an emergency situation. The "chemical/cleaner" mentioned in this program applies to the products our employees use to clean and disinfect, and in any other processes and procedures of their maintenance duties.

Under this program, employees will be informed of the contents of the Hazard Communication Standard, the hazardous properties of chemicals with which employees work, safe handling procedures, and measures to take to protect themselves from these chemicals/cleaners. Employees will also be informed of the hazards associated with non-routine tasks.

List of Hazardous Chemicals

Firato Service Company Posted a list of all chemicals/cleaners, including those not classified as hazardous, used in his account, and will update the list as necessary. If necessary, a separate list is available for each chemical/cleaner. A master list of these chemicals/cleaners will be maintained by, and is available from the site manager in each job site or account.

Material Safety Data Sheets (MSDSs)

MSDSs provide you with specific information of the chemicals your use. The safety and health administrator will maintain a binder in the main office at Firato Service Company with an MSDS on every product/cleaner on the list of hazardous chemicals. The MSDS will be a fully completed OSHA form 174 or equivalent. The site manager will ensure that each work site maintains as MSDS for hazardous materials in the area. MSDSs will be made readily available to all employees at their work area during their shifts.

Material Safety Data Sheets (MSDS) Cont.

The Account Manager is responsible for acquiring and updating MSDSs. He will contact the chemical manufacturer or vendor if additional research is necessary or if an MSDS has not been supplied with an initial shipment. FSC company's master list of MSDSs is available from the main office.

Non – Routine Tasks

When a contractor is required to perform hazardous non-routine tasks (e.g., cleaning tasks, entering confined spaces, etc.), a special training session will be conducted to inform contractors regarding the hazardous chemicals to which they might be exposed and the proper precautions to take to reduce or avoid exposure.

Labels and Other Forms of Warning

The safety and health administrator will ensure that all hazardous chemicals in the account are properly labeled and updated, as necessary. Labels should list at least the chemical identity, appropriate hazard warnings, and the name and address of the manufacturer, importer or other responsible party. The site manager will refer to the corresponding MSDS to assist the employees in verifying label information. The supervisor is to make sure all containers are properly labeled

If there are a number of stationary containers within a work area that have similar contents and hazards, signs will be posted on them to convey the hazard information. On our stationary process equipment, regular process sheets, batch tickets, blend tickets, and similar written materials will be substituted for container labels when they contain the same information as labels. These written materials will be made readily available to every employee during their work shift.

If chemicals are transferred from a labeled container to a portable container that is intended only for immediate use, no labels are required on the portable container. But they should be marked with the chemical/cleaner name by using a black permanent marker.

Training

Firato Service Company will receive initial training on the Hazard Communication Standard and the safe use of those hazardous chemicals by the safety and health administrator. A program that uses both audiovisual materials and classroom type training has been prepared for this purpose. Regular safety meetings will also be used to review the information presented in the initial training. Foremen and other supervisors will be extensively trained regarding hazards and appropriated protective measures so they will be available to answer questions from employees and provide daily monitoring of safe work practices. The safety and health administrator or designee will review or employee-training program and advice the site manager on training or retraining needs. Retraining is required when the hazard changes or when a new hazard is introduced into the workplace, but it will be company policy to provide training regularly in safety meetings to ensure the effectiveness of the program. As part of the assessment of the training program, the safety and health administrator will obtain input from employees regarding the training they have received, and their suggestions for improving it

Communicating with our customers.

Customer must advise the site manager of any chemical hazards that may be encountered in the normal course of work on the premises, the labeling system in use by their employees, the protective measures to be taken, and the safe handling procedures to be used. In addition the site manager must be notified of the location of the MSDSs use by the customer's employees

USING CHEMICAL CLEANERS IN THE WORKPLACE RULES

1. All cleaner spray bottles must be labeled at all times
2. Read all labels on bottles
3. Use all products with precaution
4. If pouring a product from a large container into a spray bottle: RELABEL THE BOTTLE; use black markers if necessary
5. Never sniff unknown liquids from bottles
6. Never taste unknown liquids from bottles
7. Know where all MSDS are kept in your job site
8. Wear the correct protective equipment; check your gloves for tears.

VIOLATIONS TO THESE RULES WILL RESULT IN DISCIPLINARY ACTION

Date: _____

Contractor Signature: _____

Supervisor/Site Manager in Charge: _____

RIGHT TO KNOW – HAZARDOUS COMMUNICATIONS STANDARD CHECKLIST FOR SITE MANAGERS, SUPERVISORS

OSHA Regulation (29 CFR 1910-1200) is a very detailed regulation, which sets out specific Requirements for chemical manufactures, companies that use chemicals, and employees who use chemicals or could be exposed to them in the course of their job. It is required that the company instructs employees in the following.

1. SHOW CONTRACTORS WHERE THE MSDS ARE LOCATED AND WHAT THEY ARE USED FOR PURPOSE
2. KNOW CHEMICAL LABELS RULES
3. ALWAYS READ LABELS – ALL CONTAINERS MUST BE LABELED
4. FOLLOW COMPANY PROCEDURES ON ALL JOBS
5. KEEP CHEMICAL CONTAINERS CLOSED WHEN NOT IN USE
6. KEEP CHEMICALS AWAY FROM FIRE
7. USE ALWAYS PROTECTIVE EQUIPMENT IN RELATION WITH CHEMICALS
8. BE AWARE OF POSSIBLE EMERGENCIES THAT COULD ARISE WITH THE CHEMICAL AND BE PREPARED TO HANDLE THEM
9. HAND AND ARMS TO BE WASH BEFORE EATING, DRINKING, AND SMOKING IF YOU'VE BEEN WORKING WITH A HAZARDOUS CHEMICAL
10. KNOW WHERE FIRST AID CONTAINERS ARE PLACED
11. ASK ABOUT ANY HAZARDS, PROCEDURES, EQUIPMENT RECOMMENDATIONS, OR EMERGENCY RESPONSE MEASURES YOU ARE NOT SURE YOU UNDERSTAND.
12. RETURN ALL UNUSED MSDS TO MAIN OFFICE FOR STORAGE
13. INFORM SAFETY ADMINISTRATOR OF ALL NEW PRODUCTS
14. TRAIN YOUR EMPLOYEES ON THE HAZARDS ON NEW PRODUCTS

DATE: _____

RECEIVED BY: _____

PERSONAL PROTECTIVE EQUIPMENT POLICY

- ❖ Clothing and equipment has been selected to protect you against the specific hazards you may encounter. By selecting, using, and maintaining this equipment according to instructions, you stay healthy on the job.
- ❖ According to your job assignment, you will be trained in the following protection equipment:
 - HAND PROTECTION
 - FOOT PROTECTION
 - EYE PROTECTION
 - EAR PROTECTION
 - ELECTRICAL SAFETY LOCK/OUT TAG/OUT
 - RESPIRATORY PROTECTION

- ❖ You are responsible for maintaining, returning or discarding if necessary, all used Personal Protective Equipment
- ❖ All Personal Protective Equipment must be kept in the premises, unless otherwise required and authorized by immediate supervisor.

VIOLATIONS TO THESE RULES WILL RESULT IN DISCIPLINARY ACTION

Date: _____

Contractor Name & Signature: _____

Supervisor/Site Manager in charge: _____

✓ FSC required completed before being assigned to job site.

WET FLOOR SIGNS SAFETY RULES

1. ALWAYS USE WET FLOOR SIGNS WHEN MOPPING
2. MUST ALWAYS USE AT LEAST TWO ON EACH SIDE
3. DO NOT REMOVE UNTIL FLOOR IS COMPLETELY DRY
4. KEEP TRAFFIC AWAY FROM MOPPING AREA
5. RETURN WET FLOOR SIGNS TO ASSIGNED CLOSET OR AREA
6. DO NOT HIDE SIGN FOR YOUR OWN USE
7. REPORT TO SUPERVISOR IMMEDIATELY IF CUSTOMER'S EMPLOYEES ARE NOT RESPECTING THE WET FLOOR SIGNS BY PUSHING THEM AWAY, ETC.

VIOLATIONS TO THESE RULES WILL RESULT IN DISCIPLINARY ACTION

Date: _____

Contractor Name and Signature: _____

Supervisor/Site Manager in charge: _____

2. Please describe your cleaning/disinfecting process. What disinfectant methods do you employ?

- a. Firato Service Co., Inc. follows all CDC recommended cleaning/disinfecting processes to ensure proper protocols are followed. Please see below:

Clean

- Wear disposable gloves to clean and disinfect.
- Clean surfaces using soap and water, then use disinfectant.

Submitted by Firato Service Company, Inc. an S-Corporation

- Cleaning with soap and water reduces number of germs, dirt and impurities on the surface. Disinfecting kills germs on surfaces.
- Practice routine cleaning of frequently touched surfaces.
 - More frequent cleaning and disinfection may be required based on level of use.
 - Surfaces and objects in public places, such as shopping carts and point of sale keypads should be cleaned and disinfected before each use.
- High touch surfaces include: Tables, doorknobs, light switches, countertops, handles, desks, phones, keyboards, toilets, faucets, sinks, etc.

Disinfect

- Disinfect with a household disinfectant on List N: Disinfectants for use against SARs-CoV-2 , the virus that causes COVID 19.
- Follow the instructions on the label to ensure safe and effective use of the product. Many products recommend:
 - Keeping surface wet for a period of time (see product label).
 - Precautions such as wearing gloves and making sure you have good ventilation during use of the product.

Always read and follow the directions on the label to ensure safe and effective use.

- Wear skin protection and consider eye protection for potential splash hazards
- Ensure adequate ventilation
- Use no more than the amount recommended on the label
- Use water at room temperature for dilution (unless stated otherwise on the label)
- Avoid mixing chemical products
- Label diluted cleaning solutions
- Store and use chemicals out of the reach of children and pets
- If products on List N are not available, diluted household bleach solutions can be used if appropriate for the surface. Unexpired household bleach will be effective against coronaviruses when properly diluted.
 - Use bleach containing 5.25%–8.25% sodium hypochlorite. Do not use a bleach product if the percentage is not in this range or is not specified.
 - Follow the manufacturer's application instructions for the surface, ensuring a contact time of at least 1 minute.
 - Ensure proper ventilation during and after application.
 - Check to ensure the product is not past its expiration date.
 - Never mix household bleach with ammonia or any other cleanser. This can cause fumes that may be very dangerous to breathe in.
- Prepare a bleach solution by mixing:
 - 5 tablespoons (1/3rd cup) of 5.25%–8.25% bleach per gallon of room temperature water OR
 - 4 teaspoons of 5.25%–8.25% bleach per quart of room temperature water Bleach solutions will be effective for disinfection up to 24 hours.
- Alcohol solutions with at least 70% alcohol may also be used.

Electronics

For electronics, such as tablets, touch screens, keyboards, remote controls, and ATM machines

- Consider putting a wipeable cover on electronics.
- Follow manufacturer's instruction for cleaning and disinfecting.
 - If no guidance, use alcohol-based wipes or sprays containing at least 70% alcohol. Dry surface thoroughly.

Cleaning and disinfecting your building or facility if someone is sick

- Close off areas used by the person who is sick.
 - Companies do not necessarily need to close operations if they can close off affected areas.
- Open outside doors and windows to increase air circulation in the area.
- Wait 24 hours before you clean or disinfect. If 24 hours is not feasible, wait as long as possible.
- Clean and disinfect all areas used by the person who is sick, such as offices, bathrooms, common areas, shared electronic equipment like tablets, touch screens, keyboards, remote controls, and ATM machines.
- Vacuum the space if needed. Use a vacuum equipped with high-efficiency particulate air (HEPA) filter, if available.
 - Do not vacuum a room or space that has people in it. Wait until the room or space is empty to vacuum, such as at night, for common spaces, or during the day for private rooms.
 - Wear disposable gloves to clean and disinfect. For soft (porous) surfaces such as carpeted floors or rugs, clean the surface with detergents or cleaners appropriate for use on these surfaces, according to the textile's label. After cleaning, disinfect with an appropriate EPA-registered disinfectant on List N: Disinfectants for use against SARS-CoV-2. Soft and porous materials, like carpet, are generally not as easy to disinfect as hard and non-porous surfaces. EPA has listed a limited number of products approved for disinfection for use on soft and porous materials on List N. Follow the disinfectant manufacturer's safety instructions (such as wearing gloves and ensuring adequate ventilation), concentration level, application method and contact time. Allow sufficient drying time if vacuum is not intended for wet surfaces.
 - Temporarily turn off in-room, window-mounted, or on-wall recirculation HVAC to avoid contamination of the HVAC units.
 - Do NOT deactivate central HVAC systems. These systems tend to provide better filtration capabilities and introduce outdoor air into the areas that they serve.
 - Consider temporarily turning off room fans and the central HVAC system that services the room or space, so that particles that escape from vacuuming will not circulate throughout the facility.
- Once area has been appropriately disinfected, it can be opened for use.
 - Workers without close contact with the person who is sick can return to work immediately after disinfection.
- If more than 7 days since the person who is sick visited or used the facility, additional cleaning and disinfection is not necessary.
 - Continue routine cleaning and disinfection. This includes everyday practices that businesses and communities normally use to maintain a healthy environment.

Cleaning and disinfecting outdoor areas

- Outdoor areas, like playgrounds in schools and parks generally require normal routine cleaning, but do not require disinfection.
 - Do not spray disinfectant on outdoor playgrounds- it is not an efficient use of supplies and is not proven to reduce risk of COVID-19 to the public.
 - High touch surfaces made of plastic or metal, such as grab bars and railings should be cleaned routinely.
 - Cleaning and disinfection of wooden surfaces (play structures, benches, tables) or groundcovers (mulch, sand) is not recommended.
- Sidewalks and roads should not be disinfected.
 - Spread of COVID-19 from these surfaces is very low and disinfection is not effective.

When cleaning

- Regular cleaning staff can clean and disinfect community spaces.
 - Ensure they are trained on appropriate use of cleaning and disinfection chemicals.
- Wear disposable gloves and gowns for all tasks in the cleaning process, including handling trash.
 - Additional personal protective equipment (PPE) might be required based on the cleaning/disinfectant products being used and whether there is a risk of splash.
 - Gloves and gowns should be removed carefully to avoid contamination of the wearer and the surrounding area.
- Wash your hands often with soap and water for 20 seconds.
 - Always wash immediately after removing gloves and after contact with a person who is sick.
 - Hand sanitizer: If soap and water are not available and hands are not visibly dirty, an alcohol-based hand sanitizer that contains at least 60% alcohol may be used. However, if hands are visibly dirty, always wash hands with soap and water

Always read and follow the directions on the label to ensure safe and effective use.

- Keep hand sanitizers away from fire or flame
- For children under six years of age, hand sanitizer should be used with adult supervision
- Always store hand sanitizer out of reach of children and pets

Additional key times to wash hands include:

- After blowing one's nose, coughing, or sneezing.
- After using the restroom.
- Before eating or preparing food.
- After contact with animals or pets.
- Before and after providing routine care for another person who needs assistance (e.g., a child).

Attachment C

Wage Theft Prevention Bid Certification

(To be executed by bidder and submitted with bid)

All Bidders are expected to have read and understand the "Wage Theft Prevention Policy" adopted on July 26, 2017, which can be found at <http://www.morgan-hill.ca.gov/1061/Council-Policy-by-Number>

The undersigned Bidder hereby certifies that Bidder and its principals have , have not ✓ been found by a final court judgement or final administrative action of an investigatory agency to have violated federal, state or local wage and hour laws within the past five years from the date of the submitted bid or proposal. For each disclosed violation, the Bidder shall provide a copy of (i) the court order and judgment and/or final administrative decision; and (ii) documents demonstrating either that the order/judgment has been satisfied, or if the order/judgment has not been fully satisfied, a written and signed description of Bidder's efforts to date to satisfy the order/judgment. The completed Certification shall be submitted by the Bidder to the City as a part of its bid or proposal. The City, at its sole discretion, may disqualify a bidder based on one or more disclosed judgments consistent with the criteria set forth in the Policy.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this certification is executed on

October 9th, 2020 [date], at Morgan Hill [city],
CA [state].

Signature

Tony Benjamin- Regional Sales Manager, Firato Service Company, Inc.

Print Name and Title

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment: Firato Service Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Attachment D

Certification of Acceptance of Terms of Agreement

(To be executed by bidder and submitted with bid)

All Bidders are expected to have read and understand the attached Maintenance Service Agreement with the City of Morgan Hill. The Bidder/Contractor selected through the Request for Proposals (RFP) process will be expected to execute a formal Agreement with the City of Morgan Hill for the provision of the requested service as set forth in the sample agreement attached to this RFP. Submission of a signed proposal will be interpreted to mean Contractor has agreed to all the terms and conditions set forth in the pages of this RFP and the standard provisions included in the attached Agreement. Contractor must submit any and all exceptions to this RFP with its proposal, clearly identifying the exception, including the page number and section number, as appropriate. Contractor should note that the submittal of an exception does not obligate the City to revise the terms of this RFP or any resulting agreement. The City will not consider any exceptions that are not identified in the proposal.

I certify that I am a person authorized to enter into contracts and agreements for the bidding entity.

I certify that I have read the form of Agreement provided with the RFP solicitation and our company is prepared to enter into an Agreement with the City of Morgan Hill within 10 days of receiving the Notice of Award.

This completed Certification shall be submitted by the Bidder to the City as a part of its bid or proposal.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this certification is executed on

October 8th, 2020 [date], at Morgan Hill [city],
CA [state].



Signature

Nick Firato, Secretary, Firato Service Company, Inc.

Print Name and Title

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment E

Non-Collusion Declaration

(To be executed by bidder and submitted with bid)

State of California	)	
	)	
County of <u>Santa Clara</u>	)	ss.

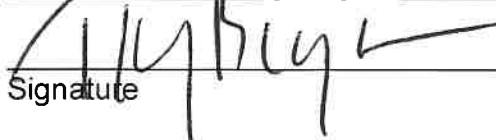
The undersigned declares:

I am the Regional Sales Manager [title] of
Firato Service Company, Inc. [business name], the party making
the foregoing bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid. The bidder has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or to refrain from bidding. The bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has no paid and will not pay, any person or entity for such purpose.

This declaration is intended to comply with California Public Contract Code Section 7106 and Title 23 U.S.C Section 112.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on
October 8th, 2020 [date], at Morgan Hill [city], CA [state].



 Signature

Tony Benjamin- Regional Sales Manager, Firato Service Company, Inc.
 Print Name and Title

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

Attachment F

Subcontractors List

For each Subcontractor who will perform a portion of the Work in an amount in excess of one-half of 1% of the Bidder's total Contract Price,¹ the bidder must list a description of the work, the name of the Subcontractor, the location of its place of business and DIR Janitorial Services registration number. **Bidders: Please print legibly. Illegible forms may be rejected.**

DESCRIPTION OF WORK	SUBCONTRACTOR NAME	CALIFORNIA CONTRACTOR LICENSE NUMBER	DIR REG. NO.	LOCATION OF BUSINESS	LOCAL VENDOR ² YES/NO
Janitorial Services	Medina Janitor	10578	In Progress	Gilroy	No
Janitorial Services	SVM Facility Services	3722092210	In Progress	San Jose	No
Janitorial Services	Arias Janitorial, LLC	20520	In Progress	Gilroy	No
Utility Cleaning Services	Zarate Janitorial Services	5707971210	JS-LR-1000618588	San Jose	No
Janitorial Services	Stars Janitorial Services, LLC	1071942	JS-LR-1000530505	San Francisco	No

THIS FORM MUST BE USED WHEN SUBMITTING PROPOSAL

¹) A Subcontractor is considered local if its principle place of business is within the city limits of Morgan Hill.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

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ADDENDUM NO. 1

DATE: August 26, 2020

TO: ALL RESPONDING PARTIES TO THE RRP FOR THE
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. What are the cleanable square feet per facility?

The estimated cleanable square footage for each facility is below:

Facility	Estimated Cleanable Square Feet
Community and Cultural Center	20,092
Community and Cultural Center Playhouse	5,000
Council Chamber Building	12,104
Centennial Recreation Center	37,751
Dennis Kennedy Aquatics Center	3,244
City Corporation Yard	4,583
Railroad Park, Restroom and Parking Lot	19,160 (Park & Restroom) 18,300 (Parking Lot)
Downtown Parking Garage	97,000
City Hall/DSC	13,900
Police Department	43,286
Information Services Department	1,600
Magical Bridge Playground, Restroom and Parking Lot	52,070 (Playground & Restroom) 55,600 (Parking Lot)



COMMUNITY SERVICES DEPARTMENT

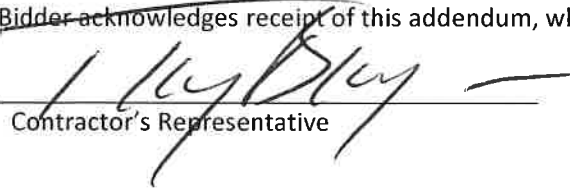
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MORGAN HILL, CA 95037GENERAL: (408) 779-7271
FAX: (408) 779-3117

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2. The due date and time for this RFP remain the same, Thursday, October 8th at 11:00 a.m.

ADDENDUM ACKNOWLEDGMENT

~~Bidder~~ acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

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MORGAN HILL, CA 95037

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ADDENDUM NO. 2

DATE: September 3, 2020

TO: ALL RESPONDING PARTIES TO THE RRP FOR THE
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. Interviews with up to three top candidates will be scheduled on Wednesday, October 21st between 9:00 a.m. and 12 noon.
2. Please provide the scope of work and schedule of compensation for the previously awarded contract.

Attached please find the scope of work and schedule of compensation for the previously awarded contract. Please note that the scope of work in this current RFP has changed from last contract's scope as the Information Services Office and Magical Bridges Playground have been added to the contract. Reviewing the past scope of work for guidance will not provide identical "apples to apples" comparisons to the current RFP.

3. When scoring the 60-point allocation for Janitorial Service Costs, the points will be scored to the nearest one-hundredth of a point or ".00" based on weighted averages.

POINTS	Item
50.00 points	Base Bid: Janitorial Services
1.00 points	Bid Alt #1: Playhouse After Performance Cleaning (<i>Section 2-14</i>)
1.00 points	Bid Alt #2: Council Chamber Sunday Only Service (<i>Sections 3-1 to 3-3</i>)
1.00 points	Bid Alt #3: Aquatics Center Swim Meet Pre and Post Cleaning (<i>Section 5-10</i>)
1.00 points	Bid Alt #4: Aquatics Center Swim Meet Day Porter Services (<i>Section 5-11</i>)
1.00 points	Bid Alt #5: Magical Bridge Playground Restrooms (<i>Section 12-1</i>)
1.00 points	Bid Alt #6: Magical Bridge Playground and Parking Lot (<i>Section 12-2</i>)
1.00 points	Bid Alt #7: All Facilities -Additional Carpet Cleaning (<i>Section 13-1</i>)
3.00 points	Bid Alt #8: All Facilities – On-Call Janitorial Services (<i>Section 13-2</i>)
60.00 points	Total

4. There are specialized floor cleaning requirements. Do you have location flooring square footages, e.g., carpet, VCT, concrete, other types?



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The specialized floor cleaning requirements for three facilities: Community and Cultural Center (CCC), Centennial Recreation Center (CRC) and the Dennis Kennedy Aquatics Center are provided in the RFP's scope of work sections listed in the table below. The location flooring square footages for the Community and Cultural Center Playhouse, Council Chamber Building, City Corporation Yard, City Hall/DSC, Police Department, and Information Services Department are included in the tables below.

Facility	
Community and Cultural Center (CCC)	RFP Section 2.15
Community and Cultural Center Playhouse	Approximately 4,500 sq ft carpet, 250 sq ft linoleum tiles and 250 sq ft ceramic tiles
Council Chamber Building	Approximately 11,500 sq ft carpet and 605 sq ft linoleum
Centennial Recreation Center (CRC)	RFP Section 4.18
Dennis Kennedy Aquatics Center	RFP Section 5.2
City Corporation Yard	Approximately 3,100 sq ft carpet and 1,483 sq ft linoleum
Railroad Park, Restroom and Parking Lot	n/a
Downtown Parking Garage	n/a
City Hall/DSC	Approximately 12,510 sq ft carpet and 1,390 ceramic tile/linoleum
Police Department	See below
Information Services Department	1,600 sq ft carpet
Magical Bridge Playground, Restroom and Parking Lot	n/a

Police Department

Room Name	Size	Carpet	Vinyl	Travertine	Ceramic Tile	Foam Tiles
Administrative Offices	1234	1234				
Lobby	507	26		470		
Lobby Restroom	49				49	
Lobby Interview Room	127	127				
Conference Room	317	317				
Admin Hallway	540	540		27		
Admin Break Room	274		274			
EOC / Training Room & 2 Offices	1099	1099				
EOC Hallways	635	635				



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Communications, Office, & Storage	1081	1081				
Dispatch Restrooms	268				268	
Dispatch Kitchen	227		227			
Special Operations, 2 Offices, & 2 Interview Rooms	1203	1203				
Spec Ops Hallway	199	199				
Admin Copy Room	197	197				
Patrol Supply Room	283		283			
Briefing Room	738	738				
Report Writing	857	857				
Traffic Office	185	185				
Watch Commander Office	178	178				
Holding Facility/ per blueprints	2262		2262			
Records Hallway	372	334		38		
Records Restroom & Alcove	76			28	48	
Records & Office	1997	1997				
Records Storage Room	240	240				
Evidence Processing	361		361			
Women's Locker Room	610	321	45		244	
Men's Locker Room	1122	613	77		432	
Gym	1382					1382
Gym / Locker Hallway	441		441			
Lounge	107	107				
Total for Rooms Needing Service	19,168	12,228	3970	563	1041	1382

Restrooms	Basins	Toilet Bowls	Urinals	Showers
Dispatch Hallway Women's	1	2		
Dispatch Hallway Men's	1	1	1	
Locker Room Women's	2	3		3
Locker Room Men's	2	2	1	4
Lobby	1	1		
Records	1	1		
Holding Facility	8	8		1
Patrol Supply Room has a sink	1			
Totals	17	18	2	8



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5. What gymnasium and aerobic flooring types get the scrubbing requirement?

The gymnasium and aerobic room floors are hardwood floors.

6. There is fitness equipment and clean/disinfect specification. How many fixtures are there, do you want them hand cleaned plus disinfect, or maybe you have disinfectant preference?

The fitness equipment is cleaned and maintained internally by City staff. The RFP just requires cleaning be done on the floors all around and under the equipment and clear of dust.

7. Do you have special pandemic specifications, particularly for the swim meet and pool areas, and connected areas—especially interior specifications-e.g., lockers and associated areas?

We are currently following all County of Santa Clara guidelines and mandates for all facilities, including aquatic facilities.

8. Since we went on the last bid walk (in March 2018) has anything changed drastically since that time?

No major changes have occurred, and the bid walk will be very similar. We have added the Information Service Office and the Magical Bridge Playground which is still to be constructed. Should you wish to be included on the Optional Facilities tour to be held on Thursday, September 10th in the morning, please e-mail Jennie Tucker, Recreation Manager, to reserve a space at jennie.tucker@morganhill.ca.gov no later than September 9th at noon. Due to COVID, each company is allowed only one space.

9. Are there roof anchors on the buildings/areas needing the high window cleaning?

No, we do not have roof anchors on our buildings.

10. Do you have staff counts and visitor counts for the locations?

Facility	Staff	Visitors
Community and Cultural Center (CCC)	2 Full Time, 10 Part-Time	Attendance averages roughly 10,000- 15,000 a month
Community and Cultural Center Playhouse	No staff onsite	Attendance can range from 10-200 per week
Council Chamber Building	15 staff	No visitors except for meetings in the Council Chambers. Attendance can range from 5-150 per week
Centennial Recreation Center (CRC)	10 Full Time, 20 Part-Time	Attendance ranges from 15,000-20,000 per month
Dennis Kennedy Aquatics Center	2 Full Time, 5-20 Part-Time	Daily attendance in the summer averages close to 600 visitors; off season closer to 100 per day



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City Corporation Yard	30 staff	No visitors
Railroad Park, Restroom and Parking Lot	No staff onsite	Attendance is not tracked
Downtown Parking Garage	No staff onsite	Attendance is not tracked
City Hall/DSC	30-40 staff	No visitors except in lobby area and they are not tracked
Police Department	30-40 staff	No visitors
Information Services Department	3-4 Full Time	No visitors
Magical Bridge Playground, Restroom and Parking Lot	No staff onsite	Attendance is not tracked

11. Is the present contractor union? Is the City requiring union contractors?

The present contractor is not union. The City is not requiring union contractors.

12. What are the differences in scope between the last RFP and how have your needs changed?

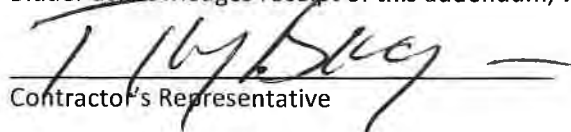
As noted above, the Information Services Department Offices and the Magical Bridge Playground (which is anticipated to be completed in late Spring 2021) have been added to the scope of work. This RFP has eight (8) bid alternates while the last RFP only had two (2) bid alternates, the Playhouse After Performance Cleanings and the Council Chamber Sunday Only Service.

13. Per the RFP, please notify Cynthia Iwanaga via e-mail at cynthia.iwanaga@morganhill.ca.gov of your intent to respond to this RFP, so that you will receive updates and notifications regarding this RFP. In the e-mail subject line please note, "Name of Janitorial Service Provider-RFP for Janitorial Services." These e-mail updates and notices are a courtesy only. Proposers are solely responsible for checking the City's website for updates, notices and addendums.

14. The due date and time for this RFP remain the same, Thursday, October 8th at 11:00 a.m. via e-mail only to cynthia.iwanaga@morganhill.ca.gov

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

City of Morgan Hill 2018-2020 Janitorial Services Scope of Work and Schedule of Compensation

EXHIBIT A SCOPE OF SERVICES

SERVICE PROVIDER shall furnish all labor, equipment, cleaning solutions, and other services required to satisfactorily perform the janitorial services required for the Facilities.

1-1. WORKMANSHIP AND QUALITY LEVEL. All work shall be performed by staff directly employed and supervised by SERVICE PROVIDER. SERVICE PROVIDER shall provide management and technical supervision through competent supervisors as required to provide the specified janitorial services. SERVICE PROVIDER shall be responsible for the skills, methods and actions of all employees, subcontractors and for all work done.

SERVICE PROVIDER shall cooperate with the representative authorized by CITY to enable them to determine SERVICE PROVIDER'S conformity with these specifications and the adequacy of the work being performed. SERVICE PROVIDER shall give personal supervision to the work and will meet with the CITY Maintenance Manager or the designated CITY representative, a minimum of twice per month, at a schedule mutually agreed upon.

1-2. CORRECTIVE WORK. SERVICE PROVIDER shall perform the work to the satisfaction, of the CITY Maintenance Manager or designated representative. Inspections may be made by CITY at any time and CITY may request corrective work from SERVICE PROVIDER. If corrective work is required, CITY will provide a written list of items, and SERVICE PROVIDER shall correct deficiencies as directed. If deficiencies are not corrected in a timely manner, CITY may perform the work using others and deduct the cost from SERVICE PROVIDER'S payment as described in the Payment Provisions.

1-3. LOCATIONS. Facilities subject to this Agreement and Diagrams of each facility are attached as Exhibit A-1.

1-4. JANITORIAL STANDARDS. SERVICE PROVIDER shall furnish all labor, materials, tools, cleaning supplies, services and special skills necessary for the provision of complete top quality janitorial services from beginning to end of the contract. The work shall include all tasks needed to maintain the facilities, their furnishings and fixtures in sanitary condition and having an overall appearance of cleanliness and neatness. Further requirements for each facility are specified in Exhibit A-1.

- a. Facility surfaces and fixtures shall be free of dust, streaks, smudges and cobwebs. Tools such as feather dusters, which merely displace or redistribute dust, shall not be used unless treated to attract and hold the dust particles. All items moved to accomplish the task shall be returned to their original positions.
- b. Surfaces surrounding the entrance area shall be free of dirt, dust, fingerprints and have a clean appearance. Glass shall be free of streaks, smudges, fingerprints, etc.
- c. All walls should be spot cleaned to include removal of fingerprints and marks.
- d. Entrance mats shall be cleaned so that there is no dirt left on surfaces or on the floor underneath.
- e. Blinds shall be free of dust and give an overall clean appearance
- f. Furniture surfaces including tables and chairs shall be free of dirt, dust, debris, marks and film.
- g. Chrome and metal surfaces shall present a clean uniform shining appearance free of all soil, marks, smudges and streaks
- h. Disinfected surfaces shall be free of material containing living bacteria, viruses, or other contamination capable of causing infections.
- i. Dispensers will be disinfected, present a clean uniform shining appearance free of all soil, marks, smudges and streaks and will have an adequate supply of the applicable dispensed products.
- j. Restroom, kitchen and fountain fixtures shall be disinfected and there will be no dust, dirt, spots or debris on the fixtures.

- k. Glass surfaces shall be free of all dirt, soil, smudges, streaks, smears, film or any other foreign substances. All excess spray solution must be removed from any surrounding trim or surfaces. Glass must have a uniformly bright appearance. Any items moved to accomplish this task must be returned to their original positions.
- l. Areas shall be policed to remove paper, trash, empty bottles, containers, any other discarded materials, cleaning spills, wet/muddy footprints. Policed areas shall be free of debris and present an overall clean, neat appearance.
- m. Trash and recycle receptacles shall be considered properly clean when both the inside and outside are clean, free of stains, dried refuse and odors, and a plastic liner replaced, if necessary.
- n. Restrooms shall be considered properly cleaned when the floors are mopped and fixtures, urinals, toilets, waste receptacles, wash basins, faucets, handles, dispensers, partition stalls and doors are cleaned with an odorless germicidal solution. All glass, chrome, and stainless steel surfaces shall be cleaned and buffed to a shine, waste receptacles emptied, and dispensers refilled.
- o. Urinal cartridges need to be changed as needed when not draining properly.
- p. All trash/waste and soiled liners shall be removed from all trash/waste containers when and a new plastic liner fitted into the containers.
- q. Shower walls, ceilings, enclosures, grout and fixtures shall be cleaned with a germicidal solution and chrome/stainless steel buffed to a shine. There shall be no mold or odor remaining. Shower curtains shall be washed with a germicidal solution with no mold or odor remaining. Shower safety mats shall be considered properly cleaned when they are washed with a germicidal solution.
- r. Carpet spot cleaning shall remove completely any evidence of the soiling which necessitated the cleaning and return the finish of the area to its pre-soiled condition without leaving rings or discoloration.
- s. Sweeping or dust mopping shall remove all loose dirt, grit, lint, dust, debris, or other foreign material with no build up in corners, crevices, under or around furniture. All items moved to remove dirt shall be returned to their original locations.
- t. Damp mopped floors shall be free of all dirt, debris, soil, liquids or other foreign material. All splash marks and spots on walls/furniture/fixtures shall be removed before completion of the damp mopping task. All items moved to accomplish the task shall be returned to their original positions. Mop and mop bucket needs to be rinsed after each use.
- u. Vacuuming shall remove all dust, dirt, lint and any other loose material. All items moved during this process shall be returned to their original positions.
- v. A floor that has been wet mopped or scrubbed with a mechanical scrubber shall be free of all dirt, debris, soil, liquid, or other foreign material. It will present a uniform appearance free of streaks, smudges, heel marks, or any other marks, which can reasonably be removed using these methods. All splash marks/spots on walls and furniture/fixtures shall be removed before completion of the task. All items moved during this process shall be returned to their original positions. Floor scrubbing shall not remove floor finish.
- w. Concrete and linoleum floors shall be resealed to maintain a uniform shiny surface.
- x. Day Porters on duty at any facility shall be available to respond within twenty minutes to any of the contract locations to cleanup reported problems such as spills or accidents.
- y. Safety Data Sheets (SDS) must be provided for all chemicals used at each facility. SDS sheets must be updated on an annual basis.

1-5. OUTCOME-BASED CONTRACT AND INSPECTION PROBLEM RESOLUTION PROCESS. CITY will regularly inspect SERVICE PROVIDER'S work and rate it according to the janitorial standards described in this Agreement. If an area does not meet CITY standards, it will be considered "below standard". SERVICE PROVIDER shall operate and maintain an e-mail address at which CITY may send inspection reports largely consisting of photos taken of areas that SERVICE PROVIDER maintains. The e-mail address must have sufficient capacity to accept numerous inspection reports from CITY without delay or rejection. SERVICE PROVIDER shall perform quality assurance inspections a minimum of every month, or more frequently if deemed necessary by the SERVICE PROVIDER.

SERVICE PROVIDER will provide electronic versions of the monthly inspections to the CITY by the 10th of the following month as to each site's compliance with CITY standards. An action plan with deadlines must be provided to the CITY to indicate when corrections will be made if an area is deemed "below standard". City staff will work closely with Contractor's representatives to achieve the results described in the standards and

inspection criteria. However, responsibility for meeting standards rests with the Contractor.

1-6. WORK HOURS. The starting time for any and all janitorial services, except for day porter services, shall be no earlier than the closing time for the facility and shall be completed prior to the opening of time for the next day unless otherwise noted. Specific Facility hours and cleaning times are specified for each facility below in Exhibit A-1. Deviation from the above will not be permitted except by written permission of CITY Maintenance Coordinator or designated representative from the facility. From time to time, CITY may take on improvement projects or other construction. SERVICE PROVIDER shall cooperate with CITY or its agents while said work is underway.

1-7. MATERIALS AND EQUIPMENT. SERVICE PROVIDER shall, at all times, furnish and maintain equipment necessary to perform work under this contract. If equipment breaks down, SERVICE PROVIDER is responsible to complete the work within 24 hours.

CITY will provide all light bulbs, toilet tissue, hand towels, paper seat covers, liquid soap for dispensers, and plastic trash can liners. Supplies will be inventoried and provided on a weekly basis to assigned custodial storage area.

SERVICE PROVIDER is to supply all cleansers, disinfectants, solvents, waxes, cleaning tools, equipment and any additional supplies that may be necessary for SERVICE PROVIDER to perform to contract specifications. In some cases, CITY may require specific products to be used. The Maintenance Coordinator or designee shall approve all cleaning products and solutions in advance of their use.

1-8. SAFETY & SECURITY. SERVICE PROVIDER and staff shall follow all established safety procedures and shall take special care not to endanger the public or City employees in any way. All floors should be completely dry by the opening of facilities each day. SERVICE PROVIDER is responsible for the security of all doors at the conclusion of work in each room. All exterior doors should remain locked at all times. Interior doors that are found open or unlocked shall be left in the same position/condition in which they were found.

1-9. FINGERPRINTING AND BACKGROUND CHECKS. All SERVICE PROVIDER staff who will be working on CITY facilities during business hours must pass a background check a State of California Department of Justice Criminal Records Check at SERVICE PROVIDER's expense. The Record Check may be performed at the Morgan Hill Police Department located at: 16200 Vineyard Boulevard, Morgan Hill, CA 95037. SERVICE PROVIDER is responsible for maintaining and updating background check information for their employees.

1-10. EMERGENCY SITUATIONS For medical or public safety emergencies occurring at the Facilities call 9-1-1. For all building maintenance emergencies (water leaks, etc.) contact the Maintenance Coordinator or designated staff to report the issue immediately (24-hours/day).

1-11. REQUEST FOR PROPOSAL. SERVICE PROVIDER submitted a responsive and responsible proposal to perform services as requested by CITY in response to Request for Proposals Number CSD2018-023. Request for Proposal Number CSD2018-023 and the response submitted by SERVICE PROVIDER are incorporated herein by this reference. Any conflict between the RFP, proposal and this Agreement, this Agreement shall control.

Exhibit A-1**FACILITIES****Facility #1: COMMUNITY & CULTURAL CENTER AND PLAYHOUSE
17000 Monterey Road**

- **Work Hours:** The Community and Cultural Center is open Monday-Thursday 8:00 a.m. – 10:00 p.m., Friday-Saturday 6:00 a.m. – 1:00 a.m. and Sunday 8:00 a.m. - 1:00 a.m.

All work necessary for complete janitorial service including but not limited to the following

2-1. MAIN RESTROOMS & CHILDREN'S PAVILION RESTROOMS

Main Building: (7 days/week)

Children's Pavilion: Sunday – Friday (no Saturday service)

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- Urinal cartridges need to be changed as needed when not draining properly.
- Clean all counters, fixtures and dispensers.
- Clean door handles with approved cleaner.
- Replenish all paper supplies and soap dispensers.
- Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- Mop floors with disinfectant.
- Spot clean and remove any gum, residue or stains from all areas with approved methods.
- Dust all sills and light fixtures.

Restroom Information

Restrooms	Basins	Toilet Bowls	Urinals
Main Building Men's	4	4	3
Main Building Women's	4	8	0
CP Children's	1	1	0
CP Adult	1	1	0
Totals	10	14	3

800 square feet of restroom area (Tile and vinyl)

2-2. MEETING ROOMS, CLASSROOM, CERAMICS ROOM, DANCE ROOM & HALLWAYS – 7 days/week service

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Vacuum all carpeted areas.
- Dust mop hardwood floors with fiber mop or approved treatment method.
- Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- Spot clean/mop all carpets/floors as necessary.
- Clean all entry/exit door windows inside and out.
- Clean door handles with approved cleaner.
- Spot clean walls, mirrors and windows with approved cleaner.
- Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.

- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Clean all white boards.
- m. Wipe down all tables.
- n. Dust all baseboards and sills.

2-3. HIRAM MORGAN HILL BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all trash from floors, including stage, and tables.
- d. Wipe down all tables and chairs in the room.
- e. Sweep and then damp mop all non-carpeted with approved cleaner (including stage).
- f. Spot clean all carpets/floors as necessary.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods
- j. Dust all baseboards and sills.

2-4. EL TORO BANQUET ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Clean door handles with approved cleaner.
- e. Spot clean walls and windows with approved cleaner.
- f. Spot clean and remove any gum, residue or stains from all areas with approved methods
- g. Wipe down all tables and chairs in the room.
- h. Dust all baseboards and sills.

2-5. CHILDREN'S PAVILION – 6 days/week service (Sun – Fri)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaner.
- d. Spot clean floors as necessary.
- e. Clean door handles with approved cleaner.
- f. Spot clean walls, mirrors and windows with approved cleaner.
- g. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- h. Spot clean and remove any gum, residue or stains from all areas with approved methods
- i. Wipe down all tables.
- j. Dust all baseboards and sills.

2-6. KITCHEN – 5 days/week service (Tuesday, Wednesday, Friday, Saturday and Sunday)

- a. Empty wastebaskets and trash containers; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Clean and wipe down cabinets, and countertops.
- e. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- f. Clean all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner.
- h. Clean door handles with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

2-7. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets as necessary.

- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods

2-8. PLAYHOUSE RESTROOM CLEANING – 2 days/week service (Wed & Sun)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Hose/mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

2-9 MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days/week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. All doors and windows are to be checked, closed and locked securely.
- c. Report graffiti to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- d. Clean drinking fountains.
- e. Collect cardboard, flatten and place in recycle bins.
- f. Report location of all burnt out light bulbs to Community Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- g. Spray buff floors in all restrooms.
- h. Clean all ground level windows in hallway inside and out.
- i. Dust and/or wash interior walls (floor to ceiling) removing dust and debris.
- j. Dust and remove spider webs from the ceilings, window sills, blinds, light fixtures, cabinets, crevices, counters, desks and open spaces.
- k. Apply tile cleaner/approved cleaner on restroom walls and tile surfaces.
- l. Remove all entry mats and clean pat down to remove dirt.
- m. Dust exterior of ceiling level vents.
- n. Spray buff classroom, dance room and El Toro room floors.
- o. Remove, clean and replace all light fixtures lower than 10 feet in height.
- p. Wipe down all door hinges.

2-10. BIMONTHLY SERVICES (Every other month)

Shampoo, with truck mounted cleaning unit, carpeted areas in the Hiram Morgan Hill Room as well as the main hallway to the end of the restrooms bimonthly as scheduled with CITY Staff.

2-11. QUARTERLY SERVICES

Shampoo, with truck mounted cleaning unit, all carpeted areas four times annually as scheduled with CITY staff (Madrone, Machado, Staff Offices, and Hallway from the Restrooms to the end of the West Hallway).

2-12. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all vinyl floors per approved methods.
- b. Remove all restroom floor drains, scrub clean and replace.
- c. Clean all windows inside and out for the entire facility. (Does not include high windows, in the El Toro Room, Hiram Morgan Hill Room and Playhouse).

2-13 ANNUAL SERVICES

Deep cleaning of the kitchen:

- a. Clean and degrease all stainless steel (except hood vents), all walls, doors/door frames, all ceiling tiles, tbar grids, light covers and fixtures, air vents, floor drains.
- b. Sweep and mop all floors
- c. Clean inside ovens
- d. Clean Stove tops

2-14. COMMUNITY & CULTURAL CENTER DAY PORTER SERVICES

a. DESCRIPTION

CITY requires day porter service for daytime service for regular and as needed duties. The day porter shall be responsible for janitorial duties outlined in the contract, but are needed during the day because of high customer use.

b. DAY PORTER COMMUNITY AND CULTURAL CENTER

The CCC requires daytime janitorial to clean the main building restrooms, hallway, Hiram Morgan Hill Room and other locations as needed from 2:00 pm to 4:00 pm on Wednesdays year-round.

c. DAY PORTER AS NEEDED

CITY staff will request assistance for daytime janitorial for special events and other activities that do not occur on a regular basis. Staff will provide a minimum of one week of notice for such requests.

2-15. SPECIAL CLEANING SERVICES AT PLAYHOUSE FACILITY (PERFORMANCE CLEANING)

It is estimated that the playhouse will be scheduled 125 nights per year which will require cleaning services to be provided on an as needed basis. The use schedule of the facility will be provided by the 15th of the prior month. Late schedule additions may occur, with a minimum of 48 hours notice provided. Areas of cleaning include the lobby, seating area, entry, hallways, and restrooms.

- a. Clean restrooms per Section 2-7 (Staff Office Areas).
- b. Clean all litter/waste from seating area.
- c. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- d. Vacuum all carpeted areas.
- e. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- f. Spot clean all carpets/floors/theater seats as necessary.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls, mirrors and windows with approved cleaner.
- i. Dust, wipe down or vacuum all theatre seats, cabinets, and countertops.
- j. Wipe down banisters.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods
- l. Wipe down all tables.
- m. Dust all baseboards and sills.
- n. Clean all entry/exit windows inside and out

All after performance cleaning will be performed on an as-needed basis only when approved and as directed by City staff.

2-16. COMMUNITY CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Vinyl	Hardwood	Tile	Epoxy	Laminate
Main Building:							
Hiram Morgan Hill Room	4594	3196					1398
Hallway btwn Hiram & Kitchen	360		360				
Main Hallways	3870	3870					
Kitchen	600					600	
Poppy Jasper Room	625					625	
Diana Murphy Room	625		625				
Miramonte Dance Room	780			780			
Office Areas	750	600	150				
Madrone Room	650	650					
Machado Room	400	400					
El Toro Room	1770			1770			
Restrooms	740				740		
Children's Pavilion	800		800				
PlayHouse:							
Seating Area	1566	1566					
Entry	100				100		
Lobby	612	612					
Walkways	640		640				
Restrooms	400		400				
Dressing Rooms	120		120				
Dressing Rm Bathrooms	90		90				
Total for Rooms Needing Service	20092	10894	3185	2550	840	1225	1398

Restrooms	Basins	Toilet Bowls	Urinals
Main Building Men's	4	4	3
Main Building Women's	4	8	0
Children's Pavilion (child)	1	1	0
Children's Pavilion (adult)	1	1	0
Playhouse Men's	2	2	2
Playhouse Women's	2	5	0
Playhouse Dress 1	1	1	0
Playhouse Dress 2	1	1	0
Totals	10	14	3

2018 Facility Rental Information

	Days with Banquets	Days with Meetings
Hiram MH Room	165	191
El Toro Room	45	162

Facility #2: COUNCIL CHAMBERS
17555 Peak Avenue

Work Hours: Council Chambers – Sundays the building will close by 8:00 p.m. and reopen Monday at 7am

All work necessary for complete janitorial service including but not limited to the following:

3-1. RESTROOMS AND MAIN BUILDING – Sunday Only

- a. Empty wastebaskets and replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Hose/mop floors with disinfectant.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- m. Dust all sills and light fixtures.

3-2. COUNCIL CHAMBERS, MEETING ROOMS, OFFICES AND HALLWAYS – Sundays Only

- a. Empty wastebaskets and recycle containers as needed; replaced liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Mop floors with disinfectant.
- e. Sweep and damp mop all non-carpeted and non-hardwood floor areas with approved cleaner.
- f. Spot clean/mop all carpets/floors as necessary.
- g. Clean all entry/exit door windows inside and out.
- h. Clean door handles with approved cleaner.
- i. Spot clean walls, mirrors and windows with approved cleaner.
- j. Dust, wipe down or vacuum all furniture, cabinets and countertops.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Clean all white boards.
- m. Wipe down all tables.
- n. Dust all baseboards and sills.

3-3. KITCHEN/BREAK ROOM – Sundays Only

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Clean and wipe down cabinets, and countertops.
- e. Wash out basins with approved cleanser, rinse and dry, damp dry basin tramps.
- f. Clean all counters and appliances (stove top, oven front, refrigerators, etc) with approved cleaners.
- g. Spot clean walls and windows with approved cleaner. Clean door handles with approved cleaner.
- h. Spot clean and remove any gum, residue or stains from all areas with approved methods.

The Sunday-only work described in paragraphs 3-1, 3-2, and 3-3 will be performed on an as-needed basis only when approved and as directed by City staff.

3-4. SEMI-ANNUAL SERVICES

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards

- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #3: CENTENNIAL RECREATION CENTER (CRC)
171 W. Edmundson Avenue

- **Work Hours:** Centennial Recreation Center is an active facility on weekdays from 4:30 a.m. to 10:00 p.m., Saturday-Sunday from 6:30 a.m. to 8:00 p.m

All work necessary for complete janitorial service including but not limited to the following:

4-1. ALL RESTROOMS & LOCKER ROOMS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by CITY).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Replace air fresheners in the West Wing and Senior Center restrooms monthly.

4-2. MAIN LOBBY/ADJACENT ROOMS & MAIN HALLWAYS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.
- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Clean and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-3. MULTI-PURPOSE ROOM & KITCHEN – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be

- k. replaced by CITY staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down all tables and chairs in the room.

4-4. SENIOR CENTER AREAS – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-5. TEEN CENTER ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls and windows with approved cleaner.
- g. Clean door handles with approved cleaner.
- h. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-6. KIDS CLUB ROOM – service required 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floor with approved cleaner.
- d. Vacuum carpeted area of floor.
- e. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- f. Clean all entry/exit door windows inside and out.
- g. Wash out sink and drinking fountain with approved cleanser, rinse and dry.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by CITY staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-7. FITNESS ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors including under equipment and then damp mop floor with approved cleaner.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Spot clean walls, windows and mirrors with approved cleaner.
- g. Clean door handles with approved cleaner.
- h. Clean and wipe down all drinking fountains.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-8. GYMNASIUM AND AEROBICS ROOM – 7 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floor using a fiber mop or approved treatment.
- d. Clean bleachers and under bleachers.
- e. Scrubber should be used to clean the floors 3 times a week and the other 4 should be wet mop using approved cleaner.
- f. Clean all entry/exit door windows inside and out.
- g. Spot clean walls, ground level windows and mirrors with approved cleaner.
- h. Clean door handles with approved cleaner.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-9. STAFF OFFICE AREAS – 3 days/week service (Sun, Tues & Thurs)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-10. LIFEGUARD ROOM (Once a week)

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- d. Clean all entry/exit door windows inside and out.
- e. Clean door handles with approved cleaner.
- f. Spot clean walls and windows with approved cleaner.
- g. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- h. Replace burnt out light bulbs as necessary.
- i. Spot clean and remove any gum, residue or stains from all areas with approved methods.

4-11. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 7 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers located in enclosed patios and inside the pool area are to be emptied as needed; replace plastic liners. Clean receptacles.
- c. All doors and windows are to be checked, closed and locked securely.
- d. Report graffiti to Centennial Recreation Center staff leaving a work order in the Facility Maintenance Worker's in-box.
- e. Clean all drinking fountains.
- f. Collect cardboard, flatten and place in recycle bins.
- g. Scrub all tile floor areas using approved methods.
- h. Clean gymnasium and aerobic room floors with floor scrubber.
- i. Damp mop stained concrete floors with approved cleaner.
- j. Clean all ground level windows in Main Lobby inside and out.
- k. Dust and remove spider webs from the ceilings, window sills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- l. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- m. Vacuum and spot clean all entry mats and clean floor below mats.
- n. Vacuum all ground level vents and dust exterior of ceiling level vents.
- o. Wipe down all door hinges.
- p. Clean all ground level interior window sills.
- q. Remove, clean and replace all light fixtures lower than 10 feet in height.
- r. Dust TV's and fans in Fitness, east hallway and Aerobics Rooms.

- s. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris
- t. Wipe down all tables and chairs in the room.

4-12. MONTHLY SERVICES

- a. Scrub, recoat and buff floors in the Multi-Purpose Room, Kitchen, Teen Center, and Kids Club Room
- b. Scrub, re-coat/wax and buff stained concrete floors using approved methods and material.

4-13. TRIENNIAL (Three times a year) SERVICES

Clean all windows inside and out for the entire facility once each during the Summer, Fall and Spring seasons. (Includes high windows, in the Natatorium, Gym and other areas). Use approved cleaner to remove hard water spots

4-14. QUARTERLY SERVICES

- a. Shampoo carpeted areas four times annually as scheduled with CITY staff.
- b. Pressure wash all pavement at facility front entrance and pool deck. Schedule with CITY staff.

4-15. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all linoleum floors per approved methods.
- b. Strip, wax, and buff all ceramic tile floors per approved methods in restrooms.
- c. Remove all floor drains, scrub clean and replace.
- d. Remove, dust, wash and replace all light fixtures.
- e. Dust and remove spider webs from walls, ceilings, window sills, skylights, crevices, railings, etc. over 10 feet in height.

4-16. ANNUAL SERVICES

- a. Concrete floors to be striped and waxed annually using approved materials and methods.
- b. Strip and wax the locker rooms' and family changing rooms' tile floors including baseboard tiles.

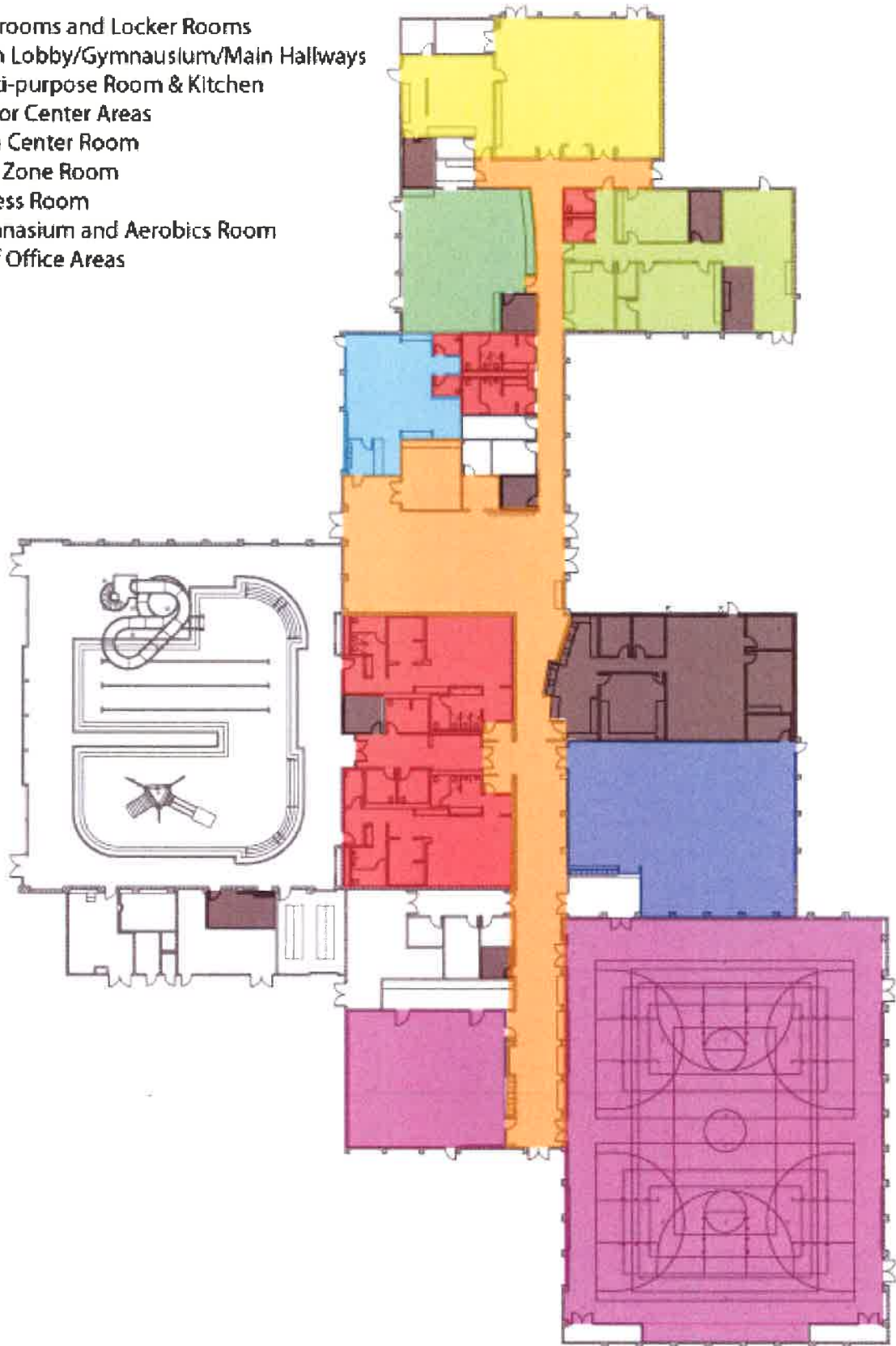
4-17. DAY PORTER SERVICES

- a. Day Porter Services to be provided by one male and one female custodian, Monday – Friday 11:00 a.m. – 1:00 p.m. and from 5:00 p.m. – 7:00 p.m.; Saturday and Sunday 12:00 p.m. – 2:00 p.m.
- b. Work to include: Clean and disinfect restrooms, restock dispensers, empty trash containers.
- c. Dust mop floor gymnasium and aerobic room floors between scheduled activities
- d. Clean locker rooms
- e. Disinfect drinking fountains as needed
- f. Damp mop floors as needed
- g. Walk building for litter & debris, outside entrances and parking lot
- h. Clean entrance doorways and glass as needed.
- i. Spot clean walls and doors throughout facility.
- j. Day Porters must sign in and out each day at the front desk.

4-18. CRC SITE INFORMATION AND FACILITY DIAGRAM

- 2-1 Restrooms and Locker Rooms
- 2-2 Main Lobby/Gymnasium/Main Hallways
- 2-3 Multi-purpose Room & Kitchen
- 2-4 Senior Center Areas
- 2-5 Teen Center Room
- 2-6 Kids Zone Room
- 2-7 Fitness Room
- 2-8 Gymnasium and Aerobics Room
- 2-9 Staff Office Areas

EDMUNDSON AVE.



Centennial Recreation Center Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Hardwood	Tile	Epoxy	Rub
Sr. Ctr.								
Lobby/Reception/Hallways	1127	1127						
Sr. Coord. Office	132	132						
Activity Room 1	464	464						
Activity Room 2	308	308						
Computer Room	277	277						
Sr. Ctr. Restrooms	112					112		
West Wing Hallways	1280		1280					
West Wing Restrooms	500					500		
Multi-Purpose Room	1796			1796				
Kitchen	623						623	
Nutrition Office	124			124				
Teen Juice Bar Area	88			88				
Teen Center	1401			1401				
Teen Coord. Office	109	109						
Main Lobby	2100	518	1582					
Membership Office	102	102						
Vending Alcove	103		103					
Party Room	331		331					
Kid Zone Room	970			970				
Kid Zone Restrooms	96					96		
East Wing Hallway	2020		2020					
Main Reception/Hallway	456	456						
Assoc. Exec. Office	104	104						
MSA Office	106	106						
Staff Work Room	359			359				
Staff Cubicles	812	812						
Facility Manager's Office	131	131						
Staff Break Room	241			241				
Locker Room Hall	310					310		
Men's Locker Room/Restrooms	1173					1173		
Women's Locker Room/Restrooms	1211					1211		
Family Changing Room 1	132					132		
Family Changing Room 2	94					94		
Family Changing Room 3	94					94		
Aquatics Office	122					122		
Lifeguard Break Room	204						204	
Fitness Room	3001							3001
Health & Fitness Dir. Office	91	91						
Gymnasium	10684				10684			
Aerobics Room	1753				1753			
Total for Rooms Needing Service	35141	4737	5316	4979	12437	3844	827	3001

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

Restrooms	Basins	Toilets	Urinals	Showers
Sr. Center – Men's	1	1		
Sr. Center - Women's	1	1		
West Wing – Men's	2	1	2	
West Wing - Women's	2	3		
Kid Zone - Boys		1		
Kid Zone - Girls		1		
Locker Room – Men's	4	3	4	7
Locker Room - Women's	4	7		7
Locker Room - Families	3	3		3
Basins in other Rooms	6			
Totals	23	21	6	17

Facility #4: DENNIS KENNEDY AQUATICS CENTER
16200 Condit Road

- Work Hours: Aquatics Center is open weekdays from 5:00 a.m. to 8:00 p.m. (9:00 p.m. June-October), Saturdays from 7:00 a.m. to 12:00 p.m. (summer season to 6:30 p.m.), and Sundays 11:30 a.m. to 6:30 p.m. (summer season only).

Complete janitorial services to be provided every day facility is open, including but not limited to the locations listed below. Note that the Aquatics Center operates year-round but has a very high use during the summer swim season when a significantly higher frequency of service will be required. Alternately, during the off season, some rooms, such as the party room, are rarely used.

5-1. STAFF OFFICE AREAS/STAFF RESTROOMS - 3 days/week service (Sun, Tues & Thurs)

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Vacuum all carpeted areas.
- Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- Spot clean all carpets as necessary.
- Clean all entry/exit door windows inside and out.
- Clean door handles with approved cleaner.
- Spot clean walls and windows with approved cleaner.
- Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- Replace burnt out light bulbs as necessary.
- Spot clean and remove any gum, residue or stains from all areas with approved methods
- Dust window blinds.

5-2. RETAIL AREA – Off Season: 3 days/week service (Sun, Tues & Thurs) / Summer Season Daily

- Empty wastebaskets and recycle containers as needed; replace plastic liners.
- Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- Clean all entry/exit door windows inside and out.
- Clean door handles with approved cleaner.
- Spot clean walls and windows with approved cleaner.
- Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- Spot clean and remove any gum, residue or stains from all areas with approved methods
- Clean cob webs with extension pole
- Clean the glass of the display case inside and out.

5-3. SMALL (TEAM) LOCKER ROOMS & FAMILY CHANGING ROOMS – 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by CITY).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.

5-4. LARGE LOCKER ROOMS - 6 days/week service (M-Sat) / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers (front, top, inside and out) with a damp cloth and disinfectant. Remove any belongings left in lockers and place in Lost & Found bin in the Main Office.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by CITY).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Pressure wash rubber mat in women's team locker room

5-5. EVENT ROOM – 2x per month / Summer Season Daily

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpets
- d. Sweep and then mop floors.
- e. Clean all counters, fixtures and sinks.
- f. Clean door handles with approved cleaner.
- g. Wipe clean all tables and chairs
- h. Replenish all paper supplies and soap dispensers.
- i. Spot clean walls.
- j. Spot clean windows
- k. Replace burnt out light bulbs as necessary.
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

5-6. ENCLOSED OUTDOOR AREAS – Off Season: 2x per month; Summer Season Daily

- a. Empty exterior trash cans and recycle receptacles as needed, replace liners

- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Pressure wash picnic area (tables & ground) and ground directly in front of the concessions stand and BBQ areas.
- d. Wipe clean exterior showers, lockers and fountains

5-7. THROUGHOUT FACILITY

- a. Clean all showers, restroom walls, and tile surfaces with approved cleaner.
- b. Pressure wash all epoxy floors in the team, main and family changing rooms
- c. Vacuum and spot clean all entry mats including floors underneath mats.

5-8. QUARTERLY SERVICES

- a. Clean event room mosquito screens
- b. Clean ventilation covers in team locker rooms, family changing rooms and locker rooms
- c. Scrub and degrease large locker room and family changing floors

5-9. SEMI-ANNUAL SERVICES

- a. Shampoo office carpets.
- b. Strip and wax floors in event room.
- c. Scrub and degrease Small Locker Room.
- d. Scrub and degrease Retail Area floors.
- e. Remove, dust, wash and replace all light fixtures.
- f. Clean all windows inside and out for the entire facility. (Includes high windows in the Retail Area, Coordinator's office, Ticket window).
- g. Dust/wipe all light fixtures throughout the facility

5-10. SPECIAL CLEANING AND DAY PORTER SERVICES

- a. Daily Cleaning for Swim Meets – all Summer Season daily tasks.
- b. End of Swim Meet Cleaning – all Summer Season daily tasks plus pressure washing pavement around the competition pool, instructional pool and walkways between grass and water slides.
- c. Day Porter Service – Two day porters, one male and one female will be needed daily (7 days) for 4 hours per day from late May through mid-August and weekends only from mid-August through mid-September.
- d. Day Porters must sign in and out at the front desk.

5-11. AQUATICS CENTER SUMMER SEASON SCHEDULE

The Aquatics Center operates year-round, and has a very high use during the Summer Swim Season. The Summer Season is comprised of:

- a. The Wednesday prior to Memorial Day through the third weekend of August - 7 days per week.
- b. From the third weekend in August through the third weekend in September the facility has high usage on Weekends and Labor Day. Weekday service during this period will be similar to off-season service.

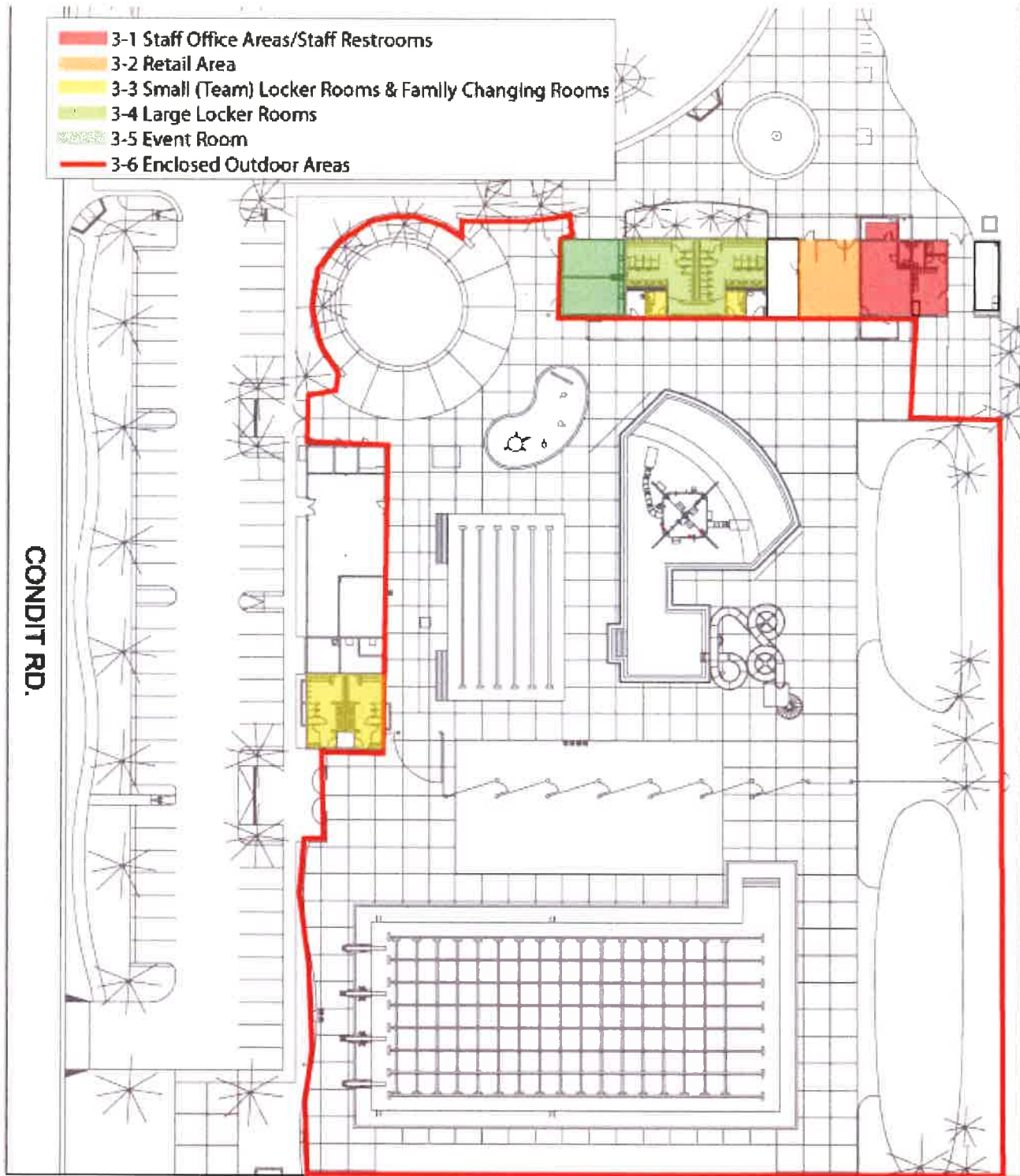
5-12. On-call janitorial services as requested and approved by City as needed for swim meets

5-13. AQUATICS CENTER SITE INFORMATION AND FACILITY DIAGRAM

Room Information

Room Name	Size	Carpet	Concrete	Vinyl	Epoxy Resin
Event Room	550			550	
Retail Area	500		500		
Staff Area/Restrooms	694	400		294	
Family Changing Rooms	100				100
Small (Team) Locker Rooms/Restrooms	600				600
Large Locker Rooms/Restrooms	800				800
Total Rooms Needing Service	3244	400	500	844	1500

Restrooms	Basins	Toilet Bowls	Urinals	Showers
Staff Area/Staff Restrooms	3	2	0	1
Family Changing Rooms	2	2		2
Small (Team) Locker Rooms/Restrooms	8	8	4	2
Large Locker Rooms/Restrooms	10	12	5	8
Event Room	2	0	0	0
Totals	25	24	9	13



**Facility #5: PUBLIC WORKS CORPORATION YARD
100 Edes Court**

Work Hours: 6 p.m. to 5 a.m.

All work necessary for complete janitorial service including but not limited to the following:

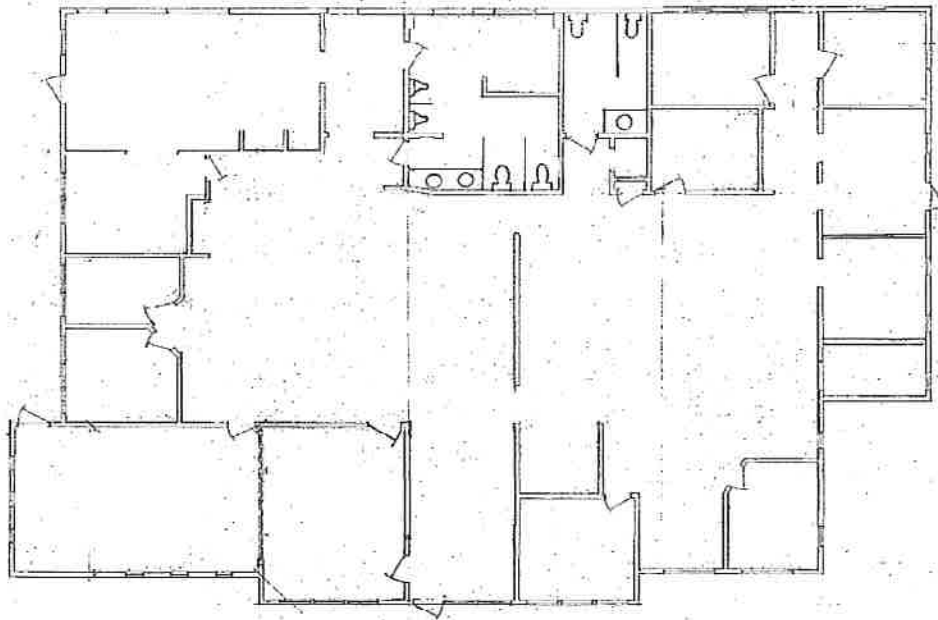
6-1. QUARTERLY SERVICES

Shampoo, with truck mounted cleaning unit, carpeted areas four times annually as scheduled with CITY staff.

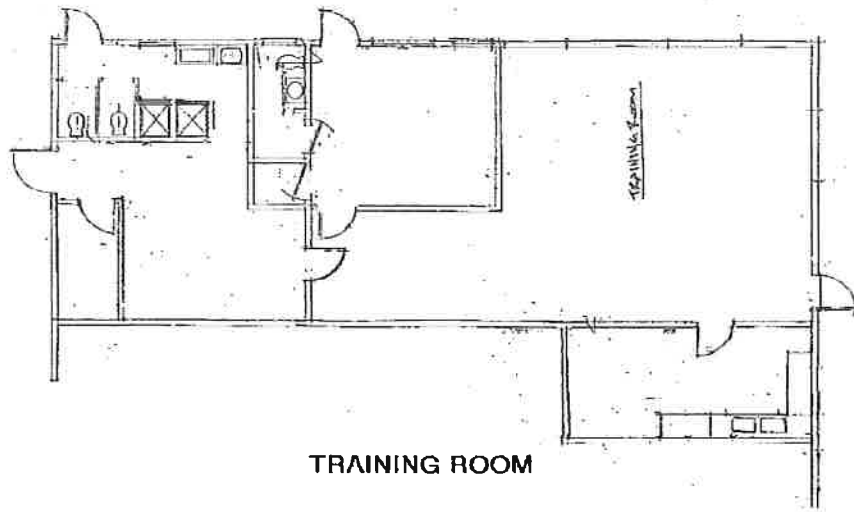
6-2. TRIANNUAL SERVICES

Strip, wax and buff all vinyl floors per approved methods

6-8. PUBLIC WORKS CORPORATION YARD – SITE INFORMATION AND FACILITY DIAGRAM



OFFICES



TRAINING ROOM

PUBLIC WORKS CORPORATION YARD

Facility #6: RAILROAD PARK
Depot Street between Third and Fourth Streets

- **Work Hours:** Railroad Park – Cleaning hours are from 12:00 a.m. to 7:00 a.m.

All work necessary for complete janitorial service including but not limited to the following:

- 7-1 RESTROOMS – Service 7 days/week
 - a. Empty trash cans and replace plastic liners as needed. Take trash to the parking structure dumpster.
 - b. Clean all mirrors and surrounding stainless steel/chrome with disinfectant
 - c. Wash out basin with approved cleanser, rinse and dry; damp dry basin traps
 - d. Clean/disinfect all toilets, damp dry all external surfaces; clean all stainless steel/chrome
 - e. Clean all counters, fixtures, and dispensers
 - f. Clean door handles
 - g. Replenish all paper supplies and soap dispensers
 - h. Damp wipe doors, walls
 - i. Hose/mop floors with disinfectant
 - j. Spot clean and remove any gum, residue or stains from all areas with approved methods
 - k. Check lights and report outages to the Maintenance Coordinator or designated representative same day
 - l. Dust ceiling, fixtures and walls as needed
 - m. Report all graffiti to Maintenance Coordinator or designated representative same day
- 7-2 RAILROAD PARK/PARKING LOT – Service 7 days/week
 - a. Litter pick up throughout entire park and parking lot
 - b. Empty trash/recycling if ½ full or more and take trash to the parking structure dumpster
 - c. Clean and wipe down all drinking fountains
 - d. Clean all body fluids and spills anywhere in the park/parking lot
 - e. Report all graffiti to Maintenance Coordinator or designated representative same day

Facility #7: DOWNTOWN PARKING GARAGE
50 East Third Street

- **Work Hours:** Downtown Parking Garage - Cleaning hours are from 12:00 a.m. to 7:00 a.m.

All work necessary for complete janitorial service including but not limited to the following:

- 8-1 DAILY SERVICES
 - a. Litter pick up throughout the garage (including stairwells and underneath)
 - b. Empty trash/recycling if ½ full or more and put in the parking structure dumpster.
 - c. Inspect elevator function and report any problems same day
 - d. Inspect elevator for damage or graffiti and report any problems same day
 - e. Clean all body fluids and spills anywhere in the garage and elevator
 - f. Clean elevator floors
 - g. Wipe down the entire inside of the elevator
 - h. Remove any postings, tape, string, etc
 - i. Check lights and report outages to the Maintenance Coordinator or designated representative same day
- 8-2 WEEKLY SERVICES
 - a. Clean elevator doors (inside and out) with stainless steel cleaner
 - b. Dust and clean the handrails, maps, EV chargers, phones, trash/recycle receptacles
- 8-3 As needed garage cleaning services as requested and approved by City.

Facility #8: CITY HALL/DEVELOPMENT SERVICES CENTER (DSC) BUILDING
17575 Peak Avenue

- **Work Hours:** City Hall/DSC Building- Annual services to be coordinated with CITY Maintenance Staff

9-1 ANNUAL SERVICES

- a. Truck mounted steam extraction of all carpeted areas.
- b. Strip, scrub and wax (5) coats on all vinyl floors, wipe clean baseboards
- c. Scrub, degrease and disinfect all tile and grout floors (restroom/lobby/hallway)

Facility #9: POLICE DEPARTMENT 16200 Vineyard Drive

WORK HOURS

- Days: 5 Days a week (Monday, Tuesday, Wednesday, Thursday, Saturday)
- Hours: between 6pm-5am

All work necessary for complete janitorial service including but not limited to the following:

10-1. ALL RESTROOMS & LOCKER ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Clean all mirrors and surrounding stainless steel/chrome with disinfectant.
- d. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- e. Clean/disinfect all toilets and urinals; damp dry all external surfaces; clean all stainless steel/chrome.
- f. Urinal cartridges need to be changed as needed when not draining properly.
- g. Clean all counters, fixtures and dispensers.
- h. Clean door handles with approved cleaner.
- i. Replenish all paper supplies and soap dispensers.
- j. Damp wipe/disinfect partitions (inside and out), shower curtains, doors, walls and tile.
- k. Sweep and then mop floors with disinfectant.
- l. Wipe and dry all benches.
- m. Wipe all lockers and benches (front, top, inside and out) with a damp cloth and disinfectant.
- n. Remove all hair and debris from shower drains.
- o. Wash all shower walls and floors with shower foam disinfectant (approved by the City).
- p. Replace burnt out light bulbs as necessary.
- q. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- r. Vacuum all carpeted areas.

10-2. MAIN ENTRANCE/LOBBY AREA/ AND HALLWAYS (INCLUDING BACK HALLWAY BY LOCKER ROOMS/GYM) – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Dust mop floors and remove dirt from joints in concrete.
- d. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Vacuum carpeted area of floor and entry mats.
- g. Spot clean all carpets as necessary with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Clean door handles with approved cleaner.

- j. Clean and wipe down all drinking fountains.
- k. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- l. Spot clean and remove any gum, residue or stains from all areas with approved methods.

10-3. LUNCH/BREAK ROOMS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash, recycle and compost receptacles inside and out, free of stains, and odor free.
- c. Sweep and then damp mop floors with approved cleaners.
- d. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- e. Clean all entry/exit door windows inside and out.
- f. Wash out basins with approved cleanser, rinse and dry; damp dry basin traps.
- g. Clean all counters and appliances (stove top, oven front, refrigerators, etc.) with approved cleaners.
- h. Spot clean walls and windows under 10 feet with approved cleaner.
- i. Clean door handles with approved cleaner.
- j. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- l. Wipe down all tables and chairs in the room.

10-4. CONFERENCE ROOMS/INTERVIEW ROOMS/BREFING ROOM/REPORT WRITING ROOM (OPEN OFFICE ON MAP)/EOC/RECORDS/SPECIAL OPS – 5 days/week service

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be replaced by City staff).
- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- K. Any papers left on tables will be left as found.

10-5. EVIDENCE ROOM/JAIL/BOOKING AND PROCESSING/LOUNGE/DISPATCH/COPY ROOM – 3 days/week/

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Spot clean all carpets as necessary with approved cleaner.
- e. Clean all entry/exit door windows inside and out.
- f. Clean door handles with approved cleaner.
- g. Spot clean walls and windows with approved cleaner.
- h. Dust, wipe down or vacuum all furniture including tables and chairs, cabinets, and countertops.
- i. Replace burnt out light bulbs as necessary (light bulbs on ceilings higher than 10 feet will be

replaced by City staff).

- j. Spot clean and remove any gum, residue or stains from all areas with approved methods.
- k. Any papers left on tables will be left as found.

10-6. STAFF OFFICE AREAS – Trash 5 days a week and rest of service 3 days/week

- a. Empty wastebaskets and recycle containers as needed; replace plastic liners.
- b. Clean all trash and recycle receptacles inside and out, free of stains, and odor free.
- c. Vacuum all carpeted areas.
- d. Sweep and then damp mop all non-carpeted floor areas with approved cleaner.
- e. Spot clean all carpets.
- f. Clean all entry/exit door windows inside and out.
- g. Clean door handles with approved cleaner.
- h. Spot clean walls and windows with approved cleaner.
- i. Dust, wipe down or vacuum all furniture, cabinets, and countertops.
- j. Replace burnt out light bulbs as necessary.
- k. Spot clean and remove any gum, residue or stains from all areas with approved methods

10-7. OUTSIDE TRASH AREA

- a. Brown recycling containers need to be put outside of the gate for Recology to pick up on Tuesday evening and brought back in Wednesday
- b. Green compost containers need to be put outside of the gate for Recology to pick up on Saturday evening and brought back in Monday

10-8. MISCELLANEOUS SERVICES TO BE PERFORMED AS NEEDED SO THAT AREAS ARE CLEAN AT THE START OF EACH DAY – 5 days per week service

- a. Janitorial supply rooms are to be kept clean and orderly at all times. Tools should be properly labeled and stored.
- b. Exterior trash receptacles and recycle containers located in enclosed patios and inside the pool area are to be emptied as needed; replace plastic liners. Clean receptacles.
- c. Collect cardboard, flatten and place in recycle bins.
- d. Scrub all tile floor areas using approved methods.
- e. Clean all ground level windows in Main Lobby inside and out.
- f. Dust and remove spider webs from the ceilings, window sills, blinds, light fixtures, skylights, cabinets, crevices, counters, desks and open spaces up to 10 feet in height.
- g. Apply tile cleaner on all showers, restroom walls, and tile surfaces.
- h. Vacuum and spot clean all entry mats and clean floor below mats
- i. Vacuum all ground level vents and dust exterior of ceiling level vents.
- j. Wipe down all door hinges.
- k. Clean all ground level interior window sills.
- l. Remove, clean and replace all light fixtures lower than 10 feet in height.
- m. Dust and/or wash interior walls (floor to ceiling or 10 ft.) removing dust and debris.
- n. Wipe down all tables and chairs in the room.
- o. No persons shall be admitted into the building by the janitors.
- p. All doors and main access points shall be locked during and after each service.
- q. Follow all MHPD security measures and protocols as directed.

10-9. SEMI-ANNUAL SERVICES

- a. Strip, wax, and buff all linoleum floors per approved methods.
- b. Strip, wax, and buff all tile floors per approved methods in west wing restrooms, locker rooms, family changing rooms, hallway and senior center restrooms.
- c. Remove all floor drains, scrub clean and replace.
- d. Remove, dust, wash and replace all light fixtures.
- e. Clean all windows inside and out for the entire facility

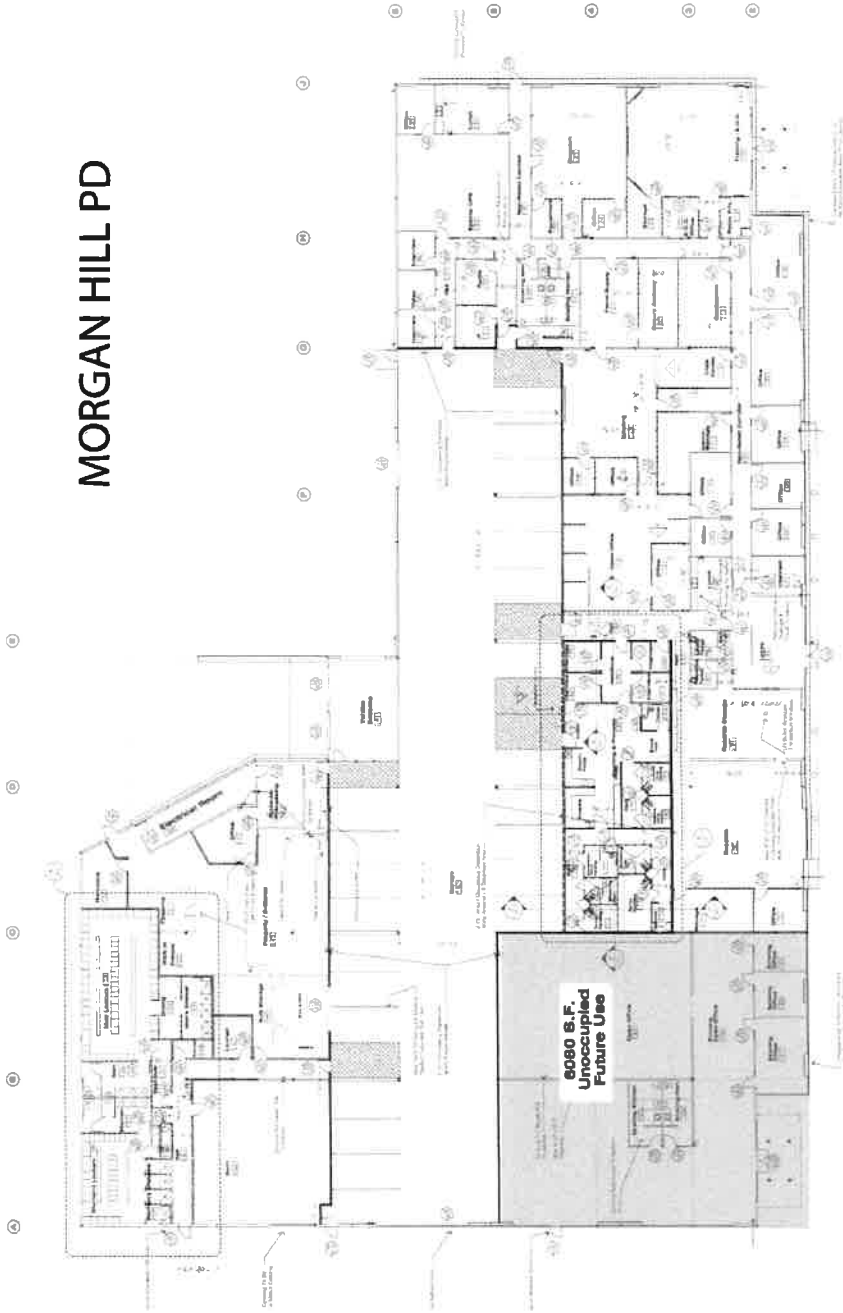
10-10 ANNUAL SERVICES

Truck mounted steam extraction of all carpeted areas.

10-11 On-call janitorial services as requested and approved by City.

10-12. POLICE STATION SITE INFORMATION AND FACILITY DIAGRAM

MORGAN HILL PD



CITY FACILITY ON-CALL SERVICES

- 11-1 Additional carpet cleanings as requested and approved by City
- 11-2 Other janitorial services at City facilities as requested and approved by City.

EXHIBIT B PAYMENT PROVISIONS

As described in the Scope of Work, this Agreement is outcome-based, with an inspection and rating process. Both SERVICE PROVIDER and CITY shall perform inspections as described in the Scope of Work. SERVICE PROVIDER will be paid only for work rated as "meets standards". SERVICE PROVIDER will not be paid for work rated as "below standard" until conditions improve and rate as "meets standards" if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER. If an area does not meet CITY standards, it will be considered "below standard". SERVICE PROVIDER will not be paid additional amounts for remedial work required to improve "below standard" areas if the below standard work is attributed to neglect on the part of the SERVICE PROVIDER.

CITY will perform inspections and prepare reports weekly, which will be e-mailed to the SERVICE PROVIDER. The first time a site fails to meet CITY Standards per the weekly inspections, the SERVICE PROVIDER will have one (1) week to bring the site back into compliance. If the same site is not in compliance for the same standard at any time after the first warning, no warning will be given, and penalties will be incurred. If a site is not brought back into compliance within the allotted timeframe the following penalties will occur:

1. First Penalty: SERVICE PROVIDER to receive warning.
2. Second Penalty: At the same site within twelve (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$25 monthly deduction per deficiency.
3. Third Penalty: At the same site within (12) months of the First Penalty Assessment, the SERVICE PROVIDER will be assessed a \$75 monthly deduction per deficiency.

The parties will observe the following progressive problem resolution process:

1. Written notice of the problem.
2. Field conference with CITY inspector and SERVICE PROVIDER'S field representative to identify problem and agree on solution as presented by SERVICE PROVIDER.
3. Conference between CITY'S representative and SERVICE PROVIDER'S principal.
4. Imposition of penalties and/or correcting defect at SERVICE PROVIDER'S cost.
5. Termination of Contract.

No payment will be made for services not performed. CITY reserves the right to back charge the SERVICE PROVIDER for services not performed. If services are not performed as per the contract or schedule submitted, after 5-days' notice to SERVICE PROVIDER of failure to perform, CITY may then contract out the service and back charge the SERVICE PROVIDER cost plus 15%.

If deficiencies are not corrected in a timely manner, CITY may perform the work using others and deduct the cost from SERVICE PROVIDER'S payment as described in the Payment Provisions.

If SERVICE PROVIDER is unable to complete the work within the specified time period, CITY may deduct the applicable portions, pro rata, from the payment to SERVICE PROVIDER.

Failure by SERVICE PROVIDER to turn in inspections by the deadline will result in a monthly payment being withheld until inspections are turned in, and one hundred dollars (\$100) deduction from their monthly payment.

There will be a financial impact to the SERVICE PROVIDER if any scheduled use, (including, but not limited to, special events or recreation programs) of CITY facilities are impacted by neglect on the SERVICE PROVIDER'S part. Any costs associated with re-scheduling the event/activity/program may be the responsibility of the SERVICE PROVIDER for staffing and costs, including, but not limited to lost revenue, staff salaries and alternate contractor costs, etc.

SCHEDULE OF COMPENSATION RATES

The rate schedule is composed of two parts: a base bid for regular services, and bid alternates for services that will be performed only when requested and approved by CITY. CITY reserves the right to reduce or add services upon thirty (30) days' notice to SERVICE PROVIDER.

Bid Item	Item	Annual Amount	Bid Total: Two-Year Amount
1.	Community and Cultural Center Section 2-1 thru Section 2-14, and Section 2-16	\$83,495.00	\$166,990.00
2.	Council Chamber Building Section 3-4. Semi-Annual Cleaning Only (2 times per year)	\$5,100.00	\$10,200.00
3.	Centennial Recreation Center Section 4-1 thru Section 4-17	\$130,415.00	\$260,830.00
4.	Dennis Kennedy Aquatics Center Section 5-1 thru Section 5-9, and Section 5-11	\$29,165.00	\$58,330.00
5.	Dennis Kennedy Aquatics Center: Section 5-10. Special Cleaning and Day Porter Services	\$32,620.00	\$65,240.00
6.	Public Works City Corporation Yard Section 6-1 thru Section 6-2	\$3,000.00	\$6,000.00
7.	Railroad Park Section 7-1 thru Section 7-2	\$12,468.00	\$24,936.00
8.	Downtown Parking Garage Section 8-1 thru Section 8-2	\$21,252.00	\$42,504.00
9.	City Hall/Development Services Center (DSC) Building Section 9-1	\$5,700.00	\$11,400.00
10.	Police Department Section 10-1	\$53,742.00	\$106,944.00

Bid Total

\$753,374.00

BID ALTERNATE 1: Council Chamber

Bid Alternate Item	Item	Annual Amount	Bid Total: Two-Year Not-to- exceed Amount
1.	Council Chamber Building: Sunday Only Service (3-1 to 3-3)	\$5,805.00	\$11,610.00

BID ALTERNATE 2: Playhouse Cleaning

Bid Alternate Item	Item	Estimated performances	Bid Amount: Cost per After Performance Cleaning
1.	Community and Cultural Center: Section 2-15. Special Cleaning Services at Playhouse Facility (After Performance Cleaning)	250	\$67.50
		Two-year not-to-exceed amount	\$16,875.00

ADDITIONAL SERVICES

Facility	Hourly Rate	Estimated Hours	Total
Police Department Section 10-2: On-call janitorial	\$45.00	100	\$4,500.00
Downtown Parking Garage Section 8-3: Extra Garage Cleaning	\$25.00	500	\$12,500.00
Aquatic Center Section 5-12: Additional Swim Meet Cleanings	\$25.00	500	\$12,500.00
City Facilities Section 11-1: Additional Carpet Cleanings	\$25.00	400	\$10,000.00
City Facilities Section 11-2: Misc. Facility Extras	\$25.00	400	\$10,000.00
		Annual Total	\$49,500.00
		Two-year not-to-exceed amount	\$99,000.00

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

Work shall be performed by SERVICE PROVIDER at the frequency and at the times specified in the Scope of Work for each facility. All work designated as on-call, annual, semi-annual, and quarterly shall be scheduled and performed as directed by City staff.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

GENERAL: (408) 779-7271
FAX: (408) 779-3117

WWW.MORGANHILL.CA.GOV

ADDENDUM NO. 3

DATE: September 14, 2020

TO: ALL RESPONDING PARTIES TO THE RFP FOR
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Responses to Questions

1. The following language is added to the Request for Proposals (RFP):

In submitting a bid, Contractor understands and agrees that the services shall be provided in accordance with all applicable laws, including but not limited to the Displaced Janitor Opportunity Act (California Labor Code §§ 1060 et seq.) and the California Property Service Workers Protection Act (California Labor Code §§ 1420 et seq.). A successor contractor or successor subcontractor shall retain, for a 60-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding four months or longer at the site or sites covered by the successor service contract unless the successor contractor or successor subcontractor has reasonable and substantiated cause not to hire a particular employee based on that employee's performance or conduct while working under the terminated contract.

2. Is the lights change included in the contract, is the day porter for Community & Cultural Center from 2 pm to 4pm Wednesday only ?

The actual light bulbs will be provided by the City, but it is the contractors responsibility to check and replace the lights on a daily basis.

CCC day porter requests can vary depending on events and usage in the facility. When large group gatherings are permitted to happen again the CCC will likely resume day porter services on Wednesdays starting at 2pm and ending at 4pm. The City would work with the contractor on adding this service if/when it resumes

3. Can you provide current janitorial staffing numbers for each location from current contractor and if you feel this is sufficient?



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Based on City staff observations, each site typically has two (2) staff that provide service. It is up to the contractor as to how they choose to staff each site based on the scope of work. It is less about the number of staff and more about the quality of work performed on a nightly basis, and completing work in the time allocated (or before facility opens back to the public).

4. Has the city had to hire an outside service provider to correct work of the incumbent causing a deduction of the monthly contract price? (Section 1-5: Corrective Work)

No, the City has not had to hire an outside contractor to correct any work.

5. Has the current incumbent incurred any service penalties during the contract period? If so, how many and what level 1,2, or 3? Was the incumbent ever not paid 100% of the monthly contract price? (Section 1-8: Outcome-based Contract and Inspection Problem Resolution Process)

Yes, the current contractor has had penalties deducted therefore not receiving 100% of payment. There have been approximately five (5) warnings, three (3) level 2 deductions, and nine (9) level 3 deductions.

6. Has the incumbent ever been back charged for nonperformance? (Section 1-9: Services Not Performed)

No, the current contractor has not been back charged for nonperformance.

7. How many staff are currently employed for the janitorial crew? Is this number of staff sufficient for completing the work? How many full-time and part-time employees are there?

Per City staff observations, per site there are typically two (2) janitorial staff that come in each night. The City does not dictate the amount of staff, but focuses on the quality of work based on the scope of work for each facility and whether it is completed in the window of time allowed. The Centennial Recreation Center has the shortest window because it closes at 10 p.m. and opens again at 4:30 a.m. It is up to the awarded contractor as to how they want to staff a facility to successfully perform the scope on a nightly basis. In the current contract some janitorial crews work at multiple sites.

The City of Morgan Hill does not have access to the information regarding the number of full-time and part-time employees. The current service provider provides staffing sufficient to complete the work, and is compensated on a monthly basis for services performed as described in the schedule previously provided in Addendum #2.



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8. What is the total yearly cost for the current contract?

The total yearly cost for the current contract is a not to exceed amount of \$440,429.50. This consists of the janitorial base bid services of \$376,687.00 and a total allowance of \$63,742.50 for the following as-needed services:

Council Chamber Sunday Only Cleanings	\$ 5,805.00
Playhouse After Performance Cleanings	\$ 8,437.50
Police Dept. On-Call Services	\$ 4,500.00
Downtown Parking Garage Extra Cleanings	\$12,500.00
Aquatics Center Additional Swim Meets	\$12,500.00
City Facilities – Additional Carpet Cleaning	\$10,000.00
City Facilities – Misc. Facility Extras	\$10,000.00
TOTAL FOR AS-NEEDED SERVICES	\$63,742.50

9. Do all the janitors need to be background checked?

Yes, all the janitors need to complete background checks.

10. For the background check, it states that the background check may be performed at the Police Department site. This brings the question; can the background check be performed where we chose? If I'm not mistaken, currently the City pays \$35 and the contractor pays \$15. For Morgan Hill, would the contractor pay in full a total of \$83?

Yes, you can have the background check performed at locations other than the City of Morgan Hill Police Department, but the background checks must include a Department of Justice and FBI background check. The estimated cost to complete a background check at the Morgan Hill Police Department is \$69.

11. Is the Police Department the only location requiring a background check?

No, all city facilities/locations require background checks for janitorial staff.

12. If the current staff stays on will they need background checks again?

Yes, per the Morgan Hill Police Department, new background checks will be required of current staff that stays on. Background checks are not sharable, they are valid only for the company that requested them.

13. Who is the current vendor?



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The current vendor is Firato Service Company, Inc.

14. Will the incumbent be bidding on this RFP?

Yes, we anticipate that the incumbent will be bidding on this RFP.

15. Is the current incumbent a union or non-union provider?

The current incumbent is a non-union provider.

16. When will the new contract start?

The new contract starts on January 1, 2021.

17. Where can we find a copy of the addendums?

Addendums are posted on the City website at <https://www.morgan-hill.ca.gov/bids.aspx?bidID=351> and at www.publicpurchase.com

18. California law regarding no janitor left behind-if you switch service providers, we are required to hire the current staff. This is not union, but are you requiring living or prevailing wages? Are you able to provide wage rates and current incumbent information?

While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wage rates or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

The DIR does not provide a State prevailing wage for janitorial services, and the City of Morgan Hill does not have a living wage ordinance or policy.

The City is only able to provide the current fee schedule as previously produced in Addendum #2.

19. What is the minimum wage in Morgan Hill?

For employees and businesses in Morgan Hill there is no local ordinance for minimum wage. Minimum wage in Morgan Hill is based upon the State of California minimum wage. https://www.dir.ca.gov/dlse/faq_minimumwage.htm



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Date	Minimum Wage for Employers with 25 employees or less	Minimum Wage for Employers with 26 employees or more
January 1, 2021	\$13.00 per hour	\$14.00 per hour
January 1, 2022	\$14.00 per hour	\$15.00 per hour

20. If the wage rates could be provided that would help in being able to compare apples to apples, otherwise only the current incumbent knows the current pay wages. If a new service provider is chosen, we will have to provide those same rates to the current staff.

The City is only able to provide the fee schedule as previously produced in Addendum #2. While the Displaced Janitor Opportunity Act requires a successor contractor to make a written offer of employment to each employee, it does not require the successor to pay the same wages or offer the same benefits as the prior contractor or subcontractor. See Labor Code section 1061(b)(2).

21. Does the current contractor provide health benefits?

The City does not have access to this information, and the City does not require any specific benefits be provided.

22. What is a disinfecting protocol?

This is dependent upon what product you are using for cleaning services and what the dwell time is. We regularly use "Strikebak" at our facilities, which has a dwell time of 10 minutes. We follow the label's instructions on the product and that's how City staff disinfects throughout the day and also the fitness equipment.

23. Each contractor proposes an independent disinfecting protocol?

It is up to each contractor how they want to perform their disinfecting at each facility as long as they follow the scope that we provided in the RFP.

24. On the Subcontractor List submittal are we obligated to fill in any subcontractor even if we are not going to use them?

No, if you do not have any subcontractors, please state "Not Applicable," on the Subcontractor List form.

25. Do you provide consumable products?



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Yes, the City provides all the consumable products (toilet paper, urinal cartridges, paper towels, soap, light bulbs, etc.)

26. Are the picnic tables at the Aquatics Center included in the pressure washing schedule?

Yes, under Section 5-6, "Pressure wash picnic area (tables & ground) and ground directly in front of the concessions stand and BBQ areas. During the off-season this occurs one (1) time per month and daily during summer season.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS SPECIFICATION

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037GENERAL: (408) 779-7271
FAX: (408) 779-3117

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ADDENDUM NO. 4

DATE: September 28, 2020

TO: ALL RESPONDING PARTIES TO THE RFP FOR
ANNUAL JANITORIAL SERVICES

FROM: Jennie Tucker, Recreation Manager
Keri Russell, Maintenance Coordinator
Cynthia Iwanaga, Management Analyst

SUBJECT: Final Addendum: Responses to Questions

1. Regarding the Recreation Center, page #28, paragraph 4-14 Quarterly Services, "pressure wash all pavement at facility front entrance." Will we need to pressure wash all the way out to the pavement of the parking lot?

Yes, the pressure washing is for the entrance area all the way to the parking lot.

2. Regarding Facility #7: Downtown Parking Garage, page #41, line 8-3 Extra Garage Cleaning, "pressure washing of stairwells and cleaning ceiling beams that collect dirt and dust." Can you provide the frequency?

The pressure washing for the parking garage is an annual frequency.

3. On Attachment A- Bid Schedule: Base Bid (page 50). Base Bid Items # 4 and # 5, list Section 5-12. Can you please clarify why lines 4 and 5 both have Section 5-12?

Both base bid item #4 (Aquatics Center Janitorial Services) and base bid item #5 (Aquatics Center Summer Season Schedule) refer to Section 5-12 because that section is the Aquatics Center's Site Information and Facility Diagram. The information contained in Section 5-12 applies to both base bid items #4 and #5.

4. Does the Pollution Liability and Professional Liability Insurance apply to this solicitation?

No, both the pollution liability and professional liability insurance do not apply to the janitorial services contract.

5. Could someone email me the RFP for Janitorial Services as a word document?

We do not send the RFP in Word format. To be fair and equitable, everyone receives the RFP in PDF format only.



COMMUNITY SERVICES DEPARTMENT

17575 PEAK AVENUE
MORGAN HILL, CA 95037

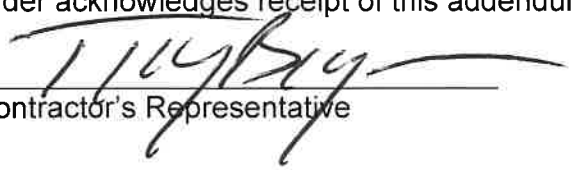
GENERAL: (408) 779-7271
FAX: (408) 779-3117

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6. The due date and time remain the same for this RFP. All proposals must be received by the City in a PDF format and e-mailed to cynthia.iwanaga@morganhill.ca.gov no later than 11:00 a.m. on Thursday, October 8, 2020. No late proposals will be accepted.

ADDENDUM ACKNOWLEDGMENT

Bidder acknowledges receipt of this addendum, which shall be attached to the proposal.


Contractor's Representative

10/8/2020

Date

**THIS DOCUMENT AND THE ATTACHMENTS SHALL BECOME PART OF THE PROJECTS
SPECIFICATION**

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

CITY OF MORGAN HILL

BUSINESS LICENSE CERTIFICATE

"For Services Provided in the City of Morgan Hill, California Onl

Business Name FIRATO SERVICE CO., INC.
Business Location 17485 Monterey Rd 200
 Morgan Hill, Ca 95037
Business Owner(s) FIRATO SERVICE CO. INC.

FIRATO SERVICE CO., INC.
 17485 MONTEREY RD 200
 MORGAN HILL, CA 95037

TO BE POSTED IN A CONSPICUOUS PLACE AND
 NOT TRANSFERABLE OR ASSIGNABLE.



CITY OF MORGAN HILL

Description BUILDING CLEANING SERVICE
 [SQFT 900]
Business Type House Cleaning - Janitorial
 Services

Business License Number 07210071

Effective Date July 01, 2019

Expiration Date June 30, 2020

For all inquiries regarding this license, contact HdL
 Business License Division at 669-454-3100.

FIRATO SERVICE CO., INC.:

Thank you for your payment on your City of Morgan Hill Business License. **ALL CERTIFICATES MUST BE AVAILABLE FOR INSPECTION UPON REQUEST.** If you have questions concerning your business license, contact the Business Support Center via email at: support@HdLgov.com or by telephone at: 669-454-3100.

Keep this portion for your license separate in case you need a replacement for any lost, stolen, or destroyed license. A fee

SEPARATE BUSINESS LOCATIONS

In accordance with the section 5.04.120 of the City's Municipal Code, a separate license must be obtained for each branch establishment or location of the business transacted and carried on and for each separate unrelated type of business at the same location, and each license shall authorize the licensee to transact and carry on only the business licensed thereby at the location or in the manner designated in such license; provided, that warehouses and distributing plants used in connection with and incidental to a business license under the provision of this chapter shall not be deemed to be a separate place of business or branch establishment.

LICENSE REQUIREMENT FOR CONTRACTORS THAT WORK FOR YOUR BUSINESS

In accordance with section 5.04.270 of the City's Municipal Code, if you have anyone working for you in Morgan Hill that you are not claiming as an employee (for example a dance instructor or a cosmetologist at a salon), and you issue them a 1099 tax form, they must have their own business tax certificate in the City of Morgan Hill. Their tax certificate must be posted when they are doing business.



BUSINESS LICENSING
 8839 N CEDAR AVE #212
 FRESNO, CA 93720-1832

City of Morgan Hill
BUSINESS TAX CERTIFICATE

FIRATO SERVICE CO., INC.
 17485 MONTEREY RD 200
 MORGAN HILL, CA 95037

License Number: 07210071

Date of Issue: 07/01/2019

State of California
 Department of Industrial Relations
 Division of Labor Standards Enforcement
 Licensing & Registration Unit
 1515 Clay Street, Ste. 1902
 Oakland, CA 94612



Registration Number:
 JS-LR-000019682

JANITORIAL SERVICES REGISTRATION

Effective Date	Expiration Date
10/16/2019	10/16/2020

Firato Service Company, Inc.
 17485 Monterey Road, Suite #200
 Morgan Hill, CA 95037

Workers Compensation Insurance Expiration Date:
 8/1/2020

Branch 1- DBA N/A

17485 Monterey Road, Suite #200, Morgan Hill, CA
 95037

Having paid to the Labor Commissioner of the State of California the required Registration Fee is hereby granted a registration to conduct the business of Janitorial Services in the State of California at the location(s) listed above and effective for the period designated above in conformity with the provisions of Chapter 4, Part 4.2, Division 2 of the Labor Code and the rules and regulations issued thereunder by the Labor Commissioner.

THIS REGISTRATION IS NOT TRANSFERABLE AND IS VALID ONLY AT THE REGISTERED OPERATING LOCATION INDICATED ABOVE

ALTERATIONS WILL VOID THIS REGISTRATION

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)

CERTHOLDER COPY

NA



P.O. BOX 8192, PLEASANTON, CA 94588

CERTIFICATE OF WORKERS' COMPENSATION INSURANCE

ISSUE DATE: 08-01-2020

GROUP:
 POLICY NUMBER: 1310753-2020
 CERTIFICATE ID: 275
 CERTIFICATE EXPIRES: 08-01-2021
 08-01-2020/08-01-2021

CITY OF MORGAN HILL
 17575 PEAK AVE
 MORGAN HILL CA 95037-4128

NA

This is to certify that we have issued a valid Workers' Compensation insurance policy in a form approved by the California Insurance Commissioner to the employer named below for the policy period indicated.

This policy is not subject to cancellation by the Fund except upon 30 days advance written notice to the employer.

We will also give you 30 days advance notice should this policy be cancelled prior to its normal expiration.

This certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policy listed herein. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate of insurance may be issued or to which it may pertain, the insurance afforded by the policy described herein is subject to all the terms, exclusions, and conditions, of such policy.

Authorized Representative

President and CEO

EMPLOYER'S LIABILITY LIMIT INCLUDING DEFENSE COSTS: \$1,000,000 PER OCCURRENCE.

ENDORSEMENT #0015 ENTITLED ADDITIONAL INSURED EMPLOYER EFFECTIVE 2019-08-01 IS ATTACHED TO AND FORMS A PART OF THIS POLICY. NAME OF ADDITIONAL INSURED: CITY OF MORGAN HILL

ENDORSEMENT #2065 ENTITLED CERTIFICATE HOLDERS' NOTICE EFFECTIVE 08-01-2008 IS ATTACHED TO AND FORMS A PART OF THIS POLICY.

ENDORSEMENT #2570 ENTITLED WAIVER OF SUBROGATION EFFECTIVE 2020-08-01 IS ATTACHED TO AND FORMS A PART OF THIS POLICY. THIRD PARTY NAME: CITY OF MORGAN HILL

ENDORSEMENT #1651 - JULIENE M. FIRATO, TREASURER - EXCLUDED.

ENDORSEMENT #1651 - RICHARD G. FERATO, PRESIDENT - EXCLUDED.

EMPLOYER

FIRATO SERVICE CO INC
 17485 MONTEREY ST STE 200
 MORGAN HILL CA 95037

NA

[AA8,CN]



P.O. BOX 8192, PLEASANTON, CA 94588

CERTIFICATE OF WORKERS' COMPENSATION INSURANCE

ISSUE DATE: 08-01-2020

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CITY OF MORGAN HILL
 17575 PEAK AVE
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This policy is not subject to cancellation by the Fund except upon 30 days advance written notice to the employer.

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This certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policy listed herein. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate of insurance may be issued or to which it may pertain, the insurance afforded by the policy described herein is subject to all the terms, exclusions, and conditions, of such policy.

Authorized Representative

President and CEO

EMPLOYER'S LIABILITY LIMIT INCLUDING DEFENSE COSTS: \$1,000,000 PER OCCURRENCE.

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EMPLOYER

FIRATO SERVICE CO INC
 17485 MONTEREY ST STE 200
 MORGAN HILL CA 95037

NA

[AA8,CN]

WAIVER OF SUBROGATION NOTICE

Enclosed is your copy of a certificate of insurance on which the certificate holder required a waiver of subrogation:

1. Please be advised that a waiver of subrogation requires that a 3% surcharge will be applied by State Fund ONLY to the premium assessed on the payroll of your employees earned while engaged in work for that certificate holder who requested the waiver. (Note: if you have no employee payroll on that job, then there is no charge.)
2. To apply the 3% surcharge, you must also agree to maintain accurately segregated payroll records for employees engaged in work on job/s for the certificate holder who has the waiver. The payroll records are subject to verification by an auditor.

Example:

Payroll for job:	\$5,000.00
Sample Rate:	13.30%

Regular Premium equals:	\$ 665.00
Surcharge:	3.00%

Additional Waiver charge:	\$ 19.95
Total premium equals	\$ 684.95 (665.00 + 19.95)



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

09/30/20

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Ferrante Insurance Services, Inc. 1401 Willow Pass Road, Ste 880 Concord, CA 94520 0D91034	CONTACT NAME: PHONE (A/C, No, Ext): (925)674-1755 FAX (A/C, No): (925)674-1663 E-MAIL ADDRESS: ai@ferranteinsurance.com														
INSURED Firato Service Company, Inc. 17485 Monterey St Suite 200 Morgan Hill, CA 95037	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: left;">NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Lloyd's</td> <td>AA1122000</td> </tr> <tr> <td>INSURER B : Progressive Casualty Insurance</td> <td>11770</td> </tr> <tr> <td>INSURER C : StarStone Specialty Ins. Comp.</td> <td>44776</td> </tr> <tr> <td>INSURER D : Navigators Insurance Company</td> <td>42307</td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Lloyd's	AA1122000	INSURER B : Progressive Casualty Insurance	11770	INSURER C : StarStone Specialty Ins. Comp.	44776	INSURER D : Navigators Insurance Company	42307	INSURER E :		INSURER F :	
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COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD	WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☒ OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PROJECT ☐ LOC OTHER:	Y	Y	CISDTW004824 19	12/03/19	12/03/20	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 \$
B	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ OWNED AUTOS ONLY ☒ SCHEDULED AUTOS ☐ HIRED AUTOS ONLY ☒ NON-OWNED AUTOS ONLY			06510503-2	02/01/20	02/01/21	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
C	☒ UMBRELLA LIAB ☒ OCCUR ☒ EXCESS LIAB ☐ CLAIMS-MADE DED RETENTION \$			76197B192ALI	12/03/19	12/03/20	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ Y ☒ N / A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						PER STATUTE ☐ OTH-ER ☐ E L EACH ACCIDENT \$ E L DISEASE - EA EMPLOYEE \$ E L DISEASE - POLICY LIMIT \$
D	Inland Marine			04-IM30045	07/25/20	07/25/21	Office Contents \$ \$50,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insured with primary and non-contributory wording and waiver of subrogation applies per the attached endorsement form#CG 20 10 10 01, DGL 1070 0716 & CG 20 24 10 93.

CERTIFICATE HOLDER
CANCELLATION

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037-4128

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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UMR: B6991SCO2018S01

POLICY NUMBER: CISDTW004824 19

COMMERCIAL GENERAL LIABILITY

CG 20 10 10 01

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - OWNERS, LESSEES OR CONTRACTORS - SCHEDULED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

The City of Morgan Hill, its elected or appointed officials, boards, agencies,
officers, agents, employees, and volunteers
17575 Peak Avenue
Morgan Hill, CA 95037-4128

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

A. Section II - Who Is An Insured is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.

B. With respect to the insurance afforded to these additional insureds, the following exclusion is added:

2. Exclusions

This insurance does not apply to "bodily injury" or "property damage" occurring after:

(1) All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the site of the covered operations has been completed;
or

(2) That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

UMR: B6991SCO2018S01

POLICY NUMBER	EFFECTIVE DATE AND TIME	INSURED
CISDTW004824 19	12/03/2019	Firato Service Company Inc. DBA: Firato Service Company Inc.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PRIMARY AND NON-CONTRIBUTING INSURANCE (Third Party's Sole Negligence)

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
OWNERS AND PROTECTIVE LIABILITY COVERAGE FORM

The following is added to the Other Insurance conditions of **SECTION IV - CONDITIONS**:

Other Insurance:

Third Party

It is agreed that in the event of a claim or "suit" arising out of the Named Insured's sole negligence, this insurance shall be primary and any other insurance maintained by the additional insured named as the Third Party below shall be excess and non-contributory.

The Third Party to whom this endorsement applies is:

The City of Morgan Hill, its elected or appointed officials, boards, agencies,
officers, agents, employees, and volunteers
17575 Peak Avenue
Morgan Hill, CA 95037-4128

Absence of a specifically named Third Party above means that the provisions of this endorsement apply "as required by written contractual agreement with any Third Party for whom you are performing work."

All other terms, conditions and exclusions under this policy are applicable to this Endorsement and remain unchanged.

Attachment: Firato_Service_Co., Inc. Proposal (2857 : Janitorial Services Agreement)

UMR: B6991SCO2018S01

POLICY NUMBER: CISDTW004824 19

COMMERCIAL GENERAL LIABILITY

CG 24 04 10 93

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**WAIVER OF TRANSFER OF RIGHTS OF RECOVERY
AGAINST OTHERS TO US**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE**Name of Person or Organization:**

The City of Morgan Hill, its elected or appointed officials, boards, agencies,
officers, agents, employees, and volunteers
17575 Peak Avenue
Morgan Hill, CA 95037-4128

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

The TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US Condition (Section IV COMMERCIAL GENERAL LIABILITY CONDITIONS) is amended by the addition of the following:

We waive any right of recovery we may have against the person or organization shown in the Schedule above because of payments we make for injury or damage arising out of your ongoing operations or "your work" done under a contract with that person or organization and included in the "products-completed operations hazard". This waiver applies only to the person or organization shown in the Schedule above.

Attachment: Firato_Service_Co., Inc_Proposal (2857 : Janitorial Services Agreement)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: David Gittleson, Associate Engineer
APPROVED BY: City Manager

AWARD PHASE 1 OF HALE AVENUE EXTENSION PROJECT TO DESILVA GATES CONSTRUCTION

RECOMMENDATION(S)

1. Approve the Hale Avenue Extension Project plans and specifications;
2. Award contract to DeSilva Gates Construction for the Hale Avenue Extension Project in the amount of \$14,174,174;
3. Authorize expenditure of construction contingency funds not to exceed \$1,417,417; and
4. Authorize the City Manager to execute and administer the construction contract with DeSilva Gates Construction pending review and approval by the City Attorney's office.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability
Transportation

GUIDING DOCUMENTS

Bikeways
Trails
Parks
and Recreation Masterplan
Morgan Hill 2035 General Plan
Water System Master Plan

REPORT NARRATIVE:

The Hale Avenue Extension project is a significant and long planned transportation improvement for the City of Morgan Hill. It has been included and identified in the City's General Plan since 1969 as a north/south arterial street for the west side of the community. The limits of the Hale Avenue Extension project are West Main Avenue at the north end and Spring Avenue at the south end (Attachment 1).

The Hale Avenue Extension project was designed with community input as a two-lane multi-modal arterial street using the "Complete Streets" criteria for roadway planning as an additional tool. The completed project will provide a continuous north/south route on the west side of the City which will help to reduce cut through traffic in the local neighborhoods. It will also have the benefit of reducing energy consumption by providing an efficient and continuous roadway network within the City of Morgan Hill.

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.

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 2) and the Cut through Traffic Study is available on the City's Traffic and Transportation Management Page (Attachment 3).

Before the Council tonight is the award of the major portion of the project. The scope of work includes constructing approximately 4,000 linear feet of new roadway, including; a roundabout at the West Dunne/Hale intersection, bike lanes, median, separated pedestrian pathway, sound walls, retaining walls, street lights, striping, fiber optic conduits, undergrounding of overhead utility crossings, water line and fire hydrants, stormwater bioswales, storm drain system, irrigation and landscaping, traffic control and project clean-up. The bid opening for the project was held on October 29, 2020 and the bids received are listed below.

DeSilva Gates Construction	\$14,174,174
Granite Construction Company	\$14,425,928*
Joseph L Albanese, Inc.	\$15,094,564
Granite Rock Company	\$15,474,937
Teichert Construction	\$15,915,263

* *Corrected Value*

DeSilva Gates Construction is the apparent low bidder. DeSilva Gates Construction's bid amount is 5% more than the engineer's estimate of \$13.5M. DeSilva Gates

Construction is an experienced contractor and has performed work for the City on previous projects. Staff recommends award of the contract to DeSilva Gates Construction in the amount of \$14,174,174 plus a 10% contingency of \$1,417,417 to address unknown site conditions for this project.

Construction is anticipated to commence in early 2021 and will be constructed in coordination with Phase 2A of Valley Water's Upper Llagas Creek Flood Control Project. The two projects have a common work area near the intersection of Hale Avenue and West Main Avenue. The Flood Control Project will need to complete its work in this area before the Hale Avenue roadway improvements can be constructed. Thus, the Hale Avenue Extension project will be constructed via two phases. The first phase (subject of this staff report) will construct Hale Avenue from Spring Avenue to Warren Avenue. The second phase (subject to a second staff report on this Council agenda) will construct Hale Avenue from Warren Avenue to approximately 300 feet north of the West Main Avenue and Hale Avenue intersection. The Phase 2 roadway improvements will be constructed by Valley Water as part of Phase 2A of the Upper Llagas Creek Flood Control Project.

The project plans and specifications can be found on the City's web page in the Community Projects (attachment 4).

COMMUNITY ENGAGEMENT: Inform

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. Most recently, the City Council approved the funding for the project in June 2020. More recently, City staff held a Town Hall meeting on Thursday, June 11 to specifically discuss the Hale Avenue Extension. The City's Hale Avenue Project webpage (Attachment 2) provides significant project background on the history of the project and its intended purpose.

ALTERNATIVE ACTIONS:

1. The City Council could elect to reject all bids, value engineer portions of the project and rebid in hopes of receiving lower prices. However, there is no guarantee that this option will be less expensive. There is a potential that delay for this purpose would put the grant funding at risk.
2. The City Council could also elect to not award this contract at this time. Doing so could forfeit the \$16.5M in grant monies awarded to the project through Measure B. In addition, not constructing the project would leave the City with acres of vacant land purchased with Traffic Impact Fees. Thus, the land cannot be used for other public purposes and would likely need to be sold off for development and many of those proceeds refunded to developers that paid them.

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

FISCAL AND RESOURCE IMPACT:

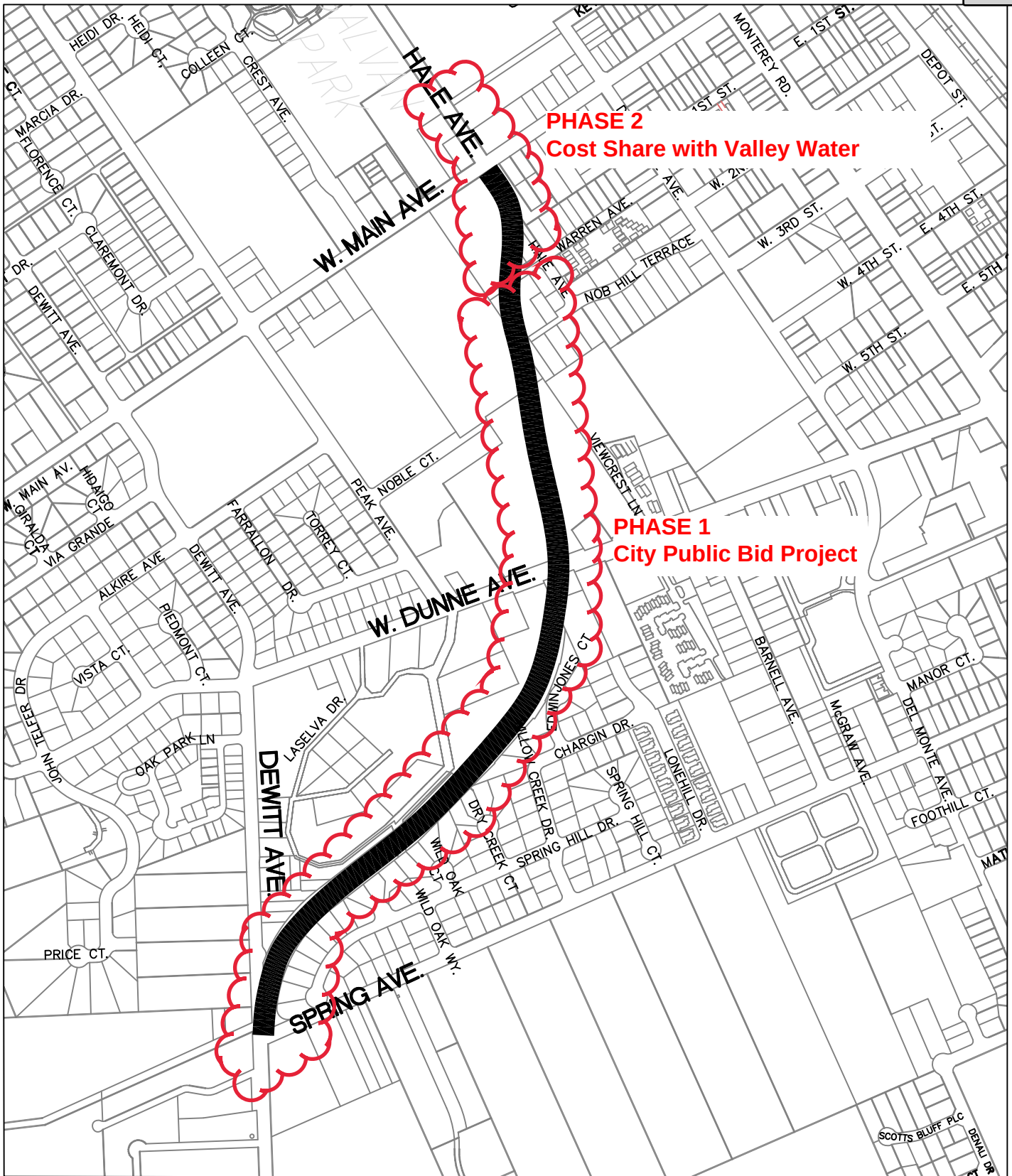
The total authorization needed for this project is \$15,591,591, which includes a 10% contingency amount of \$1,417,417. The project will receive \$16.5M in Measure B monies which will be applied to the construction portion of the project. Additionally, funding of \$2M for storm system expansion is also allocated for this project for a total of \$18.5 million. \$15,591,591 of the \$18.5M is allocated with this Phase 1 associated with this report and the remaining funds will be allocated with the Phase 2 included on this agenda in a separate report.

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:

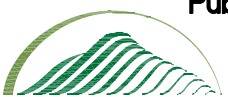
1. Hale Project Location Map Phases
2. Hale Avenue Project Webpage (weblink)
3. Cut Through Traffic Study (weblink)
4. Plans and Specifications (weblink)



SCALE: NTS

City of Morgan Hill

Public Works Department



CITY OF MORGAN HILL

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LOCATION PLAN

Hale Avenue Extension

Date: 11/18/20

Drwn by: DIG

PAGE 1 OF 1

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Attachment: Hale Project Location Map Phases [Revision 1] (2871 : Award Hale Avenue Extension Project)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

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

APPROVE COST SHARE AGREEMENT WITH VALLEY WATER FOR THE HALE AVENUE EXTENSION PROJECT AND FLOOD CONTROL IMPROVEMENTS

RECOMMENDATION(S)

1. Authorize the City Manager to execute and administer a cost share agreement with Valley Water for the construction of the Hale Avenue Extension Project south of Warren Avenue and improvements supporting the Upper Llagas Creek Flood Control Project for up to \$3.5 million; and
2. Authorize the City Manager to make minor modifications to the agreement as necessary with approval of the City Attorney.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability
Transportation

GUIDING DOCUMENTS

Bikeways
Trails
Parks
and Recreation Masterplan
Morgan Hill 2035 General Plan
Vision Zero

REPORT NARRATIVE:

For decades, the City has supported Valley Water in efforts to complete the Upper Llagas Creek Flood Protection Project. Completion of this project will provide flood control for the West Little Llagas Creek running through Morgan Hill, protecting homes and businesses. Valley Water is planning to bid Phase 2A in the coming months. This phase runs from Ciolino Drive at the existing storm drain channel north to approximately 300 feet north of Main Avenue on Hale Avenue. Once complete, the Flood Protection Project will be interconnected with the City's infrastructure. At this point, Valley Water intends to fund the primary elements of the project for flood control. The City intends to construct the Hale Avenue Extension Project which overlaps the Flood Control project from Warren Avenue north to Main Avenue. Since the two projects overlap, the City and Valley Water have jointly designed and now are proposing to jointly construct the projects in this area.

The Flood Control Project will need to complete its work in this area before most of the Hale Avenue roadway improvements can be constructed. Thus, the Hale Avenue Extension project will be constructed via two phases. The first phase (subject of the other staff report on the Council agenda) will construct Hale Avenue from Spring Avenue to Warren Avenue. The second phase (the subject of this staff report) will construct Hale Avenue from Warren Avenue to approximately 300 feet north of the West Main Avenue and Hale Avenue intersection (Attachment 1). In addition to work on the Hale Avenue Extension, the City intends to partner to improve the storm drain system and construct trash capture devices in association with the expansion of the Flood Control Project and system expansion. In total the improvements shall include:

- Roadway
- Multi-use path
- Curb, gutter, and sidewalks
- Storm drainage facilities
- Traffic signal at Main and Hale Avenues
- Streetlights
- Undergrounding overhead utilities
- Modifications/expansion to the storm drain system

It is anticipated that the Flood Control Project will begin in early 2021 and take 2-3 years to construct. Detailed information on the Hale Avenue Extension Project is included in the other staff report on this Council Agenda. The cost share agreement will allow Valley Water to bid the City improvements as a component of their projects. The City currently estimates the cost of the improvements at \$3 million and is recommending an additional \$500,000 be authorized as a bid contingency.

COMMUNITY ENGAGEMENT: Inform

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. Most recently, the City Council approved the funding for the project in June 2020. More recently, City staff 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.

Valley Water and the City intend roll out an ongoing joint communication program to inform residents of timings of impacts associated with construction. The largest impacts related to the Flood Control Project will be construction at and near the East Main and Hale Avenues intersection, as well work on Del Monte and Ciolino Avenues south of 5th Street, including the East Dunne and Del Monte intersection.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

- Prior Council Actions associated with the Hale Avenue Extension Project are included in the Hale Avenue Extension report also on this Council Agenda.

- The City has taken numerous actions over the last several decades in support of the Upper Llagas Creek Flood Protection Project. The City Council received an update report on the Project from Valley Water on March 6, 2019.
- City Council approved design consultant work with Woodard and Curran, Inc. for \$457,271 for the design of City improvements associated with Valley Water's Flood Protection Project on June 26, 2019 and an amendment for additional scope on September 23, 2020 for an additional \$71,697.

FISCAL AND RESOURCE IMPACT:

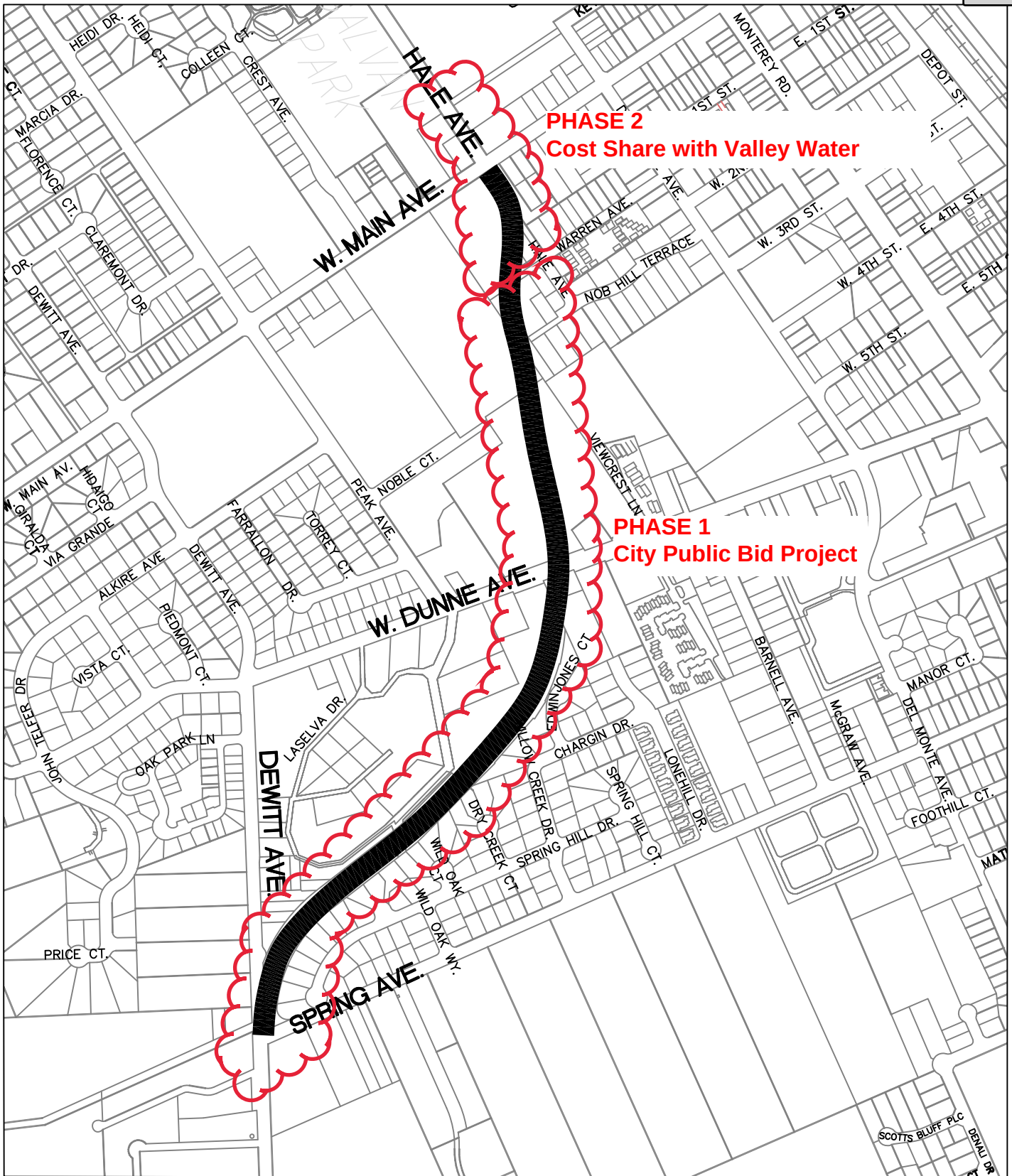
The total authorization needed for this cost share agreement is \$3.5 million. Funding will come from the City's Hale Avenue Extension project (\$2.7 million) and the City's Llagas Flood Control Project (\$0.8 million). The Hale Avenue Extension project will receive \$16.5M in Measure B monies which will be applied to the construction portion of the project. These projects, and budgets, are included in the City's current Capital Improvement Program.

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). Valley Water certified an Environmental Impact Report for the Flood Control Project.

LINKS/ATTACHMENTS:

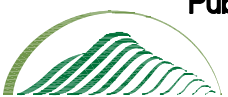
1. Hale Project Location Map Phases
2. Phase 2A Cost Share Draft 11.11.20
3. Exhibit A to Agreement - MAP
4. Hale and West Main Design for Cost Share Agreement



SCALE: NTS

City of Morgan Hill

Public Works Department



CITY OF MORGAN HILL

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LOCATION PLAN

Hale Avenue Extension

Date: 11/18/20

Drwn by: DIG

PAGE 1 OF 1

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Attachment: Hale Project Location Map Phases (2017 : Cost Share Agreement with Valley Water for the Hale Avenue Extension Project and

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

This agreement (AGREEMENT) is made and entered into as of the date it is fully executed, by and between the CITY OF MORGAN HILL (CITY), a municipal corporation of the State of California and the SANTA CLARA VALLEY WATER DISTRICT (DISTRICT), a special DISTRICT of the State of California. CITY and DISTRICT may be referred to individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

RECITALS

WHEREAS, DISTRICT is currently proceeding with the design and construction phases of its Upper Llagas Creek Flood Protection Project (DISTRICT PROJECT), for which a Final Environmental Impact Report was certified by the DISTRICT'S Board of Directors and the Project was approved on June 10, 2014. Once the design phase is completed, DISTRICT will subsequently advertise for bids and award a contract for Phase 2A construction (DISTRICT IMPROVEMENTS) of the DISTRICT PROJECT; and

WHEREAS, Parties have previously executed on October 29, 2020 a Cost Sharing Agreement (#A4406S) for the construction of CITY IMPROVEMENTS in cooperation with Phase 1 construction of the DISTRICT PROJECT which shall remain in full effect; and

WHEREAS, CITY has proposed improvements (CITY IMPROVEMENTS) be included in the DISTRICT IMPROVEMENTS, as generally defined within the City of Morgan Hill Capital Improvement Program, including a portion of the Hale Avenue Extension Project (CITY PROJECT); and

WHEREAS, the Parties mutually agree it is in the public's best interests to achieve the economic benefits and efficiencies resulting from combining the design and construction of the Parties' public improvement projects; and

WHEREAS, the DISTRICT is willing to include CITY IMPROVEMENTS in its DISTRICT IMPROVEMENTS, at CITY'S expense and in accordance with the terms and conditions set forth in this AGREEMENT.

WHEREAS, the DISTRICT and the CITY have jointly planned and designed the DISTRICT IMPROVEMENTS and CITY IMPROVEMENTS between approximately Warren Avenue and 300 feet north of the exiting West Main Avenue and Hale Avenue intersection; and

NOW THEREFORE, in consideration of their mutual promises and agreements, and subject to the terms, conditions and provisions hereinafter set forth, the Parties hereto agree as follows:

AGREEMENT

1. DISTRICT IMPROVEMENTS DESCRIPTION

1.1. The DISTRICT IMPROVEMENTS scope of work:

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

- 1.1.1. Prepare complete design and construction documents for Phase 2A of the DISTRICT PROJECT, including incorporating the proposed CITY IMPROVEMENTS into the proposed DISTRICT IMPROVEMENTS;
- 1.1.2. Phase 2A consists of construction of a portion of Reach 8 from Ciolino Avenue at West Little Llagas Creek northerly to approximately 300 feet north of the existing West Main Avenue and Hale Avenue intersection;
- 1.1.3. Construction of the proposed approximately 2,300 linear feet horseshoe shaped underground high-flow diversion tunnel beneath existing Nob Hill between approximately West Dunne Avenue and Warren Avenue;
- 1.1.4. Construct approximately 1,600 linear feet of twin reinforced concrete box culverts upstream and downstream of the proposed high flow bypass underground tunnel;
- 1.1.5. Construction will include traffic control, detours, road work, utility relocations and coordination, fencing, soil testing as required for off-site disposal, concrete and other miscellaneous work, community outreach and coordination.

1.2. CITY'S IMPROVEMENTS scope of work:

- 1.2.1 Construct the Hale Avenue Extension Project (portion of CITY PROJECT) from approximately Warren Avenue north through the Main Avenue intersection by approximately 300 feet: including:
 - a. Roadway construction;
 - b. Multi-use path;
 - c. Curb, gutter, and sidewalks;
 - d. Storm drainage facilities;
 - e. Traffic signal at Main and Hale Avenues;
 - f. Streetlights;
 - g. Soundwall;
 - h. Traffic control, detours, road work, utility relocations and coordination, fencing, soil testing as required for off-site disposal, concrete and other miscellaneous work, community outreach and coordination.
- 1.2.2. Along Hale Avenue from approximately West Main Avenue for 300 feet construct improvements including, but are not limited to:
 - a. Hale Avenue street lighting;
 - b. Hale Avenue utility relocations;
 - c. Underground conduit as required to underground existing overhead utilities; and
 - d. Modifications to existing storm drains within the DISTRICT IMPROVEMENTS to comply with future Regional Water Quality Control Board requirements.

2. DISTRICT PROJECT LOCATION

- 2.1. The DISTRICT PROJECT is located from Llagas Creek at Buena Vista Avenue within the City of Gilroy, upstream and northerly along a portion of East Little

**COST SHARING AGREEMENT
BY AND BETWEEN CITY OF MORGAN HILL
AND THE SANTA CLARA VALLEY WATER DISTRICT
FOR CONSTRUCTION OF CITY IMPROVEMENTS AS PART OF THE
UPPER LLAGAS CREEK FLOOD PROTECTION PROJECT**

Llagas Creek and northwesterly along a portion West Little Llagas Creek to Llagas Road within the northern portion of the City of Morgan Hill, as shown on Exhibit A, "Upper Llagas Creek Flood Protection Project" attached hereto and incorporated herein by this reference.

- 2.2. The DISTRICT IMPROVEMENTS, Phase 2A, consists of construction of a portion of Reach 8 of the DISTRICT PROJECT from Ciolino Avenue at West Little Llagas Creek northerly to approximately 300 feet north of the existing West Main Avenue and Hale Avenue intersection.
- 2.2. The proposed CITY IMPROVEMENTS are located along the future Hale Avenue Extension right-of-way alignment from Warren Avenue north to through the Main Avenue intersection to approximately 300 feet north on Main Avenue, all within the City of Morgan Hill, all within a portion of Reach 8 of the DISTRICT PROJECT, as shown on Exhibit A, "Upper Llagas Creek Flood Protection Project" attached hereto and incorporated herein by this reference.

3. SCOPE OF WORK

- 3.1. DISTRICT will perform the following:
 - 3.1.1. Administer, design, and contract the construction of its DISTRICT IMPROVEMENTS, including incorporating the CITY IMPROVEMENTS, and coordination with appropriate local, state, federal, and regulatory agencies.
 - 3.1.2. DISTRICT, as Lead Agency for its DISTRICT PROJECT, pursuant to the requirements of the California Environmental Quality Act (CEQA), will proceed with construction of the DISTRICT IMPROVEMENTS in accordance with the DISTRICT's Final Environmental Impact Report certified on June 10, 2014, and permits, as authorized by appropriate regulatory agencies.
 - 3.1.3. Ensure its obligations are met as Lead Agency under CEQA.
 - 3.1.4. Construction of the proposed CITY IMPROVEMENTS will be completed as part of the DISTRICT IMPROVEMENTS. The DISTRICT will officially transfer the operations and maintenance responsibilities for the CITY IMPROVEMENTS to the City upon the construction completion of said CITY IMPROVEMENTS and after written acceptance by both the CITY and the DISTRICT. The CITY will own the CITY IMPROVEMENTS and is responsible for their sustained operations and maintenance responsibilities in perpetuity.
- 3.2. CITY will perform the following:

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- 3.2.1. CITY, as Lead Agency for its CITY PROJECT, certified an Environmental Impact Report on August 23, 2017 pursuant to the requirements of the California Environmental Quality Act (CEQA) and as authorized by the appropriate agencies.
- 3.2.2. Provide DISTRICT with all documentation and information regarding its proposed CITY IMPROVEMENTS, so the DISTRICT PROJECT team preparing the DISTRICT IMPROVEMENTS design and construction documents, can include the design of these CITY IMPROVEMENTS in its DISTRICT IMPROVEMENTS per CITY'S requirements.
- 3.2.2. Promptly review the DISTRICT'S design team's documents prepared for public bidding and award and provide input to DISTRICT confirming acceptance of the design and construction documents prior to DISTRICT proceeding with construction advertisement and bidding.
- 3.3. Designees:
 - 3.3.1. The designated project manager for DISTRICT for the duration of the DISTRICT IMPROVEMENTS construction is Mr. Stephen M. Ferranti. Except as superseded by existing DISTRICT Board of Directors, the District Act, rule or practice, DISTRICT's project manager has all the necessary authority to direct technical and professional work within the scope of the AGREEMENT and will serve as the principal point of contact with CITY.
 - 3.3.2. The designated project manager for CITY for the duration of the DISTRICT IMPROVEMENTS, including CITY IMPROVEMENTS construction is Mr. Chris Ghione. Except as superseded by existing CITY law, rule or practice, CITY's project manager had all the necessary authority to review, approve, and accept technical and professional work within the scope of the AGREEMENT and served as the principal point of contact with DISTRICT.

4. COST-SHARING OF CITY IMPROVEMENTS CONSTRUCTED BY DISTRICT

- 4.1. DISTRICT will advertise and publicly bid its DISTRICT IMPROVEMENTS and include the CITY IMPROVEMENTS as separate bid items, whenever practicable in order to ascertain the bidders' proposed prices for the CITY IMPROVEMENTS. Where separation of the CITY IMPROVEMENTS is not practicable (i.e. joint utility relocation work), then Parties agree to split the cost equally or as mutually agreed on by the Parties.
- 4.2. DISTRICT will provide to CITY for their review and acceptance the bid items pricing information for the CITY IMPROVEMENTS with seven (7) calendar days after DISTRICT's public bid opening.

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- 4.3. CITY will remit payment in full to the DISTRICT for the bid items associated with the CITY IMPROVEMENTS, including the agreed upon CITY share for those shared bid items involving both CITY IMPROVEMENTS and DISTRICT IMPROVEMENTS (Section 4.1) within 90 calendar days after DISTRICT's issuance of a Notice to Proceed (NTP) to its DISTRICT IMPROVEMENTS construction contractor (CONTRACTOR) awarded a contract by its Board of Directors.
- 4.4. CITY further agrees to reimburse the DISTRICT \$78,850.00 for the DISTRICT's cost of \$157,700 for construction of an upgrade to the CITY sanitary sewer maintenance access road to be utilized by the CITY as a future public trail along the southern portion of the DISTRICT's Lake Silveira property within 90 calendar days of completion of said improvements.
- 4.5. Modifications to DISTRICT'S contract with its CONTRACTOR.
 - 4.5.1. DISTRICT agrees to provide CITY with written notice and documentation regarding any modifications, revisions, change orders, and/or extra work required in association with the CITY IMPROVEMENTS to CITY within seven (7) calendar days of DISTRICT becoming aware of or initiating such matter, so CITY can provide direction to DISTRICT, if necessary and appropriate.
 - 4.5.2. CITY will respond to DISTRICT regarding such matters within seven (7) calendar days of receipt of such information and provide written direction to DISTRICT, if necessary and appropriate.
 - 4.5.3. If CITY's approval(s) results in an expense above the bid items amounts for which it already remitted payment to DISTRICT, CITY agrees to remit payment in full to DISTRICT within 60 calendar days of receipt of DISTRICT invoice, along with any supporting documentation for said additional costs associated with the CITY IMPROVEMENTS.
- 4.6. In consideration of DISTRICT incorporating the CITY IMPROVEMENTS into the DISTRICT IMPROVEMENTS design, CITY will make available the staging area on the former PG&E property adjacent to the intersection of Hale Avenue and West Main Avenue to be used by DISTRICT'S CONTRACTOR at no cost to the DISTRICT until completion of the DISTRICT IMPROVEMENTS and CITY IMPROVEMENTS, commencing on the date DISTRICT awards a construction contract to its CONTRACTOR. CITY agrees to grant to the DISTRICT an easement for the portion of the DISTRICT IMPROVEMENTS within existing CITY right of way (former PG&E property) as mutually agreed on by the PARTIES at no cost to the DISTRICT.

5. INSURANCE AND INDEMNIFICATION

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- 5.1. In lieu of and notwithstanding the pro rata risk allocation, which might otherwise be imposed between the Parties pursuant to Government Code Section 895.6, the Parties agree that all losses or liabilities incurred by a Party shall not be shared pro rata but, instead, DISTRICT and CITY agree that, pursuant to Government Code Section 895.4, each of the Parties hereto shall fully indemnify and hold each of the other Parties, their officers, board members, employees, and agents, harmless from any claim, expense or cost, damage or liability imposed for injury (as defined in Government Code Section 810.8) occurring by reason of the negligent acts or omissions or willful misconduct of the indemnifying Party, its officers, employees, or agents, under or in connection with or arising out of any work, authority, or jurisdiction delegated to such Party under this AGREEMENT. No Party, nor any officer, board member, or agent thereof shall be responsible for any damage or liability occurring by reason of the negligent acts or omissions or willful misconduct of the other Party hereto, its officers, board members, employees, or agents, under or in connection with or arising out of any work authority or jurisdiction delegated to such other Party under this AGREEMENT.
- 5.2. The rights, duties, and obligations of the Parties as set forth above in this Section 5 of this AGREEMENT will survive termination, suspension, completion, and expiration of this AGREEMENT.

6. ADDITIONAL PROVISIONS

- 6.1. A Party's waiver of any term, condition, covenant, or breach of any term, condition or covenant shall not be construed as a waiver of any other term, condition, or covenant or breach of any other term, condition, or covenant.
- 6.2. This AGREEMENT contains the entire AGREEMENT between DISTRICT and CITY relating to the DISTRICT'S IMPROVEMENTS and CITY'S IMPROVEMENTS. Any prior agreements, promises, negotiations, or representations not expressly set forth in this AGREEMENT are of no force or effect.
- 6.3. If any term, condition, or covenant of this AGREEMENT is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this AGREEMENT shall be valid and binding on DISTRICT and CITY.
- 6.4. This AGREEMENT shall be governed and construed in accordance with the laws of the State of California.
- 6.5. This AGREEMENT may be executed in counterparts and will be binding as executed.
- 6.6. The term of this AGREEMENT shall commence upon execution of the AGREEMENT by both Parties and terminate upon completion of the DISTRICT

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IMPROVEMENTS, notification of completion by DISTRICT to CITY, and receipt by DISTRICT of payment in full by CITY.

- 6.7. All changes or extensions to this AGREEMENT must be in writing in the form of an amendment approved by both Parties.
- 6.8. Claims related to the design of DISTRICT'S IMPROVEMENTS will be administered by DISTRICT and Claims related to the design of CITY'S IMPROVEMENTS will be administered by the CITY. The obligations of both Parties, as stated in this paragraph, will survive termination, completion, suspension, and expiration of this AGREEMENT.
- 6.9. This AGREEMENT is entered into only for the benefit of the Parties executing this AGREEMENT and not for the benefit of any other individual, entity, or person.

7. TERMINATION

- 7.1. This AGREEMENT will terminate upon completion of the DISTRICT IMPROVEMENTS, notification of completion by DISTRICT to CITY, and receipt by DISTRICT of payment in full by CITY, or by mutual written consent and terms acceptable to both Parties.

8. NOTICES

- 8.1 All correspondence relating to the DISTRICT IMPROVEMENTS, including all written notices required by the terms and conditions of this AGREEMENT may be delivered by first class mail addressed to the appropriate Party at the following addresses:

DISTRICT:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
Attn: Mr. Stephen M. Ferranti, P.E., Engineering Unit Manager
Phone: (408) 630-2677
E-mail: sferranti@valleywater.org

CITY:

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037
Attn: Mr. Chris Ghione, Public Services Director
Phone: (408) 782-9154
E-mail: chris.ghione@morganhill.ca.gov

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IN WITNESS WHEREOF, this AGREEMENT becomes effective upon full execution by the Parties as set forth below.

"CITY"

CITY OF MORGAN HILL
A Municipal corporation of the County of Santa Clara

By: _____
Christina Turner
City Manager

Date: _____

ATTEST:

Michelle Wilson
Deputy City Clerk

APPROVED AS TO FORM:

Donald Larkin
City Attorney

"DISTRICT"

SANTA CLARA VALLEY WATER DISTRICT,
a Special District, created by the California Legislature

By: _____
Rick L. Callender, Esq.
Chief Executive Officer

Date: _____

ATTEST:

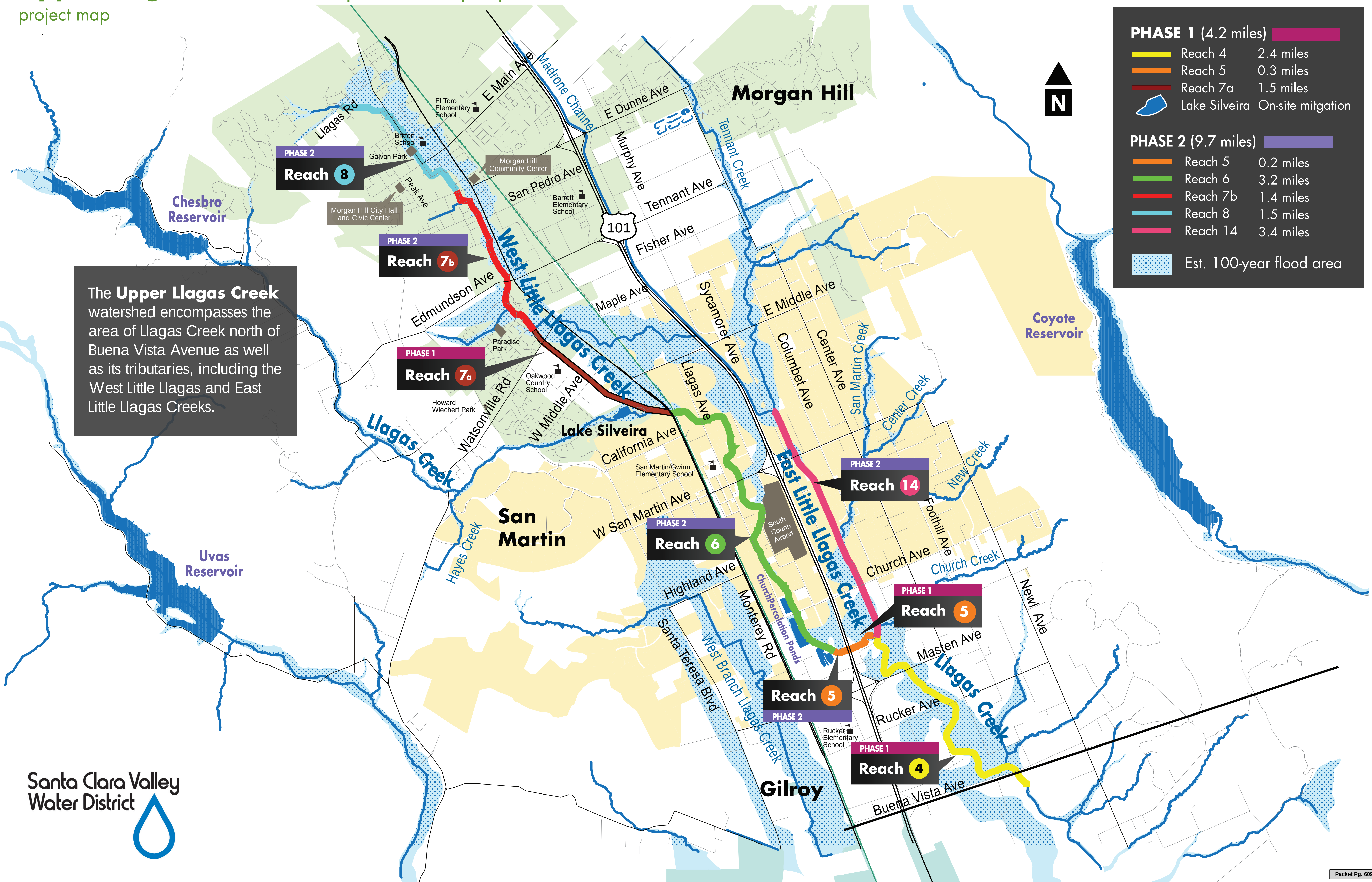
Michele L. King
Clerk of the Board of Directors

APPROVED AS TO FORM:

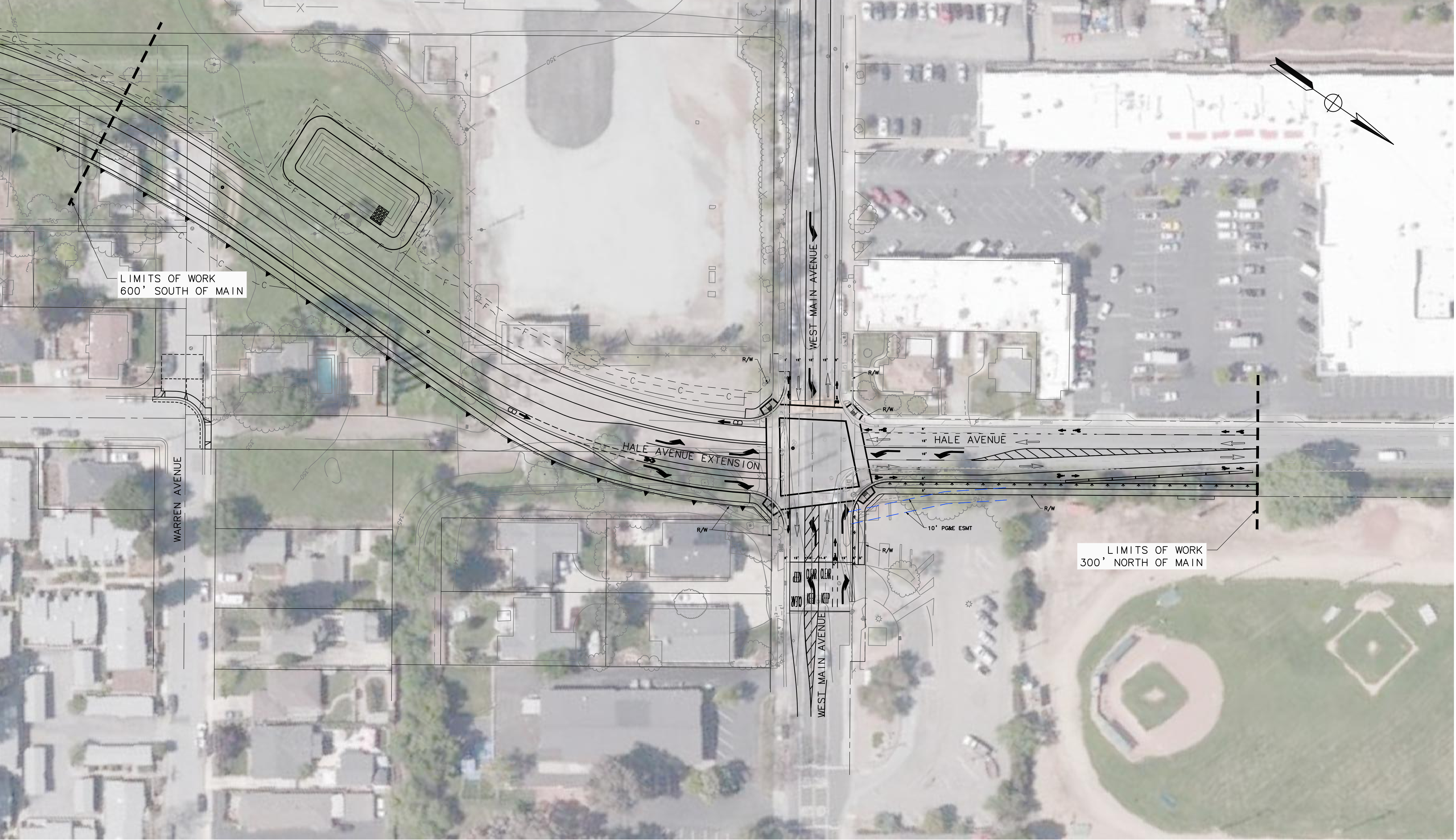
Brian Hopper
Senior Assistant District Counsel

Upper Llagas Creek flood protection project

project map



The **Upper Llagas Creek** watershed encompasses the area of Llagas Creek north of Buena Vista Avenue as well as its tributaries, including the West Little Llagas and East Little Llagas Creeks.



HALE AVE AND WEST MAIN AVE INTERSECTION
HALE AVENUE IMPROVEMENTS PHASE 2A
SCALE : 1" = 40'
NOVEMBER, 2020



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Christie Thomas,
APPROVED BY: City Manager

RECEIVE REPORT REGARDING SILICON VALLEY COMMUNITY FOUNDATION 2020 CENSUS OUTREACH GRANT ACTIVITIES AND OUTCOMES

RECOMMENDATION(S)

Receive Report.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Supporting Our Youth
Seniors
and Entire Community
Preserving and Cultivating Public Trust
Enhancing Diversity and Inclusiveness
Advancing Regional Initiatives

2020-2021 Strategic Priorities

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

GUIDING DOCUMENTS

Bikeways
Trails
Parks
and Recreation Masterplan
Economic Blueprint
Fire Services Standards of Coverage
Morgan Hill 2035 General Plan
Public Safety Master Plan

REPORT NARRATIVE:

Every ten years, the Federal Government performs a nation-wide count that results in development of formulas for funding that assists many different aspects of every community, no matter the size, no matter the location. Census data helps communities respond to natural disasters and secure support for hospitals and fire departments, planning and funding for education and school lunches, and planning and funding for infrastructure including roads and transit systems. Without an accurate count, our community will miss out on the funding that it needs and to which it is entitled.

With that in mind, in November of 2019, the City's Housing Program applied for and received a grant in the amount of \$34,000 for "census outreach to hard to count populations" from the Silicon Valley Community Foundation. The city also pledged to

contribute \$20,000 of in-kind labor/staff to the census effort, for a combined Morgan Hill census outreach effort of \$54,000. The City received the first installment of the grant in the amount of \$17,000 in February 2020.

The City's original outreach efforts to count "hard to count communities" included many on-site, large-scale events at several local community based organizations, local churches, local apartment communities, South County Farms, local RV and Mobile Home Parks, including events at many City venues. There were also plans to have Kiosk's set up at City Hall, the Council Chambers, the Community and Cultural Center, and at faith-based supper pickup sites. With the onset of the COVID-19 pandemic, we were forced to pivot and direct our efforts towards a more virtual format. Due to the cancellation of many outreach activities, the City opted to receive only the initial grant installment of \$17,000 rather than accepting the second \$17,000 installment, which would have totaled \$34,000. Staff knew that the additional \$17,000 would not be able to be spent as planned on larger scale outreach efforts.

Pre-pandemic, census training was completed by staff, planning efforts began, a volunteer recruitment campaign was designed and implementation began. A Census table was set up at the "Mayor's State of the City Address", at the Tuesday Cathedral of Faith food distribution at the Community and Cultural Center site, at the Loving and Learning Center, and an educational event was conducted at the March Kiwanis meeting. The City also collaborated with the Morgan Hill Times and Morgan Hill Life to provide a 2020 Census article. Large-scale future events were planned at Community Solutions, the Gilroy Compassion Center in Gilroy, and at Maple Leaf RV park in Morgan Hill.

Outreach was challenging during the COVID-19 "shelter in place" order, but many meaningful efforts were made towards outreach to our harder to count populations. We worked in collaboration with the local faith based community, community based non-profit organizations, the Morgan Hill Library, local residential property managers and apartment communities, RV and mobile home managers, Morgan Hill Unified School District and South County farmers. Messaging was provided via the City website dedicated Census page, email and social media campaigns, an online video from a Council member, mailers (including inserts in the monthly utility bills, the business license renewal bills, and a separate mailer to low responding census tracts), and flyers with gift card incentives to all communities.

Later in the effort, a phone banking team consisting of volunteers and City teammates was established to call Spanish and English speaking residents to remind them of their opportunity to complete the census and to provide guidance if they had questions. Through this effort, a total of 2,631 calls were made to our community. Our team also placed flyers on bulletin boards throughout the City in laundromats and coffee shops, in grocery bags at food resources sites, and created a Spanish and English census message for our Downtown Digital Bulletin Board. Upon request from the County, we promoted an outreach technology called "Outreach Circle" to City employees and our local community based organizations, faith based community, and apartment managers. This technology sent personal emails and texts from the person using it but ended up

not being compatible with our City accounts. We requested folks to use it with their personal contacts should they so choose.

Morgan Hill also worked with the Santa Clara County Census team to further their efforts at local COVID testing and food bank sites by setting up a safe Census Kiosk at the Morgan Hill Council Chambers COVID-19 testing site and by providing gift cards to the Ochoa Housing test site to encourage everyone to complete the Census. In between testing events, our South County Abode County Homeless Outreach worker carried the Kiosk with him to outreach to our residents experiencing homelessness. Our final Census efforts included a Zoom Townhall event dedicated to the 2020 Census. Finally, in collaboration with EAH Housing, the City of Gilroy, and the County Census team, Morgan Hill participated in a "South County Census Caravan" led by the Police Department and a digital census truck. The caravan included the Mayor and Morgan Hill City Manager, Gilroy and Morgan Hill City staff, residents from both Gilroy and Morgan Hill, and EAH Housing and County Census staff. The caravan drove throughout both the cities of Morgan Hill and Gilroy. The route focused on apartment communities, parks and recreational facilities, farmworker housing sites, and on lower counted census tracts.

While we wish that we could have completed our originally envisioned Census outreach program, Morgan Hill's hard work resulted in the 2020 Census count rate of 81.9%, up from 75.3% in 2010. The 81.9% represents the self-response rate for Morgan Hill. That means, of all the households asked to respond to the census, 81.9% of them returned a respond on their own via the internet, phone or paper form. The rest of the people who did not respond on their own, were hypothetically counted via enumerator or census taker. These census employees went to homes during non-response follow-up and tried to get a response. If the household would not respond or was not at home, census employees will impute the data from other reliable sources or via proxy (asking a neighbor who lives in a household).

Below is a breakdown of how the \$17,000 census grant funds were spent:

Activity	Amount Spent	Notes:
Labor Costs	\$9,653	Not including in kind Labor Costs in the amount of \$21,725
Mailers	\$5,452	Includes printing, postage, envelopes, sub-contractor costs, etc.
Office Supplies/Expenses	\$403	
Flyer Printing	\$187	Not including mailer printing
Event Supplies	\$185	
Gift Cards	\$1,120	EAH Campaign, Ochoa Testing site, Morgan Hill Testing site, Community Flyer response
Total	\$17,000	

COMMUNITY ENGAGEMENT:

This report serves to inform the community of Silicon Valley Community Foundation 2020 Census Outreach Grant outcomes. Engagement with the community is described above.

ALTERNATIVE ACTIONS:

Not applicable

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On January 15, 2020, the City Council received a report and adopted a resolution promoting outreach activities and participation in the Census 2020 Update

FISCAL AND RESOURCE IMPACT:

The grant related revenue and outreach expenditures were included in the adopted budget for FY2019-20 and FY 2020-21, in the Housing Fund (236).

CEQA (California Environmental Quality Act):

Not a Project



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Dat Nguyen, Finance Director

APPROVED BY: City Manager

ADOPT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

RECOMMENDATION(S)

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize City Manager to execute all related documents with the sale of the sewer revenue bonds.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety

Maintaining Infrastructure

2020-2021 Strategic Priorities

Fiscal Sustainability

GUIDING DOCUMENTS

Wastewater System Master Plan

REPORT NARRATIVE:

Reciprocal action is recommended by the Morgan Hill Financing Authority agenda for November 18, 2020.

The proposed projects to be funded with proceeds of the financing include repair and replacement of pipes, sewer main upgrades, South County Regional Wastewater Authority plant expansion and improvements, sewer line repair and replacement, and new sewer mains and trunk line.

The City's capital improvement plan identifies funding for the proposed projects through impact fees, user fees and bond proceeds. The bonds are anticipated to generate \$20,000,000 for projects and will supplement funds already on hand (the "2020 Bonds").

The City has outstanding 2015 sewer revenue bonds (current principal outstanding of \$8,775,000) (the "2015 Bonds") which will be on parity with the proposed 2020 Bonds.

City staff working in conjunction with bond counsel has prepared resolutions of the City and the Financing Authority necessary to authorize issuing the 2020 Bonds. These resolutions approve the following documents:

- An Installment Purchase Agreement, that will set forth the principal and interest requirements for the City, necessary for the Authority to repay the 2020 Bonds, certain covenants of the City to set rates to provide net revenues after operating expenses of at least equal to 125% of debt service on the 2020 Bonds, and other covenants designed to ensure maintenance of the system
- A Trust Indenture between the Authority and the trustee for the 2020 Bonds providing, among other things, the security, payment and redemption terms for the 2020 Bonds
- A Bond Purchase Agreement among the Authority, the City and the underwriter
- A Preliminary Official Statement, providing material information to potential investors regarding the 2020 Bonds
- A Continuing Disclosure Certificate obligating the City to provide annual reports and notices of certain enumerated events to holders of the 2020 Bonds in accordance with federal requirements

The resolutions also contain parameters under which staff can take the actions necessary to issue the 2020 Bonds, including a maximum par amount of \$21,000,000, a maximum true interest cost of 3.50% and maximum underwriting discount of 0.35%, and a final maturity not to exceed June 1, 2050.

The Authority resolution also ratifies the engagement of Norton Rose Fulbright US LLP, as bond and disclosure counsel, and NHA Advisors, LLC as municipal advisor to the City and Authority, and Stifel, Nicolaus & Company, Incorporated, as the underwriter for the 2020 Bonds. NHA Advisors, at the City's request, managed an RFP process for the selection of the underwriter.

Financial Impact

The bond proceeds are a critical part of the City's overall expenditure plan for the projects listed above. The 2020 Bonds are anticipated to have an amortization structure that will minimize the combined debt service payments (including the 2015 Bonds) by reducing the principal repayment in the earlier years while the 2015 Bonds are outstanding. The 2015 Bonds have a decrease in payments starting in FY 2023-24 and then a final maturity in FY 2035-36. Both debt service step-downs have been taken into consideration for the 2020 Bonds.

This amortization structure will minimize the cash flow and coverage impact and reduce the potential need to increase sewer rates sooner than otherwise necessary.

The estimated cost of issuance for the 2020 Bonds is \$250,000 including fees for bond and disclosure counsel, underwriter, municipal advisor, rating agency and other related costs and expenses. All costs of issuance are payable from proceeds of the 2020 Bonds. All costs of issuance except for the rating fee are contingent on a successful

closing. If the 2020 Bonds are not issued, the Authority/City would be responsible for \$23,500.

Timetable

Upon City Council and Authority Board approval, City staff will work with the financing team to complete the credit rating process, finalize the preliminary official statement and price the bonds with the underwriter in early December with bond proceeds being delivered in late December.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the proposed sale and issuance of the 2020 Bonds for sewer project funding.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On June 17, 2020, the City Council adopted the FY 2020-21 through FY 2025-26 Capital Improvement Budget which identifies funding for the proposed sewer projects through bond proceeds.

FISCAL AND RESOURCE IMPACT:

The bond related financial impact is mentioned above in the narrative section. The anticipated annual debt service will be budgeted and paid from the Sewer Enterprise Fund(s) and will not impact the City's General Fund. The City's current adopted wastewater rates, adopted in May 2019, account for this anticipated bond issuance and related debt service payments.

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. Morgan Hill 2020 Sewer Bonds - Resolution of the City
2. Morgan Hill 2020 Sewer Bonds - Installment Purchase Agreement
3. Morgan Hill 2020 Sewer Bonds - Trust Indenture
4. Morgan Hill Sewer Revenue Bonds 2020 Continuing Disclosure Certificate
5. Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement
6. Bond Purchase Agreement

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Morgan Hill Financing Authority (the “Authority”) is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as the members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise of the City pursuant to an Installment Purchase Agreement (the “Installment Purchase Agreement”) under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, the City’s obligations under the Installment Purchase Agreement will be on a parity with the City’s obligation to make installment payments under an installment purchase agreement, dated as of June 1, 2015, by and between the Authority and the City, which secure the Authority’s outstanding Sewer Revenue Bonds, Series 2015; and

WHEREAS, the investment banking firm of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has proposed to underwrite the Bonds; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in furtherance of the issuance and sale of the Bonds by the Authority, there has been submitted to the City Council of the City (the “Council”), for its consideration and approval, a form of each of the following:

- (a) an Installment Purchase Agreement, by and between the City and the Authority;
- (b) a Bond Purchase Agreement, by and among the City, the Authority, and the Underwriter;
- (c) a Preliminary Official Statement; and
- (d) a Continuing Disclosure Certificate

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

Section 1. Findings. The above recitals are true and correct.

Section 2. Installment Purchase Agreement. The Installment Purchase Agreement, in substantially the form on file with the City Clerk is hereby approved, and the Mayor (or in his absence, the Mayor Pro Tem), the City Manager or the Finance Director and any of their respective designees (each, an “Authorized Officer”), acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Installment Purchase Agreement, with such changes therein, whether material or otherwise, as the Authorized Officer executing the same may approve (such approval to be conclusively evidenced by such Authorized Officer’s execution and delivery thereof).

Section 3. Bond Purchase Agreement. The Bond Purchase Agreement, in substantially the form on file with the City Clerk is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bond Purchase Agreement, with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve; provided, that the Bonds shall be issued in a principal amount not-to-exceed \$21,000,000, the true interest cost with respect to the Bonds shall not exceed 3.50% per annum, the final maturity of the Bonds shall not exceed 2050, and the underwriter’s discount shall not exceed 0.35%.

Section 4. Preliminary Official Statement. The Preliminary Official Statement related to the sale of the Bonds, in substantially the form on file with the City Clerk is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Preliminary Official Statement with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve. The Council hereby authorizes any Authorized Officer to deem the Preliminary Official Statement to be final within the meaning of U.S. Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), subject to completion of those items permitted by Rule 15c2-12. Any Authorized Officer is hereby authorized and directed to execute and delivery a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto as may be deemed necessary by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Continuing Disclosure Certificate. The City will execute and deliver a continuing disclosure certificate (the “Continuing Disclosure Certificate”) for the benefit of the owners of the Bonds, and in order to assist the Underwriter in complying with Rule 15c2-12. The Continuing Disclosure Certificate, in substantially the form on file with the City Clerk is hereby approved, and any Authorized Officer, acting singly, is authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate, with such additions or changes therein, whether material or otherwise, as such Authorized Officer may approve.

Section 6. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds.

Section 7. General Authorization. Any Authorized Officer is authorized and directed to execute and deliver any and all documents, certificates and other instruments and to do and cause to be done any and all acts necessary or proper for carrying out the issuance and sale of the Bonds, the transactions contemplated by this Resolution, and the documents herein approved; the funding of a reserve fund under the Trust Indenture with proceeds of the Bonds or a letter of credit, surety bond or insurance policy pursuant to the terms of the Trust Indenture if, upon the advice of the Underwriter, the funding of the reserve fund will be economically beneficial to the financing; the insuring of all or any portion of the Bonds through one or more municipal bond insurance companies if, upon the advice of the Underwriter, the insurance will result in a lower true interest cost; and the investment of the proceeds of the Bonds as permitted by the Trust Indenture.

Section 8. Ratification. All actions heretofore taken by the officers and employees of the City, with respect to the issuance and sale of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are approved, confirmed and ratified.

Section 9. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 18th day of November 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 November 18, 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from the Municipal Advisor with respect to the Bonds approved in the Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Bonds:

1. *True Interest Cost of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.13%.

2. *Finance Charge of the Bonds.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is approximately \$250,000, as follows:

a)	Underwriter's Discount	\$ 53,415
b)	Credit Enhancement*	0
c)	Bond Counsel and Disbursements	59,800
d)	Disclosure Counsel	34,000
e)	Municipal Advisor and Disbursements	62,500
f)	Rating Agency	23,500
g)	Other Expenses	<u>15,200</u>
	Total	\$248,415

* A municipal bond insurance policy with respect to the Bonds will be obtained only if economically advantageous as determined by an Authorized Officer.

3. *Amount of Proceeds to be Received.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds less the finance charge of the Bonds described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$20,000,000.

4. *Total Payment Amount.* Assuming an aggregate principal amount of \$17,805,000 of the Bonds are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds plus the finance charge of the Bonds described in paragraph 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$33,297,000.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bond sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the Authority based on need for project funds and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale. Market interest rates are affected by economic and other factors beyond the City's and the Authority's control. The City and the Authority have approved the issuance of the Bonds with a maximum true interest cost of 3.50%.

INSTALLMENT PURCHASE AGREEMENT

by and between

THE CITY OF MORGAN HILL

and the

MORGAN HILL FINANCING AUTHORITY

Dated as of December 1, 2020

relating to

[\$Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of December 1, 2020 (this “Agreement”), by and between THE CITY OF MORGAN HILL (the “City”), a municipal corporation organized and existing under the laws of the State of California, and the MORGAN HILL FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority, organized and existing under the laws of the State of California.

WITNESSETH:

WHEREAS, the City owns a wastewater system (the “Enterprise”) to provide for the collection, treatment and disposal of wastewater; and

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise (the “Project”) to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into this Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now authorized to execute and enter into this Agreement;

NOW, THEREFOR, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless otherwise defined herein, the capitalized terms used in this Agreement shall for all purposes hereof, and of any amendment hereof or supplement hereto, and of any report or other document mentioned herein or therein, have the meanings given such terms in the Trust Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the City. The City represents, warrants and certifies as follows:

(a) The City is a municipal corporation organized and existing under the laws of the State of California (the "State"). The City has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Agreement, and the City has complied with the provisions of all applicable law in all matters relating to such transactions. By proper action, the City has authorized the execution, delivery and due performance of this Agreement.

(b) The City will not take or permit any action to be taken which results in the interest component of the Installment Payments being included in the gross income for purposes of federal income taxation or not being exempt from personal income taxes of the State.

(c) The City has determined that it is necessary and proper for City uses and purposes within the terms of all applicable laws that the City finance the Project in the manner provided for in this Agreement.

(d) All acts, conditions and things required by the Constitution and statutes of the State to have been performed, to have happened and to exist precedent to and in connection with the execution and delivery of this Agreement, have been performed, have happened and do exist in regular and due time, form and manner as required by law.

Section 2.2. Representations and Warranties by the Authority. The Authority represents and warrants that the Authority is a joint exercise of powers entity organized and existing under

the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement, and by proper action has authorized the execution, delivery and due performance of this Agreement.

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Sale and Purchase of Project. In consideration for the Authority's assistance in financing the Project through the execution and delivery of this Agreement and the Trust Indenture, the City hereby agrees to purchase from the Authority, and the Authority agrees to sell to the City, the Project at the Purchase Price specified in Section 4.1, and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.2. Title. All right, title and interest in each element and component of the Project shall vest in the City immediately upon execution and delivery of this Agreement or, if later, upon the acquisition, construction and acceptance of such element or component.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1. Purchase Price; Construction of the Capital Improvements; Capital Improvements Fund.

(a) The Purchase Price to be paid by the City to the Authority for the purchase of the Project is the sum of the principal components of the Installment Payments set forth in Exhibit B plus the interest components of the Installment Payments which consist of the sum of the interest to accrue on the unpaid balance of each such principal component from the date hereof over the term hereof at the interest rate set forth in Exhibit B, subject to prepayment as provided in Article VII.

(b) The interest component of the Installment Payments shall be paid by the City as and constitute interest paid on the principal components of the Installment Payments. The interest component shall be computed on the basis of a 360-day year of twelve 30 day months.

(c) Pursuant to Section 4.10 of the Trust Indenture, the Trustee has agreed to set aside and transfer or deposit funds received from the sale of the Bonds, including agreeing to transfer \$_____ to the City for deposit in the Capital Improvement Fund created pursuant to this Section.

(d) The Authority hereby agrees to cause the Capital Improvements to be constructed, acquired and installed by the City as its agent. The City shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the Capital Improvements. The City hereby agrees that it will cause the construction, acquisition and installation of the Capital Improvements to be diligently performed after the transfer of funds into the Capital Improvements Fund. It is expressly understood and agreed that the Authority shall be under no liability of any kind or character for the payment of any cost or expense of the Capital

Improvements and that all such costs and expenses shall be paid by the City, regardless of whether the funds transferred by the Trustee to the City pursuant to the Trust Indenture for deposit into the Capital Improvements Fund are sufficient to cover all such costs and expenses.

(e) The City shall establish and maintain a separate fund to be known as the Capital Improvements Fund of the Enterprise. To the extent that the City has an existing fund which satisfies the foregoing requirements, then such fund shall be deemed to be the "Capital Improvements Fund." ~~{confirm fund exists; create separate account within such fund}~~ The City shall deposit into the Capital Improvements Fund the amount transferred by the Trustee for such purpose pursuant to the Trust Indenture. The moneys in the Capital Improvements Fund shall be held by the City in trust and applied to the payment of the costs of acquisition and construction of the Capital Improvements and of costs incidental thereto.

(f) When the Capital Improvements have been constructed and acquired, in accordance with this Agreement, a Certificate of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such cost of acquisition and construction have been determined and paid shall be delivered to the Authority and the Trustee by the City. Concurrent with such statement, the City shall transfer any remaining balance in the Capital Improvements Fund to the Sewer Fund.

Section 4.2. Installment Payments and Additional Payments. The City shall, subject to the provisions of Section 10.1, and to any rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installments as follows: (i) each principal component of the Installment Payments is payable on the Installment Payment Date preceding the due date for such principal component, set forth in Exhibit B in the amount specified for such due date in Exhibit B; and (ii) the interest components of the Installment Payments are payable on the Installment Payment Date preceding each Interest Payment Date in the amount of accrued interest on the unpaid balance of the principal components of the Installment Payments to the next succeeding Interest Payment Date, at the respective interest rates per annum set forth in Exhibit B. The schedule of the principal and interest components as of the Delivery Date are set forth in Exhibit C. Amounts required to be paid by the City to the Authority pursuant to this Section 4.2 on any Installment Payment Date shall be reduced to the extent of amounts on deposit on such date in the Interest Account of the Debt Service Fund established under the Trust Indenture. The amounts shown in Exhibits B and C shall automatically be adjusted to account for any prepayment of Installment Payments made by the City pursuant to Article VII and any discharge of Installment Payments pursuant to Article IX.

Each Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under this Section, such payment shall continue as an obligation of the City until such amount shall have been fully paid; and the City agrees to pay the same with interest accruing thereon at the highest rate of interest then applicable to the remaining unpaid principal components of the Installment Payments.

The obligation of the City to make the Installment Payments is absolute and unconditional, and, until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any

Installment Payment required to be made by it under this Section, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part. This Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, and such payments shall be net payments and shall not be subject to deduction, abatement reduction or diminution, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

In addition to the Installment Payments, the City shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all fees and administrative costs of the Authority and the Trustee under the Trust Indenture or otherwise relating to the Bonds, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Authority and the Trustee payable by the City hereunder and under the Trust Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms hereof, of the Bonds or of the Trust Indenture.

ARTICLE V

SECURITY

Section 5.1. Pledge of Net Revenues; Parity Pledge. All Net Revenues are, pursuant to the Pledge Law, hereby irrevocably pledged to the payment of the Installment Payments as provided herein and shall not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with Section 9.1. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations, shall, subject to application as permitted herein, constitute a lien on Net Revenues.

Section 5.2. Allocation of Gross Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Gross Revenues shall be received by the City in trust hereunder and, except for Net Proceeds, shall be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has heretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1. The City may designate one or more existing funds to satisfy the foregoing requirements. Presently, the Sewer Fund consists of the Sewer Operating Fund and the Sewer Impact Fund, as accounted for by the City for budget purposes. The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund shall be used and applied by the City as provided in this Agreement.

The City shall, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section and, as to funds held under the Trust Indenture, the Trust Indenture.

(a) Installment Payments. Not later than each Installment Payment Date, the City shall, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City shall also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) Reserve Fund. On or before the first Business Day of each month, the City shall, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in Section 4.04 of the Trust Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Trust Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore: (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due hereunder or to pay installment payments pledged to the payment of other Participating Bonds; (ii) necessary to restore any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and (iii) necessary to restore the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained therein; provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Trust Indenture, transfers hereunder to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

(c) Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations herein, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and the City's "Sewer System Replacement Fund."

Section 5.3. Execution or Incurrence of Parity Obligations. The City may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under this Agreement; provided:

(a) The City is in compliance with all agreements, conditions, covenants and terms contained in this Agreement required to be observed or performed by it, and a Certificate of the City to that effect has been filed with the Trustee.

(b) (i) If the Parity Obligation Payments on such Parity Obligations will secure Parity Bonds, then the Parity Bonds Trust Indenture pursuant to which such Parity Bonds are issued shall specify: (A) whether the Parity Bonds of such Series are Participating Bonds and, if the Parity Bonds of such Series are Participating Bonds, (i) that the trustee under such Parity Bonds

Trust Indenture shall be the Trustee, and (ii) the amount to be deposited from the proceeds of the sale of such Series of Parity Bonds in the Bond Reserve Fund; provided, that the Bond Reserve Fund shall be increased at the time that such Series of Participating Bonds becomes Outstanding to an amount at least equal to the Required Reserve, and an amount at least equal to the Required Reserve shall thereafter be maintained in the Bond Reserve Fund; and (B) if the Parity Bonds Trust Indenture providing for the issuance of such Series of Parity Bonds requires either (1) the establishment of a Parity Bonds Series Reserve Fund to provide additional security for such Series of Parity Bonds, or (2) that the balance on deposit in an existing Parity Bonds Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series of Parity Bonds, to an amount at least equal to the Required Reserve with respect to such Series of Parity Bonds and all other Parity Bonds secured by such Parity Bonds Series Reserve Fund to be considered outstanding upon the issuance of such additional Series of Parity Bonds, then the Parity Bonds Trust Indenture providing for the issuance of such additional Series of Parity Bonds shall require deposit of the amount necessary; (ii) If the Parity Obligation Payments on such Parity Obligations will not secure Parity Bonds, then any debt service reserve fund established for such Parity Obligations shall satisfy the following criteria: (A) the debt service reserve fund must be held by an independent trustee (who may be other than the Trustee); (B) the required amount of the debt service reserve fund shall not exceed the lesser of the maximum annual debt service of such Parity Obligations (calculated on the basis of a year ending on the principal payment date of such Parity Obligations) or the maximum amount permitted under the Code, except that, if such Parity Obligations are in the form of a loan from a governmental agency, then a debt service reserve fund shall be established in the amount, if any, required or permitted by such governmental agency; and (C) the City is not required to replenish withdrawals from such debt service reserve fund on terms less favorable to the City than the terms for replenishing the Reserve Fund pursuant to Section 5.2(b) hereof.

(c) The Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

(i) The City may adjust the foregoing Net Revenues to reflect:

(A) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have

been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(B) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

Nothing contained in this Section shall limit the issuance of any revenue bonds, notes or other evidences of indebtedness or the entry into of any installment purchase agreement by the City payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, upon the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with Section 9.1.

Nothing contained in this Section shall limit the issuance or incurrence of any Subordinate Obligations.

Section 5.4. Rate Stabilization Fund. The City may, at any time, determine to deposit in the Rate Stabilization Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.1. Punctual Payment. The City will punctually pay the Installment Payments in strict conformity with the terms hereof and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms hereof.

Section 6.2. Legal Existence. The City will use all means legally available to maintain its existence.

Section 6.3. Against Encumbrances. The City will not hereafter mortgage or otherwise encumber, pledge or place any charge or lien upon Gross Revenues except as provided herein. The City will not hereafter mortgage or otherwise encumber, pledge or place any lien or charge upon any of the Net Revenues on a parity with the pledge securing the payment of the Installment Payments, except for Parity Obligations as provided herein. The City may at any time issue Subordinate Obligations.

Section 6.4. Against Sale or Other Disposition of the Enterprise. The City will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues, unless the Installment Payments have been

fully paid or provision has been made therefor in accordance with Section 9.1. The City will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the Installment Payments and all Parity Obligations, or which would otherwise impair the rights of the Owners with respect to the Net Revenues or the operation of the Enterprise.

Section 6.5. Maintenance and Operation of Enterprise. The City will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

Section 6.6. Insurance.

(a) To the extent such insurance is available for reasonable premiums from a reputable insurance company, the City will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program.

(b) The City shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

(c) If all or any part of the Enterprise shall be damaged or destroyed, the Net Proceeds realized by the City as a result thereof shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2; provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.7. Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Sewer Fund and applied as provided in Section 5.2, provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in Section 5.2.

Section 6.8. Amounts of Rates, Fees and Charges.

(a) The City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

(i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;

(ii) The Installment Payments, all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;

(iii) All payments required for compliance with the terms hereof or of any Parity Bonds Trust Indenture requiring restoration of the Reserve Fund to an amount equal to the Required Reserve; and

(iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

(b) In addition to the requirements of the foregoing subsection (a) of this Section, the City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 9.1, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year, equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.9. Enforcement of and Performance Under Contracts. The City shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the Enterprise. Further, the City will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the City is a party thereto. The City hereby approves the Trust Indenture and shall comply with the provisions thereunder applicable to it.

Section 6.10. Collection of Charges, Fees and Rates. The City will have in effect at all times rules and regulations requiring each user of the Enterprise to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City will enforce the collection procedures contained in such rules and regulations.

Section 6.11. No Free Service. The City will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State, and any city, county, public agency, political subdivision, public corporation or agency of any thereof), unless otherwise required by law or existing written agreements.

Section 6.12. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Enterprise or upon the Gross Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Installment Payments; except that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall

contest the validity of any such claims and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.13. Books of Record and Accounts; Financial Statements. The City will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Enterprise, the Sewer Fund and all other accounts or funds established pursuant hereto, and upon request will provide information concerning such books of record and accounts to the Trustee (who has no duty or obligation to make such request).

The City will annually cause to be prepared by a Certified Public Accountant, not later than 270 days after the close of each Fiscal Year, until all Installment Payments have been fully paid, or provision has been made therefor in accordance with Section 9.1, audited financial statements of the City containing schedules relating to the Sewer Fund. The City shall maintain accurate books and records for each Fiscal Year of all accounts or funds established pursuant hereto for the preceding Fiscal Year, showing the balances in each such account or fund as of the beginning of such Fiscal Year, all deposits in and withdrawals from each such account or fund during such Fiscal Year, and the balances in each such account or fund as of the end of such Fiscal Year.

Section 6.14. Payment of Taxes and Other Charges and Compliance with Governmental Regulations. The City will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any properties owned by the City, or upon the Gross Revenues, when the same shall become due; provided, that nothing herein contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the City's ability to perform its obligations hereunder.

The City will duly comply with all applicable state, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the City's ability to perform its obligations hereunder.

Section 6.15. Tax Covenants and Matters.

(a) General. The City hereby covenants, for the benefit of the Authority and the Owners and Beneficial Owners of the Bonds that, notwithstanding any other provisions of this Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the City shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.15, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 6.16. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Agreement Event of Default; however, any Participating Underwriter or any Owner or Beneficial Owner of the Bonds may take such actions as described under the Continuing Disclosure Certificate to cause the City to comply with its obligations under this Section.

Section 6.17. Preservation of Authority. The City covenants to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

Section 6.18. Further Assurances. The City will adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The City may, from any available funds, prepay the Installment Payments, as a whole or in part, on any date on or after October 1, 20__, on a pro rata basis, or as otherwise directed by the City; provided that any prepayment of a principal component of the Installment Payments shall be an amount sufficient to provide for the redemption or defeasance of Bonds in Authorized Denominations and otherwise in accordance with the provisions of the Trust Indenture. The prepayment of the principal component of the Installment Payments shall be at a prepayment price equal to 100% of the principal amount of the Bonds to be prepaid or redeemed, plus accrued interest thereon to the next applicable optional redemption date for the Bonds as provided in the Trust Indenture, without penalty.

The Authority shall accept such prepayments when the same are tendered by the City. All prepayments of Installment Payments made by the City pursuant to this Section shall, upon receipt, be transferred to the Trustee for deposit into the Redemption Account of the Trust Indenture pursuant to Section 4.03(c) thereof.

Section 7.2. Method of Payment. With respect to prepayments of Installment Payments pursuant to Section 7.1, the City shall determine which Installment Payments are to be prepaid, including the principal component of the Installment Payment due on each Installment Payment Date to be paid or prepaid with such prepayments, and, subject to the provisions of Section 7.1, the date on which each such prepayment is to be made. Before making any prepayment pursuant to Section 7.1, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than 45 days from the date such notice is given; except that, notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under Article IV, until all Installment Payments shall have been fully paid, or provision for payment thereof shall have been made pursuant to Section 9.1.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. There shall be an Agreement Event of Default if one or more of the following shall happen:

(a) if default is made by the City in the due and punctual payment of any Installment Payment or any other Parity Obligations when and as the same shall become due and payable;

(b) if default is made by the City in the performance of any of the other agreements or covenants required herein to be performed by it, and such default has continued for

a period of 30 days after the City has been given notice in writing of such default by the Authority or the Trustee; except that such default will not constitute an Agreement Event of Default hereunder if the City commences to cure such default within such 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time, which period shall be no longer than 365 days after delivery of such notice of default;

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

then, and in each and every such case during the continuance of an Agreement Event of Default specified in clauses (c) and (d) above, the Authority shall, and for any other Agreement Event of Default the Authority may, by notice in writing to the City, declare all unpaid principal components of the Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This subsection however, is subject to the condition that if, at any time after all unpaid principal components of the Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal components and interest components of the Installment Payments then due and payable (other than the principal components of the Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration), with interest on such overdue Installment Payments at the highest rate applicable to the remaining unpaid principal component of the Installment Payments, and the reasonable expenses of the Authority and the Trustee shall have been paid or provision deemed by the Authority or the Trustee, as applicable, to be adequate shall have been made therefor, and any and all other Agreement Events of Default shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and the trustee for any other Parity Obligations,

then the Authority, including the costs, if any, in carrying out the provisions of this Article, including reasonable compensation to accountants and counsel and similar costs with respect to this Agreement and Parity Obligations;

Second, to the payment of Operation and Maintenance Costs;

Third, to the payment of all unpaid principal components of the Installment Payments and the accrued interest thereon and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue Installment Payments at the highest rate of interest applicable to the unpaid principal components of the Installment Payments and, with respect to such other Parity Obligations, as required by the terms of such other Parity Obligations; and

Fourth, to amounts due to any provider of credit enhancement for other Parity Obligations.

Section 8.3. Other Remedies of the Authority. In addition to remedies elsewhere provided in this Agreement, upon the continuance of an Agreement Event of Default, the Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or their duties under applicable law and the agreements and covenants required to be performed by it or them contained herein;

(b) by suit in equity, to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity, to require the City and its directors, officers and employees to account as the trustee of an express trust; or

(d) by mandamus or other action or proceeding or suit at law or in equity, to pursue any other remedy now or hereafter existing in law or in equity or by statute or otherwise to enforce the performance of the City's obligations hereunder and to otherwise protect the Authority's rights and interests in connection with this Agreement.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the Enterprise or other facilities of the City, or any other real property of the City, and no default hereunder shall result in the loss of the Project, the Enterprise or other facilities of the City or any other real property of the City.

Section 8.4. Non Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates from the Net Revenues, the Sewer Fund and the other funds pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Installment Payments. Notwithstanding any other provision of this Agreement, the City may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee, an escrow agent or other fiduciary, an amount of cash which is either (a) sufficient to pay all such Installment Payments in accordance with the Installment Payment schedule set forth in Exhibit C, or (b) invested in whole or in part in non-callable Defeasance Securities in such amount as will, together with interest to accrue thereon and together with any cash which is so deposited, in the written opinion of an Independent Certified Public Accountant, be fully sufficient to pay all such Installment Payments when due pursuant to Article IV, or when due on any optional prepayment date pursuant to Article VII, as the City shall instruct at the time of the deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the City under this Agreement, and all security provided by this Agreement for such obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the City to pay all required Additional Payments pursuant to Section 4.2. The security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Agreement.

Section 9.2. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under this Article IX, such that the Trust Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts

then on deposit in the funds and accounts established under the Trust Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Installment Payments and any other payments hereunder is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Successor Is Deemed Included in all References to Predecessor. Whenever either the City or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or the Authority, and all assignees of the City or the Authority permitted hereunder. All agreements and covenants required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.3. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Installment Payments or be subject to any personal liability by reason of the execution of this Agreement or the execution and delivery of the Bonds.

Section 10.4. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.5. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The

City and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.6. Assignment. The City acknowledges and agrees that the Installment Payments, and certain of the Authority's rights under this Agreement will be assigned to the Trustee and pledged under the Trust Indenture to the payment of the Bonds. The City consents to such assignment.

Section 10.7. California Law. This Agreement shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 10.8. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the provisions of Article IX have been satisfied.

Section 10.9. Execution in Counterparts; Electronic Signatures. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Each of the parties hereto agrees that the transaction consisting of this Agreement may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent that if such party signs this Agreement using an electronic signature it is signing, adopting, and accepting this Agreement and that signing this Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Agreement in usable format.

Section 10.10. Indemnification of Authority and Trustee. To the fullest extent permitted by law, the City agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the City with respect to the Enterprise, (e) the performance by the Trustee of its duties and obligations under the Trust Indenture, and in connection with this Installment Purchase Agreement and any document executed herewith or therewith, (f) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 10.10 or elsewhere in this Agreement for the negligence, willful misconduct, or breach of duty under the Trust Indenture by the Trustee, or its officers, employees, successors or assigns. The rights of the Trustee and the obligations of the City under this Section 10.10 shall survive the termination of this Agreement or the resignation or removal of the Trustee.

Section 10.11. Amendments. This Agreement may only be amended in accordance with the terms applicable to the Authority in Section 5.06 of the Trust Indenture and any other limitations to amendment of the Agreement in any Parity Bonds Trust Indenture.

(Signatures on next page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their officers thereunto duly authorized as of the day and year first written above.

THE CITY OF MORGAN HILL

By: _____
City Manager

Attest:

By: _____
City Clerk

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

EXHIBIT A
DESCRIPTION OF THE PROJECT

The Project consists of the following “Capital Improvements”:

<u>Project Year</u>	<u>Project Description</u>
---------------------	----------------------------

The Capital Improvements may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by a Favorable Opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds. The City may, from time to time, delay completion of a Capital Improvement or determine not to finance a particular Capital Improvement from the proceeds of the Bonds without substituting or adding an additional project provided that (i) the total amount of Capital Improvements to be financed with the proceeds of the Bonds is sufficient to absorb all of the proceeds of the Bonds, including investment earnings thereon, and (ii) the expenditure of proceeds of the Bonds on Capital Improvements will be made at such times and in such amounts as are consistent with applicable provisions of the Tax Certificate executed by the Authority and the City in connection with the issuance of the Bonds.

EXHIBIT B

PRINCIPAL COMPONENTS OF INSTALLMENT PAYMENTS

The principal components of the Installment Payments shall consist of the sum of the following amounts, with each such principal component being payable on the 15th day of the month preceding the date for such principal component set forth below and with each such principal component bearing interest at the interest rate per annum set forth below:

<u>Due Date</u> <u>(October 1)</u>	<u>Principal Component</u>
---------------------------------------	----------------------------

EXHIBIT C

SCHEDULE OF INSTALLMENT PAYMENTS AS OF DELIVERY DATE

As of the Delivery Date, the Installment Payments consist of the following amounts of principal and interest and are payable on Installment Payment Dates which are the 15th day of the month preceding each of the dates set forth below:

<u>Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Total</u>
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TRUST INDENTURE

by and between

MORGAN HILL FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee

Dated as of December 1, 2020

relating to

[\$[Par Amount]

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

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TRUST INDENTURE

THIS TRUST INDENTURE, made and entered into as of December 1, 2020 (this “Trust Indenture”), by and between the MORGAN HILL FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee” or “2015 Trustee”), a national banking association organized and existing under the laws of United States;

W I T N E S S E T H:

WHEREAS, the Authority is duly established as a joint exercise of powers authority pursuant to Section 6500 et seq. of the Government Code of the State of California and the Amended and Restated Morgan Hill Financing Authority Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “Joint Exercise of Powers Agreement”) identifying the City of Morgan Hill (the “City”) and the Parking Authority of the City of Morgan Hill as members of the Authority; and

WHEREAS, the Joint Exercise of Powers Agreement provides that the Authority may exercise any of the powers set forth in Section 6584 of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the power to issue revenue bonds under that Article; and

WHEREAS, under Article 4 of the Act and Article 11 (commencing with Section 53580), Chapter 2, Part 1, Division 2, Title 5 of the California Government Code, the Authority is authorized to borrow money for the purpose of financing and refinancing certain public capital improvements of the City; and

WHEREAS, the City has requested that the Authority sell its Sewer Revenue Bonds, Series 2020 (the “Bonds”) pursuant to a Trust Indenture (the “Trust Indenture”) to be executed by the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, to provide funds to finance the acquisition and construction of public capital improvements to the City’s wastewater system (the “Enterprise”) and to pay certain other costs relating to the Bonds; and

WHEREAS, to provide for the repayment of the Bonds, the Authority will sell improvements to the Enterprise to the City pursuant to an installment purchase agreement under which the City will agree to make installment payments to the Authority, payable from net revenues of the Enterprise, which will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Bonds when due and payable; and

WHEREAS, to provide security for the Bonds, the City has requested that the Authority enter into the 2020 Installment Purchase Agreement (as defined herein); and

WHEREAS, the Authority hereby certifies that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Indenture;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH, that in consideration of the premises and the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Bonds by the Owners (as defined herein) thereof, and to secure the payment of the Bonds and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are to be issued, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall, for all purposes of this Trust Indenture, and of the Agreement, and any Bond, opinion, request or other document herein or therein mentioned, have the meanings herein specified and such definitions shall be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Act” means Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing at Section 6500 thereof.

“Additional Payments” means “Additional Payments” as defined in Section 4.2 of the Agreement.

“Agreement” or “2020 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of December 1, 2020, between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented.

“Agreement Event of Default” means an event of default described in Section 8.1 of the Agreement.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

- (a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be
 - (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or
 - (ii) with respect to Parity

Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the City);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the City under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

“Authority” means the Morgan Hill Financing Authority, a joint exercise of powers authority, organized and existing pursuant to the laws of the State of California.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations of states and political subdivisions, selected by the City and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code.

“Bond Reserve Fund” means the fund by that name established pursuant to Section 4.04 hereof.

“Bond Year” means “Bond Year” as defined in the Tax Certificate.

“Bond Register” means the books for the registration and transfer of the Bonds kept by the Trustee pursuant to Section 2.08 hereof.

“Bonds” means the bonds issued by the Authority under and pursuant hereto.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks located in the city where the Corporate Trust Office of the Trustee is located, are required or authorized to remain closed.

“Capital Improvements” shall mean that portion of the Project constituting capital improvements to the Enterprise as described in Exhibit A to the Agreement.

“Capital Improvements Fund” shall mean the Capital Improvements Fund to be held by the City and established pursuant to Section 4.1 of the Agreement.

“Certificate of an Independent Consultant” means an instrument in writing signed by an Independent Consultant.

“Certificate of the Authority” means an instrument in writing signed by the President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“City” means the City of Morgan Hill, a municipal corporation organized and existing under the laws of the State of California.

“City Council” means the City Council of the City, being the City’s legislative body.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provision of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by the City and the Trustee with respect to the Bonds.

“Corporate Trust Office” means, with respect to the Trustee, the principal Corporate Trust Office of the Trustee in San Francisco, California, or such other office designated by the Trustee from time to time; provided that, for purpose of payment, redemption, exchange, transfer, surrender and cancellation of Bonds, such term means the corporate trust operations or agency office designated by the Trustee.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the execution and delivery of the Agreement, this Trust Indenture and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other cost, charge or fee in connection with the issuance and sale of the Bonds.

“Cost of Issuance Fund” means the fund by that name established pursuant to Section 4.05 hereof.

“Debt Service Fund” means the fund by that name established pursuant to Section 4.02 hereof.

“Defeasance Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are fully and unconditionally pledged for the timely payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

“Delivery Date” means _____, 2020.

“Depository” means the Securities Depository acting as Depository pursuant to Section 2.11.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, in its capacity as the initial securities depository for the book-entry Bonds.

“Enterprise” means the entire wastewater system of the City (excluding any reclamation facilities) including without limitation all improvements, works or facilities owned, controlled or operated by the City to provide sewer service as such improvements, works or facilities now exist,

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together with all additions to or replacements of existing facilities to be acquired or constructed, together with all improvements, replacements or extensions to said wastewater system later acquired or constructed, including the Project.

“Event of Default” means an event described in Section 8.01 hereof.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Counsel from a Bond Counsel to the effect that such action, in and of itself is permitted hereunder and, will not adversely affect the tax-exempt status of interest on the Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on June 30 of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, which is independent of the City and the Authority pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Consultant” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to wastewater systems, or any other financial consultant or firm of financial consultants (including

an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to wastewater systems, appointed and paid by the City, and who or each of whom –

- (a) is in fact independent and not under the domination of the City;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (c) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

“Installment Payment Date” means the 15th day of the month prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

“Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the City pursuant to Section 4.2 of the Agreement.

“Interest Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Interest Payment Date” means April 1 and October 1 of each year commencing April 1, 2021.

“Investment Securities” means any of the following obligations if and to the extent then permitted by law:

- (1) Defeasance Securities;
- (2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve Enterprise and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody’s and by S&P; provided, that purchases of eligible bankers acceptances may not exceed 270 days’ maturity;
- (4) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody’s and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A1” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and by S&P; provided, that purchases of eligible

commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit (including those placed by a third party pursuant to an agreement between the Authority and the Trustee) issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than 365 days or deposit accounts with a state or national bank and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank are rated no lower than "A1" by Moody's and "A+" by S&P;

(6) Any repurchase or reverse repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "A1" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase or reverse repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately; and (e) the repurchase or reverse repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every 14 days by the Authority or the agreement provider) exceeds the principal amount of the repurchase or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to, or direct its third party agent to, liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) Bank deposit products, demand or time deposits (including certificates of deposit), trust funds, trust accounts, interest bearing deposits, overnight bank deposits, interest bearing money market accounts or bankers' acceptances in a nationally or state-chartered bank, including the Trustee or any affiliate thereof, fully insured by the Federal Deposit Insurance Corporation or collateralized by Investment Securities described in clause (1);

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which such entities receive and retain a fee for services provided to the fund) and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) A guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest Rating Categories of any Rating Agency; and

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the Authority of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto to the extent deposits and withdrawals may be made by the Trustee directly.

"Letter of Representations" means the letter of representations to The Depository Trust Company, New York, New York, from the Authority.

"Maturity Date" means, with respect to each Bond, the applicable maturity date set forth in Section 2.03 hereof.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

"Net Proceeds" means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.11.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

“Opinion of Counsel” means a written opinion signed by an attorney or firm of attorneys selected by the City and duly admitted to practice law before the highest court of the State.

“Outstanding,” when used as of any particular time with respect to the Bonds, means (subject to the provisions of Section 7.02 hereof) all Bonds except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have been deposited with the Trustee, an escrow agent or other fiduciary (whether upon or prior to the maturity or prior redemption date of such Bonds) pursuant to Article IX hereof, provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 3.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been authenticated and delivered by the Trustee.

“Owner” or “Registered Owner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means the 2015 Bonds and any other bonds secured by Parity Obligations and issued pursuant to this Trust Indenture or any Parity Bonds Trust Indenture.

“Parity Bonds Series Reserve Fund” means any fund by that name established with respect to one or more Series of Parity Bonds other than Participating Bonds by a Parity Bonds Trust Indenture.

“Parity Bonds Trust Indenture” means the 2015 Trust Indenture and any other trust indenture pursuant to which a Series of Parity Bonds is issued.

“Parity Obligation Payments” means the payments scheduled to be paid by the City under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in the Agreement.

“Parity Obligations” means all obligations of the City issued or executed and entered into by the City, pursuant to and in accordance with the provisions of Section 5.3 of the Agreement, the Parity Obligation Payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, as provided herein.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“Participating Bonds” means any Series of Parity Bonds that, pursuant to the terms of the Parity Bonds Trust Indenture relating to such Series of Parity Bonds, is secured by the Bond Reserve Fund.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Pledge Law” means Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto.

“Principal Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.02 hereof.

“Project” means the acquisition and construction of public capital improvements for the Enterprise, as described in Exhibit A to the Agreement.

“Purchase Price” means the principal components of the Installment Payments plus interest on the unpaid portion of such principal components owed by the City to the Authority under the terms of the Agreement as provided in Section 4.1 of the Agreement.

“Rate Stabilization Fund” means the fund by that name referred to in Section 5.4 of the Agreement.

“Rating Agencies” means, if then providing a rating with respect to the Bonds, any of the following: Fitch, Moody’s, S&P, and any other nationally recognized securities rating agency or agencies, including their respective successors or assigns.

“Rating Category” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Fund” means the fund by that name established pursuant to Section 4.06 of this Trust Indenture.

“Record Date” means the fifteenth day of the month prior to an Interest Payment Date whether or not a Business Day.

“Redemption Account” means the account by that name in the Debt Service Fund established pursuant to Section 4.03 hereof.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Trust Indenture.

“Repayment Obligation” means the reimbursement obligation or any other payment obligation of the City under a written agreement between the City and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

“Required Reserve” means: (1) with respect to the Bond Reserve Fund, as of the Delivery Date, an amount equal to **[zero dollars (\$0)]**; provided, that with respect to the issuance of Participating Bonds, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to any Parity Bonds Series Reserve Fund, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

“Reserve Facility” means any insurance policy, letter of credit, or surety bond issued by a provider meeting the requirements set forth in Section 4.04(c), and delivered to the Trustee in satisfaction of all or a portion of the Required Reserve applicable to one or more Series of Parity Bonds.

“Reserve Fund” means the Bond Reserve Fund or a Parity Bonds Series Reserve Fund.

“Revenues” means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Trust Indenture pursuant to Section 4.08.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

“Series” means all Parity Bonds authorized and established pursuant hereto or to a Parity Bonds Trust Indenture as constituting a single Series and delivered on original issuance in a

simultaneous transaction, and any Parity Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor.

“Sewer Fund” means the fund by that name referred to in Section 5.2 of the Agreement.

“State” means the State of California.

“Subordinate Obligations” means the obligations of the City that are payable from Net Revenues on a basis that is subordinate to the payment of the Installment Payments and Parity Obligations. Any termination payment payable by the City under an interest rate swap agreement shall constitute a Subordinate Obligation.

“Supplemental Trust Indenture” means any trust indenture then in full force and effect which has been duly executed by the Authority and the Trustee amendatory hereof or supplemental hereto.

“Tax Certificate” means the tax certificate, dated the Delivery Date of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds, executed and delivered by the Authority and the City on the Delivery Date of the Bonds, including any and all exhibits attached thereto.

“Treasury Regulations” means those regulations issued by the United States Department of the Treasury under the Code.

“Trust Indenture” means this Trust Indenture, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Written Request of the Authority” means an instrument in writing signed by President, the Chief Administrative Officer or the Treasurer of the Authority, or their designees, or any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority for that purpose.

“Written Request of the City” means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager or the Finance Director of the City, or their designees, or by any other officer of the City duly authorized by the City to act on behalf of the City for that purpose.

“2015 Bonds” means the Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2015 issued and delivered under the 2015 Trust Indenture.

“2015 Trust Indenture” means the Trust Indenture, dated as of June 2015, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Section 1.02. Rules of Construction. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections,

subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization to Issue, Authenticate and Deliver the Bonds. The Bonds are authorized to be issued in the aggregate principal amount of \$[Par Amount].00 in the form and manner provided herein. The Bonds shall be designated “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020,” issued by the Authority under and pursuant to the Bond Law and this Trust Indenture, and secured by a pledge of, and payable from Revenues as provided herein.

The Trustee is hereby authorized to authenticate and deliver the Bonds to the original purchaser thereof upon the Written Request of the Authority and receipt of the proceeds of the sale thereof (to be wired to the Trustee).

Section 2.02. Denominations of the Bonds. The Bonds shall be issued in fully registered form, in Authorized Denominations, and numbered consecutively.

Section 2.03. Terms of the Bonds. The Bonds shall be dated the Delivery Date, and mature on October 1 in the years, in the respective principal amounts set forth opposite such years, and bear interest at the respective rates per annum set forth in the following table:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest shall be payable with respect to each Bond on each Interest Payment Date, commencing April 1, 2021 until the principal thereof has been paid; provided, however, that if at the Maturity Date of any Bond (or, if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with terms of this Trust Indenture, such Bond shall then cease to bear interest.

Section 2.04. Interest. The Bonds shall bear interest payable semiannually on their Interest Payment Dates. Each Bond which is authenticated and registered on or prior to the first Record Date shall bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond which is authenticated and registered after the first Record Date shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond shall bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid.

Section 2.05. Form of the Bonds. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved.

Section 2.06. Payment of the Bonds. The principal or Redemption Price of, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof at the close of business on the Record Date next preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Owner at his address as it appears on such books; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds then Outstanding, upon written request of such Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the interest payment shall be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Owner.) Payment of the principal or Redemption Price of a Bond shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Owner thereof, such principal and redemption premium, if any, to be paid only upon the surrender of the Bond at the Corporate Trust Office, where such Bonds are paid by the Trustee, at maturity or upon redemption prior to maturity. All such payments of interest on, or principal of, or redemption premium, if any, on any Bond shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

Section 2.07. Execution of the Bonds. The Bonds shall be signed on behalf of the Authority by the manual or facsimile signature of the President of the Authority and countersigned by the manual or facsimile signature of its Secretary. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall

have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the Authority as though such officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the Authority by any person who on the actual date of the execution of such Bond shall be the proper officer of the Authority, although on the nominal date of such Bond such person shall not have been such officer of the Authority. Only those Bonds that bear thereon a certificate of authentication manually executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, authenticated and delivered hereunder and are entitled to the benefits hereof.

Section 2.08. Registration, Transfer and Exchange of Bonds. The Trustee shall keep, at its Corporate Trust Office, sufficient books for the transfer and exchange of the Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form satisfactory to the Trustee. The cost of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Authority nor the Trustee shall be required (a) to transfer or exchange any Bonds during the 15-day period prior to the selection of any Bonds for redemption under Article III hereof, or (b) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III hereof.

The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary.

The information contained in the registration books with regard to the ownership of or security interests in the Bonds shall not be subject to inspection or copying by the public as provided in Section 5060(a) of Chapter 1.5 of Division 6 of Title 1 of the California Government Code; provided, that such books shall be open for inspection by the Authority during normal business hours, upon reasonable prior notice.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated or shall have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Corporate Trust Office, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in connection therewith, the Authority shall execute and the Trustee

shall authenticate and deliver at such office a new Bond or Bonds of the same Maturity Date for the same aggregate principal amount of authorized denominations of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost. If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Authority upon receipt of like proof, indemnity and payment of expenses. Any replacement Bonds issued pursuant to this Section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The Authority and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder; instead, both the original and the replacement Bond shall be treated as one and the same.

Section 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be issued in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Each temporary Bond shall be executed by the Authority upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the Corporate Trust Office, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Maturity Date or Dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

Section 2.11. Book Entry System.

(a) Original Delivery. The Bonds will be initially issued as book-entry Bonds, and each maturity of such Bonds will be in the form of a separate single fully registered Bond (which may be typewritten). The Depository Trust Company (“DTC”) will act as the initial Depository for book-entry Bonds. Upon initial execution and delivery, the ownership of each such book-entry Bond will be registered in the registration books maintained under Section 2.08 in the name of Cede & Co., as Nominee of DTC, the initial Depository for the Bonds.

With respect to book-entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to the owners of beneficial interests in book-entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the registration books maintained under Section 2.08 hereof, of any notice with respect to book-entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Authority redeems any book-entry Bonds in part or (iv) the payment of any Participant or any other person, other than an Owner as shown in the registration

books maintained under Section 2.08, of any amount with respect to the principal or Redemption Price of, and interest on book-entry Bonds.

The Authority and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the registration books maintained under Section 2.08 as the absolute Owner of such book-entry Bond for the purpose of payment of the principal or Redemption Price of, and interest on such book-entry Bond, for the purpose of giving notices of redemption and other matters with respect to such book-entry Bond, for the purpose of registering transfers with respect to such book-entry Bond and for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of, and interest on the book-entry Bonds only to or upon the order of the respective Owners, as shown in the registration books maintained under Section 2.08, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of the interest on and the principal or Redemption Price of the book-entry Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books maintained under Section 2.08 shall receive a Bond evidencing the obligation of the Authority to make payments of the principal or Redemption Price of, and interest on any book-entry Bond pursuant hereto. Upon delivery by the Depository to the Owner, the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the term Nominee herein shall refer to such new nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry Bonds for the Depository's book entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book entry Bonds other than the Owners, as shown on the registration books required to be kept pursuant to Section 2.08. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee shall take such other actions, not inconsistent herewith, as are reasonably necessary to qualify book entry Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Authority has advised the Depository that it does not wish the Depository to continue as securities depository, then the Authority will discontinue the book entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (d). If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such registration books required to be kept pursuant to Section 2.08 in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Section 2.08.

(d) Transfer of Bonds to Substitute Depository.

(i) Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.11(d) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository not objected to by the Trustee, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or Substitute Depository or its successor) from its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or its Nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.11(d), upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds, which the Authority shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Written Request of the Authority, subject to the limitations of Sections 2.02 and 2.03, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such Written Request of the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such depository’s failure to make such notations or errors in making such notations.

Section 2.12. Validity of the Bonds. From and after the issuance of the Bonds, the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority and the City for the financing of the Project, or by any contracts made by the Authority and the City in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance. Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the original purchaser thereof and the purchase price thereof received.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source, upon 45 day notice to the Trustee (or such shorter period agreed to by the Trustee) and mailed notice as provided herein, at a Redemption Price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

(b) Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the Redemption Price thereof, plus accrued interest to the date of purchase. All Bonds so purchased shall be delivered to the Trustee for cancellation.

Section 3.02. Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be redeemed at any one time, the Authority shall, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions thereof of the same Maturity Date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in integral multiples of \$5,000. Within each maturity, Bonds shall be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions thereof for redemption shall be conclusive in the absence of fraud.

Section 3.03. Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee shall mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee shall also provide

notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal shall be an action by the holders of the Bonds for specific performance. Each such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all of the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the redemption date, and shall require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of Section 9.01 or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys shall not have been so received the notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Section 3.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof at the expense of the Authority a new Bond or Bonds of the same Maturity Date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 3.05. Effect of Redemption of Bonds. If notice of redemption has been duly given pursuant to Section 3.03, and money for the payment of the Redemption Price of the Bonds or portions thereof so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, and the interest accrued thereon to the redemption date.

ARTICLE IV

ASSIGNMENT AND PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Pledge and Assignment of Revenues.

(a) All Revenues and any other amounts held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund) are hereby irrevocably pledged to the payment of the interest on and principal or Redemption Price of the Bonds, as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; except that, out of the Revenues and other moneys, there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund) for the payment of the principal or Redemption Price of, and interest on the Bonds in accordance with the terms hereof and thereof.

(b) The Authority hereby transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all of the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee.

The Trustee hereby accepts such assignment. Subject to Article VI, the Trustee shall take all steps, actions and proceedings required to be taken as provided in any opinion of Bond Counsel delivered to it necessary to maintain in force, for the benefit of the Owners, the Trustee's rights in and priority to the following security granted to it for the payment of the Bonds: the Trustee's rights as assignee of the Installment Payments and other Revenues, interest and other income, and all other rights to security for the Bonds which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out in this Section 4.01(b), rely and shall be protected in acting or refraining from acting upon an opinion of Bond Counsel furnished by the Authority.

Section 4.02. Receipt and Deposit of Revenues in the Debt Service Fund. In order to carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants

that all Revenues when and as received shall be received by the Authority in trust hereunder for the benefit of the Owners and shall be transferred to the Trustee for deposit by the Trustee in the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Debt Service Fund” (the “Debt Service Fund”), which fund the Trustee agrees to establish, maintain and hold in trust, for so long as any Bonds shall be Outstanding hereunder.

All Revenues shall be accounted for through and held in trust in the Debt Service Fund, and the Authority shall have no beneficial right or interest in any of the Revenues, except as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the Debt Service Fund. Subject to the provisions of Sections 4.06 and 5.03, and by the Tax Certificate, all money in the Debt Service Fund shall be set aside by the Trustee in the following respective special accounts within the Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Redemption Account.

All money in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Trust Indenture.

The Trustee shall transfer from the Debt Service Fund the following amounts at the times and in the manner hereinafter provided, and shall deposit such amounts in one or more of the following respective funds or accounts, and each of which shall be disbursed and applied only as hereinafter authorized. Such amounts shall be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

(a) Interest Account. On each Interest Payment Date, commencing on April 1, 2021, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date.

No deposit need be made to the Interest Account on any date if the amount contained therein is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Except as otherwise provided herein, all money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest as it shall become due and payable (including accrued interest on Bonds purchased or redeemed prior to their respective Maturity Dates).

(b) Principal Account. On each Maturity Date, the Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the Outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date.

No deposit needs to be made to the Principal Account on any date if the amount contained therein is at least equal to the aggregate principal amount of Outstanding Bonds maturing on such date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal amount of Bonds as they mature.

(c) Redemption Account. All prepayments of Installment Payments made by the City, pursuant to Section 7.1 of the Agreement, shall be deposited in the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of Outstanding Bonds as directed in a Certificate of the City.

Section 4.04. Reserve Funds.

(a) At such time as the Reserve Requirement shall be more than zero dollars (\$0), the Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds Bond Reserve Fund” (the “Bond Reserve Fund”). Moneys in the Bond Reserve Fund shall be applied in accordance with this Section and, with respect to other Series of Participating Bonds, in accordance with the provisions of the Parity Bonds Trust Indentures pursuant to which such Participating Bonds are issued.

(b) Upon establishment of the Bond Reserve Fund, the Trustee hereby agrees and covenants to maintain the Bond Reserve Fund so long as any Participating Bonds remain Outstanding hereunder or outstanding under the Parity Bonds Trust Indenture under which they were issued.

(c) (i) The Trustee shall transfer to and deposit in each Reserve Fund maintained under a Parity Bonds Trust Indenture (on a pro rata basis calculated by reference to the Required Reserve for each such Reserve Fund) such amount of money as shall be required to restore each Reserve Fund to the applicable Required Reserve (including amounts necessary to reinstate the amount available under any Reserve Facility); and for this purpose all investments in any Reserve Fund shall be valued semiannually before each Interest Payment Date. No deposit need be made into any Reserve Fund if the value of the money and investments contained therein is at least equal to the applicable Required Reserve.

(ii) In lieu of making the Required Reserve deposit applicable to one or more Series of Parity Bonds in cash or in replacement of moneys then on deposit in a Reserve Fund, or in substitution of any Reserve Facility that is part of the Required Reserve relating to one or more Series of Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee an irrevocable, direct-pay letter of credit issued by a financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories by at least one of the Rating Agencies, in an amount, that, together with cash, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, will equal the applicable Required Reserve. Such letter of credit shall have a term no less than three years or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section 4.04(c). At least one year prior to the stated expiration of such letter of credit, the Authority shall deliver one of the following to the Trustee: (1) a replacement letter of credit; (2) an extension of the letter of credit for at least one additional year or, if less, the final maturity of the Parity Bonds in connection with which such letter of credit was obtained; or (3) a Reserve Facility satisfying the requirements of Section 4.04(c)(iii). Upon delivery of such replacement letter of credit, extension or replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Authority. If the Authority shall fail to deposit a replacement letter of credit, extension or replacement Reserve Facility with the Trustee, the Authority shall commence to make deposits with the Trustee so that an amount equal to the applicable Required Reserve will be on deposit in the related Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the applicable Required Reserve as of the date following the expiration of the letter of credit is not on deposit in the applicable Reserve Fund one week prior to the expiration date of the letter of credit (excluding the letter of credit from such determination), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in such Reserve Fund.

(iii) In lieu of making a Required Reserve deposit in cash or in replacement of moneys then on deposit in a Reserve Fund or in substitution of any Reserve Facility that is part of a Required Reserve for any Parity Bonds, the Authority may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy in an amount that, together with moneys, investments, or other Reserve Facilities then on deposit in the applicable Reserve Fund, is no less than the applicable Required Reserve. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories by at least one of the Rating Agencies. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Parity Bonds in connection with which such surety bond or insurance policy is obtained and shall be non-cancellable. In the event that such surety bond or insurance policy for any reason lapses or expires, the Authority shall immediately implement clause (1) or (3) in Section 4.04(c)(ii) or make deposits to the related Reserve Fund so that such Reserve Fund is replenished to the required level as soon as practicable.

(iv) Subject to Section 4.04(c)(v) and Section 4.04(c)(vi), all money in a Reserve Fund (including all amounts that may be obtained from a Reserve Facility on

deposit in the Reserve Fund) shall be used by the Trustee solely for the purpose of (1) paying the interest on or principal of the Parity Bonds secured by that Reserve Fund in the event there is insufficient money available in the Debt Service Fund, in such order, for this purpose, (2) making payments to the provider of any Reserve Facility that is part of the Required Reserve for such Reserve Fund for the purpose of reinstating the amount available under such Reserve Facility, or (3) for the retirement, defeasance or redemption of all or a portion of the Outstanding Parity Bonds secured by that Reserve Fund; provided, however, that if funds on deposit in that Reserve Fund are applied to the retirement, defeasance or redemption of only a portion of the Parity Bonds secured by that Reserve Fund, the amount on deposit in the Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption shall equal the Required Reserve applicable to all Parity Bonds secured by that Reserve Fund immediately subsequent to such partial retirement, defeasance or redemption.

(v) Unless otherwise directed in a Parity Bonds Trust Indenture establishing the terms and provisions of a Series of Parity Bonds, the Trustee shall apply amounts held in cash or investments in a Reserve Fund prior to applying amounts held in the form of Reserve Facilities in that Reserve Fund and the Trustee shall apply all deposits of cash into such Reserve Fund for the purposes of satisfying any deficiency in the Reserve Fund to reinstate the portion of the Reserve Fund held in the form of Reserve Facilities (on a pro rata basis calculated by reference to the maximum amount of each Reserve Facility if more than one Reserve Facility has been drawn upon) prior to reinstating the portion of the Reserve Fund held in cash or investments. If the Trustee has applied all cash and investments and more than one Reserve Facility is being held on deposit in a Reserve Fund, then the Trustee shall, on a pro rata basis with respect to the portion of such Reserve Fund held in the form of Reserve Facilities (calculated by reference to the maximum amount of each such Reserve Facility), draw under each Reserve Facility issued with respect to such Reserve Fund, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the interest on or principal of the Parity Bonds of the Series to which such Reserve Fund relates when due. In the event that the Trustee has received written notice that any payment of principal of or interest on a Parity Bond has been recovered from a Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of, and if so provided by, the terms of the Reserve Facility, if any, enhancing the Parity Bonds of such Series, shall so notify the Authority thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Holders the principal and interest so recovered.

(vi) If as a result of any valuation of a Reserve Fund it is determined that the amount of money in such Reserve Fund exceeds the Required Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such money in the Interest Account of the Debt Service Fund established and maintained under the Parity Bonds Trust Indenture pursuant to which such Reserve Fund was established.

Section 4.05. Cost of Issuance Fund.

(a) The Trustee shall establish, maintain and hold under this Trust Indenture a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Cost of Issuance Fund” (the “Cost of Issuance Fund”). Moneys in the Cost of Issuance Fund shall be expended for Costs of Issuance in accordance with this Section.

(b) There shall be credited to the Cost of Issuance Fund the following amounts:

(i) the proceeds of sale of the Bonds required to be deposited therein pursuant to Section 4.10 hereof; and

(ii) any other funds from time to time deposited by the City with the Trustee to pay Costs of Issuance.

(c) The Trustee shall disburse moneys in the Cost of Issuance Fund from time to time to pay for Costs of Issuance directly or to reimburse the City for payment thereof upon receipt by the Trustee of a Written Request of the City substantially in the form of Exhibit B. The Trustee shall be absolutely protected in making any disbursement from the Cost of Issuance Fund in reliance upon a Written Request of the City.

(d) Upon the earlier of March 1, 2021 or the Trustee’s receipt of a Certificate of the City certifying that all Costs of Issuance have been paid, the Trustee shall withdraw all remaining moneys in the Cost of Issuance Fund (other than any moneys retained therein to pay Costs of Issuance not then due and payable as set forth in the Certificate of the City), transfer such moneys to the Debt Service Fund, and close the Cost of Issuance Fund.

Section 4.06. Rebate Fund. The Trustee shall establish when needed, and maintain, so long as any Bonds remain Outstanding, a fund separate from any other fund established and maintained hereunder designated as the “Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 Rebate Fund” (the “Rebate Fund”). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee to the extent required to satisfy the requirement to make rebate payments to the United States (the “Rebate Requirement”) pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”). Such amounts shall be free and clear of any lien under this Trust Indenture and shall be governed by this Section 4.06 and Section 5.03, and by the Tax Certificate. The Trustee shall not be deemed to have any knowledge of the provisions of the Tax Certificate, and shall be deemed conclusively to have complied with the Rebate Requirement and its obligations under this Section 4.06 if it follows the directions of the Authority, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the Rebate Requirement and the Tax Certificate.

(a) Within 45 days of the end of each Bond Year, (i) the Authority shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for this purpose the end of such Bond Year, and (ii) upon the Authority’s

written direction, the Trustee shall deposit to the Rebate Fund from amounts received from the Authority as Additional Payments by the City pursuant to Section 4.2 of the Agreement, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this paragraph (a) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under paragraph (b) of this Section.

The Authority shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the Authority under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, the Authority shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this paragraph (a).

(b) Any funds remaining in the Rebate Fund after payment of all the Bonds hereunder and any amounts described in clause (ii) of paragraph (c) of this Section, or provision made therefor, including accrued interest and payment of any applicable fees of the Trustee, shall be transferred by the Trustee to the City pursuant to Section 4.09.

(c) Subject to the exceptions contained in paragraph (a) of this Section to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall, upon the Authority’s written direction, pay to the United States, from amounts on deposit in the Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Bond Year, and (B) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(d) Each payment required to be made pursuant to paragraph (c) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or other address as may be designated by the Internal Revenue Service) on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 (or other approved form), which shall be completed by or on behalf of the Authority and provided to the Trustee.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the Authority as Additional Payments made by the City pursuant to Section 4.2 of the Agreement, equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) In the event that immediately following the calculation required by paragraph (a) of this Section, but prior to any deposit made under that paragraph, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with that paragraph, upon written instructions from the Authority, the Trustee shall transfer the excess from the Rebate Fund to the Sewer Fund.

(g) The Authority shall retain records of all determinations made hereunder until six years after the final payment or discharge of all Bonds.

(h) Notwithstanding anything in this Trust Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

Section 4.07. Additional Payments. In the event the Trustee receives Additional Payments pursuant to Section 4.2 of the Agreement, such Additional Payments shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Payments were received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Agreement or this Trust Indenture.

Section 4.08. Deposit and Investments of Money in Accounts and Funds.

(a) All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Investment Securities at the Written Request of the Authority filed with the Trustee which shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder; provided that, money in the Reserve Fund shall not be invested in any investment with a maturity extending beyond five years from the time of such investment. If no such Written Request of the Authority is received by the Trustee, then, the monies shall be held uninvested. Except as otherwise provided herein, all interest or profits received on any money in any fund or account held hereunder (other than the Rebate Fund) so invested shall be deposited in the Interest Account in the Debt Service Fund.

(b) The Trustee or any of its affiliates may act as principal or agent, sponsor, advisor, principal, agent or manager in connection with any investments made by the Trustee hereunder. For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but shall maintain separate records relating to the investments for fund or account.

(c) The Trustee shall not be liable for any loss from any Investment Securities acquired, held or disposed of in compliance with this Section 4.08.

(d) The Trustee may rely on the investment instructions from the Authority that the instructed investment is an Investment Security for the funds to be invested.

Section 4.09. Repayment to City. When there are no longer any Bonds Outstanding, and all fees, charges and expenses of the Trustee have been paid or provided for, and all expenses of the Authority relating to this Trust Indenture have been paid or provided for, and all other amounts payable hereunder, including without limitation any Rebate Requirement, and under the Agreement have been paid, and this Trust Indenture has been discharged and satisfied, the Trustee shall pay to the City any amounts remaining in any fund established and held hereunder.

Section 4.10. Application of Bond Proceeds and Other Funds. Upon receipt of the net proceeds of the sale of the Bonds from the purchaser thereof in the amount of \$_____ (representing an aggregate principal amount of \$[Par Amount].00, plus a [net] original issue [premium] of \$_____, less an underwriter's discount of \$_____), the Trustee shall set aside and transfer or deposit such proceeds in the following respective accounts or funds:

(a) The Trustee shall transfer the sum of \$_____ from the proceeds of the sale of the Bonds to the City for deposit in the Capital Improvements Fund established pursuant to Section 4.1 of the Agreement for the construction, acquisition and installation of the Capital Improvements;

(b) The Trustee shall deposit the sum of \$_____ from the proceeds of the sale of the Bonds in the Cost of Issuance Fund; and

(c) The Trustee shall (1) deposit in the Bond Reserve Fund a sum which is equal to the Required Reserve as of the date of issuance of the Bonds, (2) pay or cause to be paid the costs of a Reserve Facility in such amount for the credit of the Bond Reserve Fund or (3) pay or cause to be paid the costs of a Reserve Facility, together with a deposit in the Bond Reserve Fund of an amount that will, in combination, equal the Required Reserve as of the date of issuance of the Bonds, in each case as specified in a Certificate of the City dated the date of issuance of the Bonds; provided, that the Required Reserve may be zero.

ARTICLE V

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01. Compliance with Trust Indenture and the Agreement. The Authority will not suffer or permit any default by it to occur hereunder or under the Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein, in the Agreement and in the Bonds.

Section 5.02. Observance of Laws and Regulations. The Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State,

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or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Tax Covenants.

(a) General. The Authority hereby covenants with the Owners that, notwithstanding any other provisions of this Trust Indenture, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Authority shall not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the Authority, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and applicable Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The Authority shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. The Authority shall not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” with the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, the Authority shall comply with all requirements of Section 148 of the Code and applicable Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. The Authority shall not make any use of the proceeds of the Bonds or any other funds of the Authority, or take or omit to take any other action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

Section 5.04. Accounting Records and Reports.

(a) The Trustee will keep proper accounting records in accordance with the Trustee's standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, deposit, application and disbursement of the Revenues and the proceeds of the Bonds, and such accounting records shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. Not later than the 15th day of each calendar month, commencing on January 15, 2021, and continuing so long as any Bonds are Outstanding, the Trustee will furnish or cause to be furnished to the Authority a complete statement covering the receipts, investments, deposits, application and disbursements of the Revenues for the immediately preceding calendar month.

Such complete statement shall consist of cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statement will be delivered via the Trustee's online service and, upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(b) In accordance with Section 6599.1 of the Government Code, until the October 30 following the final maturity of the Bonds, the Authority shall, not later than October 30 of each year, commencing October 30, 2021, supply the California Debt and Investment Advisory Commission ("CDIAC"), by mail, postage prepaid, with the following information:

- (i) The principal amount of Bonds outstanding.
- (ii) The balance in the Reserve Fund.
- (iii) The costs of issuance, including any ongoing fees.
- (iv) The total amount of administrative fees collected.
- (v) The amount of administrative fees charged to each Member Agency.
- (vi) The interest earnings and terms of all guaranteed investment contracts.
- (vii) Commissions and fees paid on guaranteed investment contracts.
- (viii) Failure by the City to timely pay any Installment Payment or other payment required to be paid under the Agreement.

(c) In accordance with Section 6599.1(c) of the Act, until final maturity of the Bonds, the Authority shall notify CDIAC by mail, postage prepaid, within 10 days if any of the following events occur:

(i) The Authority or the Trustee fails to pay principal and interest due on any scheduled payment date due to insufficient funds.

(ii) Funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds or any Bonds acquired by the Authority.

(d) Neither the Authority, the City, their officers, agents or employees, nor CDIAC shall be liable for any inadvertent error in reporting the information required by Section 5.04(b) or (c).

(e) The failure of the Authority to comply with the provisions of Section 5.04(b) or (c) shall not be an Event of Default hereunder.

Section 5.05. Reserved.

Section 5.06. Amendments to Agreement. The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Agreement except: (a) to the extent such amendment, alteration or modification will cure an ambiguity, supply an omission; or cure or correct a defect or inconsistent provision therein; (b) to the extent such amendment, alteration or modification will insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with this Trust Indenture; (c) if, in the Opinion of Counsel, delivered to the Trustee such amendment, alteration or modification does not materially adversely affect the rights of the Owners; or (d) with the written consent of the Owners of a majority in aggregate principal of the Bonds then Outstanding. Any such written consent shall be obtained in the manner provided herein for amendments to this Trust Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an Opinion of Counsel stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Trust Indenture, and is valid and binding upon the parties thereto in accordance with its terms and, if applicable, containing the opinion described in the above subclause (c). For purposes of this Trust Indenture, no change or revision of Exhibit A to the Agreement, made pursuant to the terms thereof, shall constitute an amendment, alteration or modification of the Agreement.

Section 5.07. Recording and Filing. The Authority shall, at the expense of the Authority, cause the filing, recording, registering, renewing, refilling and rerecording of all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law, in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee.

Section 5.08. Against Encumbrances. So long as any Bonds are Outstanding, the Authority will not create or suffer to be created any pledge of or lien on the Revenues other than the pledge and lien hereof, and will not issue any bonds, notes or obligations payable from the Revenues, or secured by a pledge of or charge or lien upon the Revenues, except the Bonds. Subject to this limitation, the Authority reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other bonds or other obligations for such purposes.

Section 5.09. Notices to Rating Agencies. The Authority shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (a) the resignation or removal of the Trustee; or (b) the acceptance of appointment by a successor trustee hereunder promptly upon its becoming aware of such resignation, removal or acceptance.

Section 5.10. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee (who has no obligation or duty to make such request) or any Owner, the Authority will promptly authenticate and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VI

THE TRUSTEE

Section 6.01. The Trustee.

(a) The Bank of New York Mellon Trust Company, N.A., as the Trustee, shall receive all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the principal or Redemption Price of, and interest on the Bonds presented for payment, and for the purpose of canceling all paid or redeemed Bonds as provided herein. Except during the continuance of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Trust Indenture, and no implied covenants, duties or obligations shall be read into this Trust Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee. The Authority agrees that it will at all times maintain a Trustee having a Corporate Trust Office in California.

(b) The Authority may, upon thirty (30) days' prior written notice, (unless there exists any Event of Default as defined in Section 8.01 hereof), remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a banking association or corporation or trust company doing business in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or State agency. If such banking corporation or trust company publishes a report of condition at least

annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then, for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby. The Trustee under this Trust Indenture shall also be the trustee under each Parity Bonds Trust Indenture.

Section 6.02. Liability of Trustee.

(a) The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same and makes no representation as to the sufficiency or validity hereof or of the Bonds, and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of duty.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or redemption premium, if any, on the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

(e) The Trustee shall not be deemed to have knowledge of any default hereunder or default under the Agreement unless and until it shall have actual knowledge thereof or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly

provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of a default hereunder.

(f) The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at-law or certified public accountant was selected by the Trustee with due care.

(g) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of the proceeds of the Bonds and any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(h) Whether or not therein expressly so provided, every provision hereof, or of the Agreement, or any related documents relating to the conduct or affecting the liability of or affording protection to the Trustee, shall be subject to the provisions of this Article.

(i) The Trustee shall be fully protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(j) Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which Certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(k) No provision of this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

(l) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Bonds.

(m) All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

(n) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to

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which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

(o) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

(p) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall not be answerable for the conduct of the same if appointed with due care hereunder. The permissive right of the Trustee to do things enumerated in this Trust Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(q) In acting or omitting to act pursuant to the Installment Purchase Agreement and any other document executed in connection therewith or herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Indenture and the Installment Purchase Agreement, including, but not limited to, this Article VI. Notwithstanding the effective date of this Trust Indenture or anything to the contrary in this Trust Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Trust Indenture which occurs prior to the date the Trustee formally executes this Trust Indenture and commences acting as Trustee hereunder.

(r) Subject to any additional limitations in this Trust Indenture, the Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Trust Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder). The Authority and/or City may provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and/or the City whenever a person is to be added or deleted from the listing. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority and/or City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit

Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 6.03. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability, suit, claim, cause of action, judgment or expense incurred without negligence, default or willful misconduct on the part of the Trustee arising out of or in connection with (i) the acceptance or administration of the trusts created hereby, or the exercise or performance of any of its powers or duties hereunder, the Installment Purchase Agreement or any other document created in connection herewith or therewith, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including reasonable attorneys' fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder the Installment Purchase Agreement or any other document created in connection herewith or therewith. The rights of the Trustee and the obligations of the Authority under this section shall survive the discharge of the Bonds and this Trust Indenture and the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Section 6.04. Notices to Rating Agencies. The Trustee shall provide the Rating Agencies, with copies to the City, with written notice upon the occurrence of: (i) the discharge of liability on any Bonds pursuant to Section 9.01; (ii) the redemption or purchase of all Bonds; or (iii) an amendment to this Trust Indenture or the Agreement, upon its receipt of written notice of any such amendments. The Trustee shall also notify any Rating Agency of any amendments to any of the

documents to which the Trustee is a party, upon its receipt of written notification of any such changes.

ARTICLE VII

AMENDMENT OF THE TRUST INDENTURE

Section 7.01. Amendment of the Trust Indenture.

(a) Except as provided in subsection (b) and (c) of this Section 7.01, this Trust Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02 hereof, are filed with the Trustee; provided, that, before executing any such Supplemental Trust Indenture under this Section 7.01, the Trustee may first obtain, at the Authority's expense, an Opinion of Counsel that such Supplemental Trust Indenture is authorized or permitted hereunder, and complies with the provisions of this Trust Indenture, on which opinion the Trustee may conclusively rely.

(b) No amendment to this Trust Indenture shall (i) extend the stated maturity of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of any Bond, without the express written consent of the Owner of such Bond, or (ii) reduce the percentage of Bonds required for the written consent to any such amendment without the express written consent of the Owners of all Outstanding Bonds, or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(c) The Trust Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Indenture which shall become binding upon adoption without the consent of any Owners, and only to the extent permitted by law, for any one or more of the following purposes:

(i) to add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith;

(iii) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify this Trust Indenture under the Trust Indenture Act of 1939;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, or the exemption of interest on the Bonds from State of California personal income taxes;

- (v) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the Bonds by any of the Rating Agencies;
- (vi) to add to the rights of the Trustee; or
- (vii) for any purpose that will not materially adversely affect the interests of the Owners, as evidenced by the opinion of counsel delivered pursuant to Section 7.01(a) hereof.

Section 7.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article; except that in determining whether the Trustee shall be protected in relying upon any such consent, action or calculation of Outstanding Bonds, only Bonds which the Trustee actually knows to be so owned or held by the Authority or the City shall not be deemed Outstanding, unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Upon the request of the Trustee, the Authority shall specify to the Trustee those Bonds disqualified pursuant to this Section.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bonds and presentation of such Owner's Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bond or Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute a default and an Event of Default:

- (a) Failure to make due and punctual payment of any installment of interest upon any Bond when the same shall have become due and payable;

(b) Failure to make due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration;

(c) Any representation or warranty made by the Authority in this Trust Indenture or the Bonds shall be determined by the Trustee to have been untrue in any material respect when made or any failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed and performed under this Trust Indenture or the Bonds, other than as referred to in subsections (a) or (b) of this Section, for a period of 60 days after written notice specifying such breach or failure and requesting that it be remedied, given to the Authority and the Owners by the Trustee, unless the breach or failure is such that it cannot be corrected within the applicable period, corrective action is instituted by the Authority within the applicable period and is being diligently pursued, provided that such breach or failure must be cured within a period of 365 days after written notice of such breach or failure is given to the Authority;

(d) An Agreement Event of Default shall have occurred under Section 8.1 of the Agreement; and

(e) If the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States or America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial parts of its property.

Section 8.02. Acceleration of Maturities. Upon the occurrence of an Event of Default (other than an Event of Default described in subsection (c) of Section 8.01), the Trustee shall, or in the case of an Event of Default described in subsection (c) of Section 8.01, the Trustee may declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in this Trust Indenture or in the Bonds to the contrary notwithstanding.

Upon such acceleration, the Trustee shall provide the Owners with a notice of acceleration; and the Trustee shall take whatever additional action at law or in equity may appear necessary or desirable to the Trustee to collect the money necessary to pay the acceleration price of the Bonds. Thereafter, the Trustee shall take such action as is necessary to pay the Bonds out of such moneys at the earliest possible date after providing the Owners with a notice of redemption as provided in Section 3.03 hereof.

Section 8.03. Application of Proceeds Upon an Event of Default. All amounts received by the Trustee pursuant to an Event of Default under the provisions of this Article and amounts previously held by the Trustee under this Trust Indenture shall be applied by the Trustee in the

following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees and expenses of the Trustee, including costs and expenses of the Trustee in declaring such Event of Default and carrying out the provisions of this Trust Indenture including reasonable compensation of its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts, shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(b) to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Whenever all principal or Redemption Price of, and interest on all Bonds have been paid and all expenses and charges of the Trustee have been paid, and the final calculation of rebate has been made and the appropriate amount transferred to the Rebate Fund, any balance remaining in all funds and accounts created under this Trust Indenture, except amounts on deposit in the Rebate Fund, shall be paid to the City pursuant to Section 4.09.

Section 8.04. Notice of Event of Default. In the event the Trustee has actual knowledge that the Authority is in default, the Trustee shall give notice of such default to the Owners of the Bonds. Such notice shall state that the Authority is in default and shall provide a brief description of such default. The notice provided for in this Section shall be given by mail to the Owners within 30 days of such occurrence of default.

Section 8.05. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and shall, at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, proceed to protect and enforce its rights or the rights of the Owners of Bonds under this Trust Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 8.06. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Trust Indenture and the Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give notice other than such notice as may be required in this Article VIII or by law.

Section 8.07. No Additional Waiver Implied by One Waiver. In the event any provision contained in this Trust Indenture should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.08. Action by Owners. In the event the Trustee fails to take any action to eliminate an Agreement Event of Default, under Section 8.1 of the Agreement, or an Event of Default hereunder, the Owners of a majority in aggregate principal amount of Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Agreement or this Trust Indenture, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within 60 days.

Section 8.09. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Trust Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision of the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds, in respect of which such judgment has been recovered.

Section 8.10. Waivers of Events of Default. Provided that all payments of interest and principal due and owing on the Bonds have been paid, prior to acceleration of the Bonds the Trustee shall, and thereafter the Trustee in its discretion may or, upon the written demand of the Owners of not less than a majority in aggregate principal amount of all Bonds Outstanding shall, waive any Event of Default hereunder and rescind its consequences; provided, however, that the

Trustee may not waive any Events of Default which constitute a breach of a covenant with respect to the tax exempt status of the Bonds. In the case of any such waiver and rescission, the Authority, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Trust Indenture shall be in writing and a copy thereof shall be delivered to the Authority and to the City.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Trust Indenture. When the obligations of the City under the Agreement shall cease pursuant to Section 9.1 of the Agreement (except for the right of the Trustee and the obligation of the City to have the cash and Defeasance Securities mentioned therein applied to the payment of Installment Payments as therein set forth, and the obligation to apply amounts on deposit in the Rebate Fund as provided in Section 4.06), then and in that case the obligations created by this Trust Indenture shall thereupon cease, terminate and become void except for the obligation of the Authority to direct the Trustee to apply amounts on deposit in the Rebate Fund as provided herein which shall continue until such amounts are so applied, the obligation of the Authority to pay the Trustee the amounts due pursuant to Section 6.03, and the right of the Owners to have applied and the obligation of the Trustee to apply such cash and Defeasance Securities to the payment of the Bonds as herein set forth, and subject to application of amounts on deposit in the Rebate Fund as provided in Section 4.06, the Trustee shall pay to the City pursuant to Section 4.09, after provision for payment of amounts due the Trustee hereunder, as an overpayment of Installment Payments, any surplus in the Debt Service Fund and all balances remaining in any other funds or accounts other than cash and Defeasance Securities held for the payment of the Bonds at maturity or upon redemption, which cash and Defeasance Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal or Redemption Price of, and interest on the Bonds, and, after such payment, this Trust Indenture shall, subject to Section 6.03, become void; provided, however, that this Trust Indenture shall not be discharged so long as any Participating Bonds remain outstanding under a Parity Bonds Trust Indenture.

If cash or non-callable Defeasance Securities are deposited with and held by the Trustee, an escrow agent or other fiduciary as hereinabove provided, the Trustee shall within 30 days after such cash or Defeasance Securities shall have been so deposited, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08, setting forth (a) the date fixed for redemption of the Bonds, (b) a description of the cash or Defeasance Securities so held, and that (c) this Trust Indenture has been released in accordance with the provisions of this Section.

Section 9.02. Deposit of Cash or Defeasance Securities with Trustee. Whenever in this Trust Indenture or the Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee, an escrow agent or other fiduciary, cash or non-callable Defeasance Securities (certified to be sufficient by a report of an Independent Certified Public Accountant delivered to the Trustee) in the necessary amount to pay or redeem any Bonds, the cash or non-callable Defeasance Securities to be so deposited or held may include cash or Defeasance

Securities held in the funds and accounts established pursuant to this Trust Indenture, and shall be in an amount equal to the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given pursuant to Section 3.03, or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Redemption Price, and all unpaid interest to such date of redemption on such Bonds; provided that the Trustee shall have been instructed (by the terms of this Trust Indenture or the Agreement, or by Written Request of the Authority) to apply such cash or Defeasance Securities to the payment of such principal or Redemption Price of, and interest on such Bonds.

Section 9.03. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal or Redemption Price of, and interest on any of the Bonds which remain unclaimed for 2 years after the date when the principal or Redemption Price of, and interest on such Bonds have become payable, shall, at the written request of the Authority, be repaid by the Trustee (without liability for interest) to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the principal or Redemption Price of, and interest on such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the Written Request of the Authority, and at the expense of the Authority, mail a notice to the Owners of the Bonds so payable that such moneys remain unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

Section 9.04. Surviving Provisions. Notwithstanding the satisfaction and discharge hereof, the Trustee shall retain such rights, powers and privileges hereunder as may be necessary or convenient for the payment of the principal or Redemption Price of, and interest on the Bonds, and for the registration, transfer and exchange of the Bonds.

ARTICLE X

[RESERVED]

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or Redemption Price of the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are special, limited obligations of the Authority and are payable, as to the principal or Redemption Price thereof, and interest thereon upon the redemption thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay the Bonds except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of, and interest on the Bonds as provided herein. Neither the full faith and credit of the Authority or its members (including the City) is pledged for the payment of the interest on or principal or Redemption Price of the Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal or Redemption Price of the Bonds. Neither the payment of the interest on or principal or Redemption Price of the Bonds constitutes a debt, liability or obligation on the Authority or any member of the Authority (including the City) for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

Section 11.02. Benefits of this Trust Indenture. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the City and the Owners.

Section 11.03. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.04. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, Maturity Date, number and date of holding the same may be proved by the Bond Register. Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price of, and interest on the Bonds by reason of their delivery, but nothing herein contained shall

relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

Section 11.06. Cancellation of Bonds. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation. Whenever in this Trust Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and upon the Authority's request, shall deliver a certificate of such destruction to the Authority.

Section 11.07. Reserved.

Section 11.08. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with this Trust Indenture and customary corporate trust industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.09. Notices. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the City, the Authority, the Trustee, and the Rating Agencies, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage redeemed, addressed to the appropriate address provided pursuant to this Section, six Business Days after deposit in the United States mail, the initial address for notices, counterparts and other communications hereunder is as follows:

If to the Authority:	Morgan Hill Financing Authority 175755 Peak Avenue Morgan Hill, California 95307 Attention: Chief Administrative Officer
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If to the City:	City of Morgan Hill 175755 Peak Avenue Morgan Hill, California 95307 Attention: City Manager
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If to the Trustee:	The Bank of New York Mellon Trust Company, N. A. 400 South Hope Street, Suite 400 Los Angeles, California 90071 Attention: Corporate Trust
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If to S&P, to:

S&P Global Ratings
55 Water Street, 38th Floor
New York, New York 10041
Attention: Municipal Structured Group

The City, the Trustee, the Authority and the Rating Agencies may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the City, the Trustee, the Authority or the Rating Agencies, any notice required to be given hereunder in writing may be given by any form of electronic notice capable of making a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic notice.

Section 11.10. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto. The Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers.

Section 11.11. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority hereby declares that it would have entered into this Trust Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 11.12. California Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

Section 11.13. Execution in Several Counterparts. This Trust Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

(Signatures on next page.)

IN WITNESS WHEREOF, the Morgan Hill Financing Authority has caused this Trust Indenture to be executed in its name by the Chief Administrative Officer and attested by its Secretary, and The Bank of New York Mellon Trust Company N.A., as Trustee, has caused this Trust Indenture to be executed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MORGAN HILL FINANCING AUTHORITY

By: _____
Chief Administrative Officer

Attest:

By: _____
Secretary

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE CITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED NUMBER
No. R-_____

DOLLARS
\$_____

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Interest Rate	Maturity Date	Dated Date	CUSIP No.
%	October 1, ____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$_____

The Morgan Hill Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), for value received hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to the Registered Owner set forth above on the Maturity Date set forth above (subject to any right of prior redemption as provided for in the Trust Indenture herein defined) the Principal Amount set forth above, together with interest thereon (computed on a 360-day year, 30-day month basis) from the date of this Bond if this Bond is authenticated and registered on or prior to the first Record Date (defined in the Trust Indenture referenced below as the fifteenth calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day), or if this Bond is authenticated and registered after the first Record Date, it shall bear interest from the Interest Payment Date (as defined in the Trust Indenture) next preceding the date on which this

94864037.3

Bond is authenticated and registered, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it shall bear interest from such subsequent Interest Payment Date, until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021. The principal or Redemption Price of, and interest on this Bond are payable in lawful money of the United States of America at the Corporate Trust Office of The Bank of New York Mellon Trust Company, N.A., in San Francisco, California, or such other place as it, or its successor, may designate, as trustee for the Bonds (the "Trustee"), as set forth in the Trust Indenture. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the Registered Owner hereof at the close of business on the Record Date next preceding the applicable Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such Registered Owner at his address as it appears on such books, provided, however, that in the case of a Registered Owner of \$1,000,000 or more in aggregate principal amount of the Bonds then outstanding, upon written request of such Registered Owner to the Trustee specifying the account or accounts in the United States to which such payment shall be made, and received by the Trustee prior to the Record Date preceding such Interest Payment Date, the Interest Payment will be made by wire transfer of immediately available funds on such Interest Payment Date to such account or accounts. (Any such written request shall remain in effect until terminated or changed by subsequent written request of the Registered Owner.) The principal or Redemption Price of this Bond shall be payable only to the person whose name appears in such registration books as the Registered Owner hereof, such principal or Redemption Price to be paid only upon the surrender of this Bond, at the office of the Trustee where the Bonds are paid by the Trustee, at maturity or prior redemption.

This Bond is one of the duly authorized series of bonds of the Authority designated as "Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020" (the "Bonds") in the aggregate principal amount of \$[Par Amount], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions), issued under and pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1, Division 2 of Title 5 of the California Government Code (together, the "Bond Law"), and the provisions of a trust indenture (the "Trust Indenture"), dated as of December 1, 2020, between the Authority and the Trustee. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Trust Indenture.

All of the Bonds are equally and ratably secured by a pledge of the Revenues in accordance with the terms and conditions of the Trust Indenture, and reference is hereby made to the Bond Law and the Trust Indenture for a description of the terms on which the Bonds are issued, for the provisions with regard to the nature and extent of the security provided for the Bonds and of the nature, extent and manner of enforcement of such security, and for a statement of the rights of the Registered Owners of the Bonds; and all the terms of the Trust Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner from time to time of this Bond, and to all the provisions thereof the Registered Owner of this Bond, by his or her acceptance hereof, consents and agrees; and each Registered Owner hereof shall have recourse to

all the provisions of the Bond Law and the Trust Indenture and shall be bound by all the terms and conditions thereof.

The Revenues consist of Installment Payments and other payments to be made by the City of Morgan Hill (the “City”) and received by the Authority pursuant to an installment purchase agreement (the “Agreement”) between the Authority and the City, as well as interest and other income from any investment of moneys in certain funds and accounts (other than the Rebate Fund) held by the Trustee under the Trust Indenture. Under the Agreement, the City has agreed to purchase the Project from the Authority, and to make Installment Payments and other payments pursuant to the Agreement from the Net Revenues. The obligation of the City to make the Installment Payments is a special obligation of the City payable solely from Net Revenues of the City’s wastewater collection system as provided in the Agreement. The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the Installment Payments under the Agreement.

The City may, as provided in the Agreement, incur additional obligations, payable from the Net Revenues on a parity with the Installment Payments. Copies of the Agreement and the Trust Indenture are on file at the Corporate Trust Office of the Trustee in San Francisco, or such other place as it or its successor may designate.

The Bonds are subject to redemption as provided in the Trust Indenture.

This Bond is transferable or exchangeable for other Authorized Denominations by the Registered Owner hereof, in person or by its duly authorized attorney at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Indenture, and upon surrender and cancellation of this Bond. Upon such transfer or exchange a new fully registered Bond or Bonds, of Authorized Denomination or Denominations, of the same series, tenor, Maturity Date and interest rate for the same aggregate principal amount will be issued to the Registered Owner in exchange hereof.

The rights and obligations of the Authority and of the Registered Owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Trust Indenture, but no such amendment shall: (a) extend the stated maturities of the Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the principal amount of, or reduce any premium payable on the redemption of this Bond, without the express written consent of the Registered Owner of this Bond; (b) reduce the percentage of Bonds required for the written consent to an amendment of the Trust Indenture; or (c) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Trust Indenture.

The Trust Indenture prescribes the manner in which it may be discharged and after which the Bonds will no longer be secured by or entitled to the benefits of the Trust Indenture.

The Bonds do not constitute an indebtedness of the Authority or any member thereof, including the City, within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Authority nor any member thereof, including the City or any officer or employee thereof, shall be liable for the payment of the interest on or principal of or redemption

premiums, if any, on the Bonds otherwise than from the proceeds of the Revenues and certain other funds as provided in the Trust Indenture.

This Bond shall not be entitled to any benefits under the Trust Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually authenticated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law and other laws of the State of California, and that the amount of this Bond, together with all other obligations of the Authority, does not exceed any limit prescribed by the Bond Law or any other laws of the State of California, and is not in excess of the principal amount of the Bonds permitted to be issued under the Trust Indenture.

The Morgan Hill Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary, and has caused this Bond to be dated the Bond Date set forth above.

MORGAN HILL FINANCING AUTHORITY

By: _____
President

Attest:

By: _____
Secretary

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

 (Print or type name, address and social security or other tax identification number of assignee)
 this within-registered bond and all rights thereunder, and hereby irrevocably constitute(s) and
 appoint(s) _____, attorney, to transfer the same on the
 registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

 Signature must be guaranteed by an
 institution which is a participant in the
 Securities Transfer Agent Medallion
 Program (STAMP) or similar
 program.

 Notice: The signature(s) on this
 assignment must correspond
 with the name(s) as it appears
 on the face of the within
 Bond in every particular,
 without alteration,
 enlargement, or any change
 whatsoever.

 Authorized Officer

EXHIBIT B
FORM OF COST OF ISSUANCE FUND REQUISITION

TO: The Bank of New York Mellon, N.A., as Trustee
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department

RE: Disbursement from the Cost of Issuance Fund pursuant to Section 4.05 of the Trust Indenture (the "Trust Indenture"), dated as of December 1, 2020, by and between The Bank of New York Mellon, N.A., as trustee (the "Trustee") and the Morgan Hill Financing Authority (the "Authority")

REQUISITION NO. _____

You are hereby instructed to pay, from the Cost of Issuance Fund established pursuant to the Trust Indenture, the amounts set forth in the attachment hereto, to the persons or entities designated therein as Payee. These costs have been properly incurred, are a proper charge against the Cost of Issuance Fund, and have not been the basis of any previous disbursements.

All payments shall be made by check or wire transfer in accordance with the payment instructions set forth in the attachment hereto or the invoice delivered in connection therewith, and the Trustee shall rely on such payment instructions as though given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

Dated: _____, 20__

MORGAN HILL FINANCING AUTHORITY

By: _____
City ManagerPresident

ATTACHMENT 1

Upon presentation of an invoice from the Payees listed below, the Trustee is instructed to pay such invoices up to the following amounts and all such payments shall be made by check or wire transfer in accordance with the payment instructions set forth below or in the invoices submitted hereunder and the Trustee may rely on such payment instructions given by the Authority with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein:

Payee	Description	Amount
-------	-------------	--------

NRF DRAFT
10/30/20

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the City of Morgan Hill (the “City”) in connection with the issuance by the Morgan Hill Financing Authority (the “Authority”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued under a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, (the “Trustee”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” each March 31 after the end of the City’s fiscal year.

“*Dissemination Agent*” means initially the City, or any successor Dissemination Agent designated in writing by the City, and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding statements and tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) The information for the most recently completed fiscal year in the form of the following tables in the Official Statement (in each case based on actual results for the most recently-completed fiscal year only; no projections for future years is required):

- (A) Table 3, Customer Accounts and Percentage of Sewer Service Charge Revenues.
- (B) Table 4, Ten Largest Sewer Accounts.
- (C) Table 7, Delinquency Rates for Collection of Payment for Sewer Services.
- (D) Table 10, Historical Summary Statement of Revenues, Expenses and Debt Service Coverage.

(iii) A summary of any changes in the City's sewer service charges for the Enterprise since the date of the previous Annual Report.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

- (vii) Modifications to rights of Bond holders, if material.
- (viii) Bond calls, if material, and tender offers.
- (ix) Defeasances.

- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the City.

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any successor Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (with the prior written consent of the Dissemination Agent, if such amendment affects its rights or duties hereunder), and any provision of this Disclosure Certificate may be waived, provided that the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any

loss, expense, suit, claim, judgment, damages and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall have the same rights, protections and immunities hereunder as afforded to it as Trustee (to the extent that the Dissemination Agent is the Trustee). It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the City.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: _____, 2020

CITY OF MORGAN HILL

By : _____
Christina Turner,
City Manager

EXHIBIT A**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Morgan Hill Financing Authority (the “Authority”)

Name of Issue: Morgan Hill Financing Authority Sewer Revenue Bonds Series 2020

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the City of Morgan Hill (the “City”) has not provided an Annual Report with respect to the above-captioned Bonds as required by the Continuing Disclosure Certificate dated as of _____, 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

NEW ISSUE - FULL BOOK-ENTRY**RATING: S&P: “_”**
See “RATING herein.”

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS.”

[Add City Logo]

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

Dated: Date of Delivery**Due: October 1, as shown on inside cover**

The bonds captioned above (the “Bonds”) are being issued by the Morgan Hill Financing Authority (the “Authority”) pursuant to resolutions adopted by the Authority Commission of the Authority and City Council of the City of Morgan Hill (the “City”) on November 18, 2020; an Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”); and a Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are being issued to provide funds to the City to (i) finance certain public capital improvements to the City’s wastewater collection system (the “Enterprise”); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in this Official Statement). Net Revenues consist of certain revenues of the Enterprise as more fully described in this Official Statement. See “SECURITY FOR THE BONDS” in this Official Statement. No debt service reserve fund will be established for the Bonds.

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption.”

The Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on April 1, 2021, and will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. With respect to any Interest Payment Date, the Record Date is the 15th calendar day of the preceding month, whether or not that day is a Business Day (as defined in the Indenture). The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS.”

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

This cover page contains certain information for quick reference only and is not a summary of information about the Bonds. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision relating to the purchase of any Bonds.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Norton Rose Fulbright US LLP, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the Authority and City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter’s Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about December ___, 2020.

STIFEL

December ___, 2020

\$ _____ *

MORGAN HILL FINANCING AUTHORITY
SEWER REVENUE BONDS,
SERIES 2020

\$ _____ * **Serial Bonds**
(Base CUSIP: 61739S)

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†]
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\$ _____ * _____ % Term Bonds due October 1, _____; Yield _____ %; Price _____ CUSIP[†] No. _____

* Preliminary, subject to change.

† Copyright 2020, American Bankers Association. CUSIP data in this Official Statement are provided for convenience of reference only. None of the City, Authority or Underwriter assumes any responsibility for the accuracy of these CUSIP data. The CUSIP number for a specific maturity is subject to being changed after delivery of the Bonds as a result of various subsequent actions, including a refunding in whole or in part or as the result of the procurement of a secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF MORGAN HILL
COUNTY OF SANTA CLARA, CALIFORNIA**

City Council

Rich Constantine, *Mayor*
Yvonne Martínez Beltrán, *Mayor Pro Tempore*
Larry Carr, *Councilmember*
Rene Spring, *Councilmember*
John K. McKay, *Councilmember*

City Officials and Staff

Christina Turner, *City Manager*
Harjot Sangha, *Assistant to the City Manager*
Dat Nguyen, *Director of Finance*
Chris Ghione, *Public Services Director*
Donald Larkin, *City Attorney*
Irma Torrez CMC, *City Clerk*

MORGAN HILL FINANCING AUTHORITY

Authority Commission

Rich Constantine, *President*
Yvonne Martínez Beltrán, *Vice President*
Larry Carr, *Member*
Rene Spring, *Member*
John K. McKay, *Member*

SPECIAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Bond and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

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OFFICIAL STATEMENT

\$ _____^{*} MORGAN HILL FINANCING AUTHORITY SEWER REVENUE BONDS, SERIES 2020

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of \$ _____^{} Morgan Hill Finance Authority Sewer Revenue Bonds, Series 2020 (the “Bonds”) that are being issued by the City of Morgan Hill, California (the “City”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. Capitalized terms used, but not defined, in this Official Statement have the meanings given to them in the Indenture (as defined below).*

Authority for Issuance and Application of Proceeds

The Bonds are being issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”), resolutions adopted by the Authority Commission and City Council of the City on November 18, 2020, and an Trust Indenture dated as of December 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Installment Purchase Agreement dated as of December 1, 2020, by and between the Authority, as seller, and City, as purchaser (the “Installment Purchase Agreement”). The Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain public capital improvements for the Enterprise (as defined below); and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

The City and the Enterprise

The City of Morgan Hill (the “City”) is located in Santa Clara County, California (the “County”), against the foothills of the Coastal Ranges near the southern end of the Santa Clara Valley. The City lies about 70 miles south of San Francisco and 20 miles south of San Jose, and sits cradled in a long narrow valley floor between the Santa Cruz Mountains on the west and Mount Hamilton Range on the east. As of January 1, 2020, the City had a population of approximately 46,454. See APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA.”

The Enterprise is administered by the Utilities Division of the City’s Department of Engineering and Utilities and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The City’s wastewater collection system (the “Enterprise”) collects, pumps and transports wastewater, but does not treat or dispose of it.

^{*} Preliminary, subject to change.

The City outsources the treatment of all the wastewater it collects to a wastewater treatment plant (the “SCRWA Treatment Plant”) located in the City of Gilroy (“Gilroy”), which is owned and operated by South County Regional Wastewater Authority (“SCRWA”), a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, entered into and effective on June 1, 1992, by and between the City and Gilroy (the “SCRWA JPA Agreement”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. See “THE ENTERPRISE.”

The Authority

The Morgan Hill Finance Authority (the “Authority”) was established pursuant to (i) Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and (ii) an Amended and Restated Joint Exercise of Powers Agreement, dated as of May 1, 2015 (the “JPA Agreement”), by and between the City, and the Parking Authority of the City of Morgan Hill (the “Parking Authority”), which was established pursuant to the Parking Law of 1949 as codified in Streets and Highways Code Section 32500, *et seq.* See “THE AUTHORITY.”

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on April 1 and October 1, commencing April 1, 2021 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued and delivered in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to their maturity, as described herein. See “THE BONDS – Redemption.”

Security for the Bonds

General. The Bonds are payable solely from Revenues and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. Revenues consist primarily of certain installment payments (“Installment Payments”) to be made by the City pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and secured by a pledge of Net Revenues (as defined in “SECURITY FOR THE BONDS – Pledge of Net Revenues; Sewer Fund”). Net Revenues consist of certain revenues of the Enterprise, as more fully described under the heading “SECURITY FOR THE BONDS.” In the Installment Purchase Agreement, the City is also obligated under a rate covenant to fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year as described under the heading “SECURITY FOR THE BONDS – Rate Covenant.”

No debt service reserve fund will be established for the Bonds. The Indenture establishes a Bond Reserve Fund and provides that future issuances of Parity Bonds (defined below) may be secured by the Bond Reserve Fund (the “Participating Bonds”). The Bonds are not Participating Bonds, and the Bond

Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any other reserve fund established in connection with any other series of Parity Bonds (a “Parity Bonds Series Reserve Fund”).

Limited Obligations. The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

Parity Debt

The Authority may at any time issue bonds, secured by obligations of the City that are secured by a pledge of Net Revenues on a parity with the Installment Payments (“Parity Obligations”), that are issued pursuant to the Indenture or another indenture (“Parity Bonds”). On the delivery date of the Bonds, the Authority’s \$15,690,000 Sewer Revenue Bonds, Series 2015 (the “Series 2015 Bonds”), currently outstanding in the aggregate principal amount of \$8,775,000 are the only Parity Bonds.

Subject to certain conditions contained in the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations on a parity (“Parity Obligations”) with the Installment Payments, the payments under which are secured by a pledge of the Net Revenues on a parity with the Installment Payments, in addition to the obligations under the Installment Purchase Agreement. On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Obligations Payable From Net Revenues.”

Continuing Disclosure

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” and APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” [assumes FY 2020 audit is included in the OS]

Further Information

The summaries and references of the Indenture, the Installment Purchase Agreement and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

THE BONDS

General

The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement. Principal of the Bonds will be payable in accordance with the maturity schedule shown on the inside of the front cover of this Official Statement, subject to any optional redemptions prior to maturity. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year, commencing on April 1, 2021 (each an “Interest Payment Date”). The Bonds will initially be delivered as one fully registered certificate for each maturity and will be delivered by means of the book-entry system of DTC, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Each Bond that is authenticated and registered on or prior to the first Record Date (defined below) will bear interest (computed on a 360-day year, 30-day month, basis) from the Delivery Date. Each Bond that is authenticated and registered after the first Record Date will bear interest from the Interest Payment Date next preceding its date of authentication and registration, unless such date of authentication and registration is after the Record Date immediately preceding an Interest Payment Date, in which event it will bear interest from such subsequent Interest Payment Date. However, if at the time of authentication and registration, interest is in default, the Bond will bear interest from the last Interest Payment Date to which interest has previously been paid or made available for payment, or from its date if no interest has been paid. “Record Date” means, with respect to any interest payment date, the 15th day of the month preceding the Interest Payment Date.

Redemption*

Optional Redemption. The Bonds maturing on or after October 1, 20__, are subject to optional redemption by the Authority prior to their maturity dates, as a whole or in part, on any date on or after October 1, 20__, from funds derived by the Authority from any source at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, the Authority may, in its discretion, direct that the Trustee, at any time prior to selection of Bonds for redemption, purchase Bonds on the open market, provided that in no event may Bonds be purchased on the open market at a price in excess of the redemption price, plus accrued interest to the date of purchase. All Bonds so purchased will be delivered to the Trustee for cancellation.

Selection of Bonds for Redemption. If less than all the outstanding Bonds are to be redeemed at any one time, the Authority will, by Written Request of the Authority, at least 45 days prior to the date fixed for the redemption of the Bonds, designate the Bonds to be redeemed, or the portions of Bonds of the same maturity date, for redemption on a pro rata basis (unless otherwise directed by the Authority), in

* Preliminary, subject to change.

integral multiples of \$5,000. Within each maturity, Bonds will be selected by the Trustee for redemption by lot. The decisions of the Authority and the Trustee in designating Bonds or portions of Bonds for redemption shall be conclusive in the absence of fraud.

Notice of Redemption. At least 20, but not more than 60 days prior to the redemption date, the Trustee will mail by first class mail a notice of redemption to the respective Owners of all Bonds selected for redemption in whole or in part. The Trustee will also provide notice to the Municipal Securities Rulemaking Board's "EMMA" portal by facsimile or electronic transmission. The sole remedy for failure to provide such notice to the EMMA portal will be an action by the holders of the Bonds for specific performance. Each such notice will state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all the Bonds of any such maturity are to be redeemed, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed, and will give notice that further interest on such Bonds or the portions of the Bonds to be redeemed will not accrue from and after the redemption date, and will require that such Bonds be then surrendered at the address or the addresses of the Trustee so designated; provided, that neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any related redemption notice, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption is not redeemable in whole, such notice will also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice, such Bonds are deemed to have been paid in accordance with the Indenture or unless the Trustee has moneys or Defeasance Securities sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be redeemed, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the interest on and principal of and redemption premium, if any, on such Bonds, and that if such moneys has not been so received the notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that the notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Failure by the Trustee to give notice pursuant to this section to the Municipal Securities Rulemaking Board's "EMMA" portal, or the insufficiency of any such notices, will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this section to any one or more of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom the notice was mailed.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner of such Bond at the expense of the Authority a new Bond or Bonds of the same maturity date and authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, and money for the payment of the redemption price of the Bonds or portions of Bonds so called for redemption, together with interest to the redemption date, is held by the Trustee, then, on the redemption date designated in such notice, such Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the Bonds or such portions of Bonds so called for redemption will cease to accrue and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price of such Bonds, and the interest accrued on such Bonds to the redemption date.

DEBT SERVICE REQUIREMENTS

The principal of and interest payable on the Bonds and the Series 2015 Bonds is set forth on the following table.

Fiscal Year Ending June 30	Series 2015 Bonds			Bonds			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$1,520,000.00	\$419,500.00	\$1,939,500.00	\$	\$	\$	\$
2022	1,600,000.00	341,500.00	1,941,500.00				
2023	1,520,000.00	263,500.00	1,783,500.00				
2024	335,000.00	217,125.00	552,125.00				
2025	350,000.00	201,750.00	551,750.00				
2026	365,000.00	185,625.00	550,625.00				
2027	380,000.00	167,000.00	547,000.00				
2028	400,000.00	147,500.00	547,500.00				
2029	420,000.00	129,100.00	549,100.00				
2030	440,000.00	113,550.00	553,550.00				
2031	450,000.00	98,525.00	548,525.00				
2032	470,000.00	82,425.00	552,425.00				
2033	485,000.00	65,712.50	550,712.50				
2034	500,000.00	48,162.50	548,162.50				
2035	520,000.00	29,675.00	549,675.00				
2036	540,000.00	10,125.00	550,125.00				
2037	--	--	--				
2038	--	--	--				
2039	--	--	--				
2040	--	--	--				
2041	--	--	--				
2042	--	--	--				
2043	--	--	--				
2044	--	--	--				
2045	--	--	--				
2046	--	--	--				
2047	--	--	--				
2048	--	--	--				
2049	--	--	--				
2050	--	--	--				
Total	\$10,295,000.00	\$2,520,775.00	\$12,815,775.00	\$	\$	\$	\$

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of Bonds	\$
Plus/Less Premium/Discount	
Total	\$ _____

Uses:

Deposit to Project Fund	\$
Deposit to Cost of Issuance Fund ⁽¹⁾	
Total	\$ _____

⁽¹⁾ Costs of issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee, printing expenses, rating fee, underwriter's discount and other miscellaneous costs.

FINANCING PLAN

The Bonds are being issued to provide funds to (i) finance the acquisition and construction of public capital improvements for the Enterprise (the "Wastewater Projects"); and (ii) pay the costs of issuing the Bonds. The Wastewater Projects include repair and replacement of pipes, sewer main upgrades, SCRWA plant expansion and improvements, sewer trunk repair and replacement, and new sewer mains and trunk line.

The Wastewater Projects may also include such other improvements to the Enterprise (in addition to or in lieu of the foregoing improvements) as shall be specified in a Certificate of the City delivered to the Trustee accompanied by an opinion of Bond Counsel with respect to the payment of such improvements from the proceeds of Bonds.

SECURITY FOR THE BONDS

Pledge of Revenues under Indenture

The Bonds are payable from, and secured by, a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. "Revenues" means all Installment Payments and other payments made by the City and received by the Authority pursuant to the Installment Purchase Agreement, and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) held under the Indenture.

Under the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges it has under the Installment Purchase Agreement (but none of its obligations thereunder, and none of its rights to give approvals or consents thereunder) including, without limitation, the right to collect and receive directly all the Installment Payments and the right to hold and enforce any security interest, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee.

Pledge of Net Revenues; Sewer Fund

Pursuant to the Installment Purchase Agreement, all Net Revenues (defined below) are, pursuant to Section 5451 of the California Government Code and all laws amendatory thereof or supplemental thereto, irrevocably pledged to the payment of the Installment Payments and will not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations (defined below under the heading “- Additional Obligations from Net Revenues”), will, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues.

Under the Installment Purchase Agreement, the City covenants that all Gross Revenues will be received by the City in trust and, except for the proceeds of any casualty insurance or condemnation award after the payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds (the “Net Proceeds”), will be deposited when and as received in a special fund designated as the “Sewer Fund,” which fund the City has theretofore established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Installment Purchase Agreement. The City may designate one or more existing funds to satisfy the foregoing requirements. As of the date of this Official Statement, the Sewer Fund consists of the Sewer Operating Fund and Sewer Impact Fund, as accounted for by the City for budget purposes. See “THE ENTERPRISE - Enterprise Funds.” The City may maintain separate accounts within the Sewer Fund. Moneys in the Sewer Fund are required to be used and applied by the City in accordance with the Installment Purchase Agreement.

Certain Definitions. The terms “Net Revenues,” “Gross Revenues” and “Operation and Maintenance Costs” are defined in the Installment Purchase Agreement as follows:

“Net Revenues” means, for any Fiscal Year, an amount equal to all the Gross Revenues of the Enterprise received for such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs for such Fiscal Year. Amounts transferred from the Rate Stabilization Fund and System Replacement Fund may also be included in Net Revenues as described under the heading “- Rate Stabilization Fund.”

“Gross Revenues” means all income, user fees, sewer development fees, standby charges and income, transaction revenues, and all revenues secured or collected from or arising out of the use, capital improvement or operation of the Enterprise or arising from the Enterprise, or other moneys deposited in the Sewer Fund by the City for the purpose of meeting any covenants under the Installment Purchase Agreement, including, without limitation, all charges, rentals and fees required to be paid for services as permitted or required by law, resolution or order, to the City for operation of the Enterprise, and any interest income on any of the foregoing, income from the disposition of any portion of the Enterprise excepting any proceeds of taxes, ad valorem assessments or benefit assessments collected in connection with the capital improvement of the Enterprise, grant, loan or bond proceeds restricted in use to specific capital improvements, that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, and further excepting customer deposits or other advances subject to refund until such deposits or advances become the property of the City.

“Operation and Maintenance Costs” includes the reasonable expenses of management and other expenses necessary to operate, maintain and preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the sewer system of the City as determined by Generally Accepted Accounting Principles, but expressly excluding (1) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (2) amortization of intangibles, premiums and discounts, (3) interest expense, (4) amounts paid from other than

Gross Revenues of the Enterprise (including but not limited to, amounts paid from the proceeds of property taxes and assessments).

Special Obligations

The Bonds are special, limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. None of the Bonds, the obligation of the Authority to pay principal thereof or interest thereon, and the obligation of the City to make the Installment Payments constitutes either a debt or a liability of the Authority, City, State of California or any of their respective political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Authority or City.

No Debt Service Reserve Fund

No debt service reserve fund will be established for the Bonds.

The Indenture establishes a Bond Reserve Fund and provides that Participating Bonds may be secured by the Bond Reserve Fund. The Bonds are not Participating Bonds, and the Bond Reserve Fund does not secure the Bonds, nor do holders of the Bonds have any right in the Bond Reserve Fund or any Parity Bonds Series Reserve Fund.

Allocation of Gross Revenues

Under the Installment Purchase Agreement, the City covenants to, from the moneys in the Sewer Fund, pay all Operation and Maintenance Costs as they become due and payable. All remaining moneys in the Sewer Fund will be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes provided in the Installment Purchase Agreement and, as to funds held under the Indenture, the Indenture.

Installment Payments. Not later than each Installment Payment Date, the City will, from the moneys in the Sewer Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City will also, from the moneys in the Sewer Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

Reserve Fund. If Parity Bonds are issued in the future, on or before the first Business Day of each month, the City will, from the remaining moneys in the Sewer Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in the Indenture for deposit in the Bond Reserve Fund and any Parity Bonds Series Reserve Funds in accordance with the Indenture and to the applicable trustee for such other debt service reserve funds, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore:

- (i) the Bond Reserve Fund to an amount equal to the Required Reserve and otherwise replenish the Bond Reserve Fund for any withdrawals (including draws upon any Reserve Facility) to pay the Installment Payments due under the Installment Purchase Agreement or to pay installment payments pledged to the payment of other Participating Bonds;

- (ii) any Parity Bonds Series Reserve Funds for any other Parity Bonds to an amount equal to the Required Reserve for such funds; and
- (iii) the debt service reserve funds for the Parity Obligations to an amount equal to the amount required to be maintained in the Bond Reserve Fund;

provided that payments to restore the Bond Reserve Fund after a withdrawal may be made in monthly installments equal to 1/12 of the aggregate amount needed to restore the Bond Reserve Fund to the Required Reserve as of the date of the withdrawal. To the extent that draws on the Bond Reserve Fund are from a Reserve Facility as permitted under the definition of Required Reserve in the Indenture, transfers under the Installment Purchase Agreement to restore the Bond Reserve Fund shall be made to reimburse the provider of the Reserve Facility to the extent the Reserve Facility is reinstated.

Under the Indenture, “Required Reserve” means \$0; provided that, (1) with respect to any issuance of Participating Bonds in the future, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Participating Bonds (or, if the issue has more than a *de minimis* amount of original issue discount or premium of the issue price of such Participating Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%; and (2) with respect to the issuance of any Parity Bonds Series Reserve Fund in the future, the amount specified as such in the Parity Bonds Trust Indenture establishing such Parity Bonds Series Reserve Fund.

Surplus. Moneys on deposit in the Sewer Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations contained in the Installment Purchase Agreement, be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund and Sewer System Replacement Fund. See “THE ENTERPRISE - Enterprise Funds.”

Application of Revenues under Indenture

Except as provided in the Indenture, all money in the Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the Debt Service Fund to be maintained by the Trustee, in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Redemption Account.

All money in each of such accounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Indenture and described below. The Trustee will transfer from the Debt Service Fund the following amounts at the times and in the manner provided below, and will deposit such amounts in one or more of the following respective funds or accounts, and each of which will be disbursed and applied only as authorized in the Indenture and described below. Such amounts will be so transferred to and deposited in the following respective funds or accounts in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any transfer is made to any fund or account subsequent in priority:

Interest Account. On each Interest Payment Date, and on each other date when interest on the Bonds becomes due and payable, whether upon redemption, acceleration or otherwise, the Trustee will set aside from the Debt Service Fund and deposit into the Interest Account the amount of money that is equal

to the amount of interest on the Bonds becoming due and payable on such Interest Payment Date or such other date. No deposit need be made to the Interest Account on any date if the amount contained in the Interest Account is at least equal to the aggregate amount of interest on the Bonds becoming due and payable on such date.

Principal Account. On each Bond maturity date, the Trustee will set aside from the Debt Service Fund and deposit in the Principal Account an amount of money equal to the principal amount of the outstanding Bonds maturing on such date from payments of a principal amount of Installment Payments on such date, plus any redemption premium payable in connection with the redemption of such Bonds on such date. No deposit need be made to the Principal Account on any date if the amount contained in the Principal Account is at least equal to the aggregate principal amount of outstanding Bonds maturing on such date.

Redemption Account. All prepayments of Installment Payments made by the City under the Installment Purchase Agreement will be deposited into the Redemption Account and applied to the payment, redemption, or provision for the payment or defeasance of outstanding Bonds as directed by the City.

Rate Stabilization Fund and System Replacement Fund

The Installment Purchase Agreement provides that the City may, at any time, determine to deposit into the Rate Stabilization Fund and System Replacement Fund, previously established in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund and System Replacement Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund and System Replacement Fund must be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund and System Replacement Fund will be included as Net Revenues. See “THE ENTERPRISE – Enterprise Funds - Sewer Rate Stabilization Fund and System Replacement Fund.”

Rate Covenant

The City covenants under the Installment Purchase Agreement that it will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

- (i) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- (ii) The Installment Payments, all other Parity Obligation Payments (defined below under the heading “- Additional Obligations Payable from Net Revenues”), and all Subordinate Obligation Payments as they become due and payable;
- (iii) All payments, if any, required for compliance with the terms of the Installment Purchase Agreement or of any Parity Bonds Trust Indenture requiring restoration of the Bond Reserve Fund to an amount equal to the Required Reserve; and
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

In addition to the requirements described above, the City will, at all times until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least 125% of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but will not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described above.

Insurance

Coverage Requirement. Under the Installment Purchase Agreement, the City covenants to procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise, to the extent insurance is available for reasonable premiums from a reputable insurance company; provided, that such insurance coverage may be satisfied under a self-insurance program.

The City also covenants to procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its City Council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the Enterprise, and such insurance will afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

Use of Net Proceeds. If all or any part of the Enterprise is damaged or destroyed, the Net Proceeds realized by the City as a result of such damage or destruction will be deposited by the City with the Trustee in a special fund that the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the City first secures and files with the Trustee a Certificate of the City showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the City by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the City to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited into the Sewer Fund and applied as provided in the Installment Purchase Agreement; provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments will be subject to any similar provisions for Parity Obligations on a pro rata basis. If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall deposit such proceeds in the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Eminent Domain

Under the Installment Purchase Agreement, if all or any part of the Enterprise is taken by eminent domain proceedings, the Net Proceeds realized by the City from such proceedings will be deposited by the City with the Trustee in a special fund which the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing improvements to the Enterprise if (a) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Certificate of the City, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the City to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Certificate of the City will be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited in the Sewer Fund and applied as provided in the Installment Purchase Agreement, provided that, if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings will be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Certificate of the City to such effect has been filed with the Trustee, then the City will deposit such proceeds into the Sewer Fund, to be applied as provided in the Installment Purchase Agreement.

Parity Bonds

The Authority may from time to time issue Parity Bonds. On the delivery date of the Bonds, the Series 2015 Bonds are the only Parity Bonds outstanding.

Additional Obligations Payable from Net Revenues

Under the Installment Purchase Agreement, the City may at any time enter into or otherwise incur obligations, the payments under which ("Parity Obligation Payments") are Parity Obligations, in addition to the obligations under the Installment Purchase Agreement, so long as certain conditions are met, including that the Net Revenues for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued will be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the City may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations. *On the delivery date of the Bonds, the installment payments pledged to secure the Series 2015 Bonds are the only such Parity Obligations outstanding.*

The City may adjust the foregoing Net Revenues to reflect:

- An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise that was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of such Parity Obligations but that, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;
- An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

THE AUTHORITY

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title I of the California Government Code and the JPA Agreement. The governing board of the Authority is the Authority Commission and is comprised of all of the individuals who currently are members of the City Council of the City. The Authority is qualified to assist in the financing of certain public improvements and to issue the Bonds under the Bond Law. The Authority has no taxing power.

The Authority and City are each separate and distinct legal entities, and their respective debts and obligations are not debts or obligations of the other entity. The JPA Agreement provides that the members of the Authority are the City and Parking Authority. The City has covenanted in the Installment Purchase Agreement to take whatever action is necessary to preserve the existence of the Authority through the final maturity of the Bonds.

THE ENTERPRISE

General

The Enterprise is administered by the Sewer Division of the City's Department of Utilities and Engineering and serves approximately 13,000 customer accounts within City limits and unincorporated areas of the County. The Enterprise collects, pumps and transports wastewater, but does not treat or dispose of it. The City outsources the treatment of all the wastewater it collects to the SCRWA Treatment Plant located in Gilroy, as described below under the heading "– Treatment of Wastewater by SCRWA."

The average daily flow, peak day flow and treatment capacity of the Enterprise, each as measured in million gallons per day (“mgd”), are shown in the table below for calendar years 2015 through 2019.

Table 1
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL OPERATING STATISTICS
CALENDAR YEARS 2015 THROUGH 2019⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Average Daily Flow	2.36	2.39	2.68	2.29	2.5
Peak Day Flow	3.77	3.77	6.39	3.22	4.09
Treatment Capacity ⁽²⁾	3.56	3.56	3.56	3.56	3.56

⁽¹⁾ Amounts shown are in mgd.

⁽²⁾ 41.9% of 8.5mgd plant capacity.

Source: City of Morgan Hill.

COVID-19 Pandemic Impact

The impact of the COVID-19 on projected income and expenses for the Enterprise are currently expected to be [within range of management expectations for _____ that were developed prior to the COVID-19 pandemic]. The California Governor’s Executive Order suspending the public water system’s ability to disconnect water service to residences and small business is having some impact on delinquencies for the Enterprise. The number of delinquent accounts increased to about 500 accounts as of _____ compared to [a [monthly] average of approximately] 200 accounts in prior years. The delinquent accounts represent approximately \$300,000 or 2% of current year budgeted sewer service fees. See, “Table 7 – City of Morgan Hill Enterprise Delinquency Rates for Collection of Payment for Sewer Services for Fiscal Years 2015-16 through 2019-20” for delinquency rates in recent years.

Management

Set forth below are biographies of members of senior staff of the City with responsibility for the Enterprise. Operations of the Enterprise are carried out under the general supervision of the City’s Public Services Director.

Christina Turner, City Manager.

Chris Ghione, Public Services Director.

Harjot Sangha, Assistant to the City Manager.

Dat Nguyen, Director of Finance.

Existing Facilities

The Enterprise’s facilities consist of a wastewater collection system that includes approximately 170 miles of sewer lines and 14 lift stations that are used to transport wastewater to the SCRWA Treatment Plant.

Treatment of Wastewater by SCRWA

General. All wastewater collected by the City is conveyed to and treated by SCRWA, a joint exercise of powers authority formed by the SCRWA JPA Agreement, whose members are the City and Gilroy (each, a “Member Agency”). The SCRWA JPA Agreement continues in full force and effect so long as any facilities constructed under it are owned, maintained, or operated by SCRWA, or until terminated by a written agreement of the parties; however, in no event may the SCRWA JPA Agreement be terminated while any bonds or other indebtedness of SCRWA remains outstanding. The City has 42% capacity rights in the SCRWA Treatment Plant.

SCRWA Governance. SCRWA is governed by a Board of Directors (the “Board”) consisting of five board members (each, a “Director”). Of the five board members, two are City Council members of the City and three are City Council members of Gilroy. Each Director is entitled to cast one vote on any measure, and a majority of votes present and qualified to vote (comprised of at least one Director from each Member Agency) is required to pass the measure.

SCRWA Annual Budget Process. The SCRWA JPA Agreement requires a budget to be prepared at or prior to each May meeting of the Board for the ensuing fiscal year (being each July 1st to and including the following June 30th); be submitted, immediately after preliminary approval by the Board, to the city councils of the Member Agencies for incorporating into their respective annual budgets; and receive final approval by the Board by July 1st of such fiscal year.

Expenses Relating to SCRWA. SCRWA’s revenues and expenses are shared among the Member Agencies based on a formula or formulas determined by the Board, as expressed in SCRWA’s budget. In the two-year budgets for fiscal years 2017-18 and 2018-19 (the “2017-18 and 2018-19 Budget”), adopted by the Board on June 7, 2017, and fiscal years 2019-20 and 2020-21 (the “2019-20 and 2020-21 Budget”), adopted by the Board on June 5, 2019, the cost allocations are as follows:

	FY 2017-18 Cost Allocation		FY 2018-19 Cost Allocation		FY 2019-20 Cost Allocation		FY 2020-21 Cost Allocation	
	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>	<u>Gilroy</u>	<u>Morgan Hill</u>
Operational Costs:	61.0%	39.0%	59.0%	41.0%	62.0%	38.0%	60.0%	40.0%
Capital Costs:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%
Contributions for SCRWA Reserve:	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%	58.1%	41.9%

Source: City of Morgan Hill.

The City treats the “Operational Costs” and “Contributions for the SCRWA Reserve” that it pays to SCRWA as operations and maintenance expenses for accounting purposes. It also treats “capital costs” that it pays to SCRWA as capital expenditures that, if paid from Net Revenues, would be payable on a subordinate basis to debt service for the Bonds under the Indenture.

A five-year history of the City's costs is shown in the table below.

<u>Fiscal Year</u>	<u>Operational Costs⁽¹⁾</u>	<u>Capital Costs</u>	<u>Total</u>
2015-16	\$3,790,244	\$5,569,952	\$9,360,196
2016-17	3,786,134	2,982,386	6,768,520
2017-18	3,860,578	1,163,995	5,024,573
2018-19	3,699,152	2,376,089	6,075,241
2019-20	4,078,112	1,072,394	5,150,506

⁽¹⁾ Includes annual contributions to SCRWA reserve of \$104,750, \$104,750, \$41,900, \$104,750 and \$125,700 for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, respectively.

Source: City of Morgan Hill.

The SCRWA JPA Agreement provides that the amounts a Member Agency is required to pay to SCRWA are due and payable 30 days after receipt of monthly billing from the Board. It also provides that SCRWA may determine to bill in advance of expenditures based on the approved budget. Any surplus moneys (reflecting the difference between budgeted amounts and actual costs) must be returned in cash or by way of a credit to that Member Agency in proportion to the funds provided. Amounts billed are due and payable, and become delinquent, 30 days after a bill is rendered and, thereafter, incur a delinquency penalty or interest charge until paid. The delinquency charge or interest rate charge is set by written policy of the Board. The City has never incurred a delinquency penalty or interest charge.

SCRWA Power to Issue Indebtedness. The SCRWA is empowered by the SCRWA JPA Agreement to issue bonds for the purpose of raising funds necessary to accomplish its purposes under the SCRWA JPA Agreement and to enter into appropriate agreements or leases to secure such bonds, or issue any other forms of indebtedness in accordance with the provisions of the Bond Law or other State law, but only with the consent of the Member Agencies. Any obligations of the City in connection with such bonds or other forms of indebtedness would be Parity Obligations.

SCRWA Financial Documents. As of the date of this Official Statement, the 2019-20 and 2020-21 SCRWA Budget may be obtained on the Internet at the following address: <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

For SCRWA's financial statements for the fiscal year ended June 30, 2019, see <http://www.cityofgilroy.org/>_____. *The reference to this website address is made for convenience only. The information that the website contains may not be current, has not been reviewed by the City or Authority and is not incorporated by reference in this Official Statement.*

Enterprise Capital Improvement Program

The City expects to fund the CIP from amounts on deposit in the Sewer Impact Fund and Sewer System Replacement Fund (the amount in which will include proceeds of the Bonds). The CIP budget for the Enterprise for the fiscal years shown is summarized below.

Table 2
CITY OF MORGAN HILL ENTERPRISE
RECOMMENDED CAPITAL IMPROVEMENT PROGRAM
(Dollars in Thousands)

Project	FY 20-21 Recommended	FY 21-22 Projected	FY 22-23 Projected	FY 23-24 Projected	FY 24-25 Projected	Total
Sanitary Sewer Rehabilitation	\$9,500,000	\$4,396,786	\$2,393,700	\$2,393,700	\$2,393,700	\$21,077,886
Sewer Plant Expansion Project	3,937,500	7,875,000	7,875,000	7,875,000	3,937,500	31,500,000
Sewer Plant Improvement	2,400,000	1,060,000	-	-	-	3,460,000
Lift Station Rehabilitation	2,080,000	-	-	-	-	2,080,000
New Trunk Line	50,000	100,000	14,500,000	14,500,000	-	29,150,000
New Sewer Mains	859,099	-	2,474,622	-	-	3,333,721
Total	\$18,826,599	\$13,431,786	\$27,243,322	\$24,768,700	\$6,331,200	\$90,601,607

Source: City of Morgan Hill.

SCRWA Capital Improvement Budget

In the [2019-20 and 2020-21 Budget,] SCRWA's capital improvement budget ("CIB") provides a six-year window of projects to be completed within the CIB horizon. Capital costs are allocated between the cities of Gilroy and Morgan Hill at 58.1% and 41.9%, respectively. In May 2015, the Board reviewed and approved the major capital improvements program consistent with the timeline recommendations of a 2014 flow projection report based in part on planned land use reflected by the City's and Gilroy's respective General Plans. The findings indicated that the anticipated increase in the treatment capacity is not needed until 2021.] The City and Gilroy are currently reviewing and updating their respective General Plans.

The most up-to-date CIB is reflected in the Enterprise's capital improvement plan, which is discussed under the heading "– Capital Improvement Program."

Regulatory Issues [under review]

Enterprise Operations. The regulatory requirements applicable to the Enterprise are contained in or imposed by regulation pursuant to the following statutes, which are administered through the Regional Water Quality Control Board:

- Federal Water Pollution Control Act, as amended (33 U.S.C. §1311 et seq.);
- Resource Conservation and Recovery Act (42 U.S.C. §6901 et. seq.); and
- State of California Porter-Cologne Water Quality Control Act of 1969, as amended.

The Enterprise is also subject to the following regulations, which contain no stated expiration date:

- Order No. 2006-0003-DWQ, which is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2006/wqo/wqo2006_0003.pdf.
- State Board Monitoring and Reporting Requirements Order No. WQ 2008-0002-EXEC, entitled “Adopting Amended Monitoring and Reporting Requirements for Statewide General Discharge Requirements for Sanitary Sewer Systems” (amending Order No. 2006-0003-DWQ), promulgated by the State Water Resources Control Board (“SWRCB”). Order No. WQ 2008-0003-EXEC is available at the following website address: http://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2008/wqo/wqo2008_0002_exec.pdf.

The references to the Internet websites made above are for convenience only. The information contained within the websites may not be current, has not been reviewed by the City and is not incorporated by reference in this Official Statement.

Other Enterprise Permitting Requirements. The City is not itself subject to any permitting requirements because it does not treat or dispose of wastewater. Unlike a treatment plant, the City operates under the overall SWRCB Order No. 2006-0003-DWQ as an enrollee; it is not regulated under individual “operating permit” such as a National Pollutant Discharge Elimination System (“NPDES”) permit. However, on an ongoing basis, pump station generators must annually obtain a Permit to Operate permit from the Bay Area Air Quality Management District, and the fuel storage for large fuel tanks is periodically inspected under the Santa Clara County Certified Unified Program Agency. For construction projects, the City must require its contractor to obtain a General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities (Order No. 2009-0009-DWQ) for all categories of construction storm water discharges. This is done through the State of California Storm Water Multiple Application and Report Tracking System (or SMARTS) program. In addition, construction requires permits from other agencies depending on the nature of the work; this includes, but is not limited to, the California Department of Fish and Wildlife, U.S. Army Corps of Engineers, the Regional Water Quality Control Board (relating to the 401 Certification), and local road agency encroachment permits.

Regulation Relating to SCRWA. [under review]

Recycled Water - General. SCRWA’s recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code and regulations promulgated by the California Department of Health Services. On February 3, 2009, the SWRCB adopted a statewide Policy for Water Quality Control for Recycled Water to support increased sustainable local water supplies by increased production and use of recycled water.

SCRWA NPDES Permits. SCRWA operates its treatment plant pursuant to the following NPDES permits:

- (i) On March 18, 2010, the Central Coast Control Board adopted the Waste Discharge Requirements for SCRWA’s treatment plant. This permit expired on March 18, 2015, but has been extended until the Central Coast Water Board adopts a new permit.
- (ii) For discharges of storm water from the site of the SCRWA Treatment Plant, SCRWA is required to seek authorization to discharge under and meet the requirements of the

SWRCB's Water Quality Order 97-3-DWQ, NPDES General Permit No. CAS000001, Waste Discharge Requirements for Dischargers of Storm Water Associated with Industrial Activities Excluding Construction Activities (the "Storm Water Discharge Requirements"). The permit essentially prohibits any non-storm water discharges from entering the storm drain system. Failure to comply with any of the provisions written in the Storm Water Discharge Requirements permit would subject SCRWA to notices of violation and fines. The City does not expect the Discharge Requirements permit to impact SCRWA (or the Enterprise) because the facility is operated in compliance with the conditions and requirements of the established NPDES permits.

No Adverse Impact Anticipated. The City is not aware of any environmental or regulatory issues that would adversely impact its ability to collect wastewater in the City, or SCRWA's ability to treat wastewater, and pay debt service on the Bonds.

ENTERPRISE REVENUES AND DEBT SERVICE COVERAGE

Customer Base

The following table shows the historical number of residential customers and combined commercial and industrial customers, as well as the approximate percentages of service charge revenues derived from the residential (single family and multifamily) use and combined commercial and industrial use for the five fiscal years ended June 30, 2016, through June 30, 2020.

Table 3
CITY OF MORGAN HILL ENTERPRISE
CUSTOMER ACCOUNTS AND PERCENTAGE OF
SEWER SERVICE CHARGE REVENUES FOR
FISCAL YEARS ENDED JUNE 30, 2016, THROUGH 2020

Fiscal Year Ended June 30	Residential		Commercial/Industrial	
	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Percentage of Sewer Service Charge Revenues
2016	11,487	75%	758	25%
2017	11,682	73	762	27
2018	11,787	72	766	28
2019	12,528	74	777	26
2020	12,704	77	787	23

Source: City of Morgan Hill.

Ten Largest Accounts. The City's 10 largest customer sewer accounts for the fiscal year ended June 30, 2020, are shown below. These accounts represented an aggregate of 6.48% of total sewer service charge revenues for fiscal year 2019-20. **[Please confirm account names and amounts]**

Table 4
CITY OF MORGAN HILL ENTERPRISE
TEN LARGEST SEWER ACCOUNTS FOR FISCAL YEAR ENDED JUNE 30, 2020

<u>Name of Account</u>	<u>Type of Business</u>	<u>Sewer Service Charge Revenue</u>	<u>% of Total Sewer Service Charge Revenue</u>
Woodland Estates	Mobile Home	\$ 209,071	1.43%
Madrone Mobile Estates	Mobile Home	167,846	1.15
Village Avante	Apartments	124,954	0.86
Safeway	Grocery	74,766	0.51
Sun Basket	Food Distribution	68,363	0.47
Hacienda Valley Mobile Estates	Mobile Home	63,968	0.44
Morgan Hill Retirement Residence	Retirement Residence	62,087	0.43
Santa Clara County	County	60,833	0.42
The Ford Store	Auto Sales	59,332	0.41
		55,169	0.38
Total Top Ten		\$ 946,389	6.48
Total Sewer Service Charge Revenue		\$14,600,504	6.48%

Source: City of Morgan Hill.

Rates and Charges

Rate-Making Authority. The City Council of the City establishes the rates for the Enterprise, and the rates prescribed by the City Council are not subject to approval or regulation by any other governmental entity. The City's Department of Public Works administers and executes the policies and rates established by the City Council. The Public Works Director oversees the Department of Public Works and serves at the direction of the City Manager.

The City adopts its rates and charges on an annual basis in accordance with Articles XIIC and XIID of the California Constitution. This process is usually done each year during the budget review process. See "BOND OWNERS' RISKS - Articles XIIC and XIID of the California Constitution."

Sewer Service Charges. The City adopted its current rate schedule for sewer service charges pursuant to Ordinance No. 1345 N.S., which the City Council enacted on July 16, 1997 (the "Rate Ordinance"). The Rate Ordinance provides a schedule of sewer charge rates and was revised by Resolution No. [19-024] (the "Rate Resolution"), which the City Council adopted on May 1, 2019, in accordance with the requirements of Articles XIIC and XIID of the California Constitution.

[According to the rate schedule, all residential accounts pay a monthly sewer service charge consisting of a base fee of \$21.44 and usage fee of \$4.55 per hundred cubic feet ("HCF") as of July 1, 2019, and a base fee of \$23.37 and usage fee of \$4.95 per HCF as of July 1, 2020.]

The Rate Ordinance provides that the residential sewer usage fee is based on the average measured volume of water usage for the three consecutive low water usage months between the months of November 1st and April 30th, with a minimum of two HCF per dwelling unit and a maximum of 13 HCF per dwelling unit. The three low water usage months are annually determined by the City's Finance Director based on the total water consumed by all customers. See "BOND OWNERS' RISKS - Demand and Usage; Drought."

The charge for commercial users consists of a base rate plus a usage fee per HCF based on the measure volume of water usage per HCF. Commercial and industrial users pay a pre-treatment fee that is used by the City to pay for inspection, administration and enforcement costs.

Commercial base rates as of July 1, 2019, and July 1, 2020, are shown below and determined based on meter size:

<u>Meter Size</u>	<u>Base Rate as of July 1, 2019</u>	<u>Base Rate as of July 1, 2020</u>
5/8" & 3/4"	\$ 21.44	\$ 23.37
1"	21.44	23.37
1½"	80.26	87.48
2"	127.78	139.28
3"	278.38	303.43
4"	500.02	545.02
6"	1,109.82	1,209.70
8"	1,714.46	1,868.76
10"	2,143.08	2,335.96

[Commercial usage fees are determined based on commercial or industrial categorizations and range between \$4.35 and \$13.92 per HCF as of July 1, 2019, and \$4.74 and \$15.17 per HCF as of July 1, 2020. The Rate Ordinance provides that the sewer volume charge for commercial and industrial users is based on actual monthly water usage.]

Impact Fees. New users who are connected to the sewer system are charged an impact fee. See Table 9 for a five-year history of receipts in the Sewer Impact Fund, which receives impact fee revenues. The fee schedule as of January 15, 2020, is shown below:

<u>Classification</u>	<u>Fee Amount</u>
Single-Family Residential (Subdivision)	\$15,315
Single-Family Residential (No Subdivision)	15,315
Multifamily Residential (Subdivision)	12,962
Multifamily Residential (No Subdivision)	12,962
Senior/Downtown/Secondary Unit (Subdivision)	12,962
Senior/Downtown/Secondary Unit (No Subdivision)	12,962
Commercial	52.44
Industrial	50.43
Office	50.43

Historical Rates. The following table shows a 10-year history of the City's sewer rate (including base fee and usage fee, but excluding impact fee) increases.

Table 5
CITY OF MORGAN HILL ENTERPRISE
TEN-YEAR HISTORY OF SEWER SERVICE CHARGES

<u>As of January 1,</u>	<u>Percentage Change</u>
2011	6.0%
2012	10.0
2013	3.5
2014	3.5
2015	3.5
2016	0.0
2017	2.0
2018 ⁽¹⁾	2.0
2019	9.0
2020	9.0

⁽¹⁾ As of July 1, 2018.

Source: City of Morgan Hill.

The Rate Resolution provides for a further 9% increase in sewer service charges as of July 1, 2020, over the prior year.

Future Revisions to Rates. In April 2019, the City Council received a Final Wastewater Rate Study Report ("2019 Rate Study") from NBS, Temecula, California. The Rate Resolution is based on the 2019 Rate Study and sets rates through the five-year period beginning July 1, 2019, as reflected in the discussion under the heading "- Sewer Service Charges" above.

Comparative Rates. The following table sets forth the monthly sewer service charges charged to single family residential customers within the City and the comparable charges charged to such customers in certain other regional municipalities as of the dates shown below.

Table 6
CITY OF MORGAN HILL ENTERPRISE
MONTHLY SINGLE-FAMILY RESIDENTIAL SEWER SERVICE CHARGES FOR THE
CITY AND CERTAIN OTHER CITIES

<u>Local Agency</u>	<u>Effective Date</u>	<u>Monthly Sewer Service Charges</u>
City of Morgan Hill⁽²⁾	7/1/2020	\$63.00
City of Milpitas ⁽¹⁾	7/1/2020	55.54
West Valley Sanitation District	7/1/2020	51.63
City of Gilroy	7/1/2019	46.64
City of Santa Clara	6/23/2020	44.53
City of San José	7/1/2020	41.64

⁽¹⁾ Extrapolated from bi-monthly charge of \$111.07.

⁽²⁾ Estimated monthly sewer service charge for the average single-family residence (having 8 HCF of contributed flow). Sewer service charges consist of a fixed charge of \$23.37 per month and a usage fee of \$4.95 per HCF as of July 1, 2020.

Source: Respective websites of the cities listed above.

Billing and Collection Procedures. The City sends out sewer and water usage billings in a consolidated bill in four cycles on the first, second, third, and fourth Fridays of each month, so that each customer receives a billing once a month. Payment is due from each customer within 25 days after the billings are mailed. A delinquent notice, including a delinquent charge, is mailed out if a payment is not paid by the due date. If payment is not paid within two weeks following mailing of the delinquent notice, a shut-off notice, along with an additional delinquent fee (which is retained by the City's Water Fund), is mailed to the customer. The customer has an additional 10 days to pay the past-due amount. If not paid, water services are disconnected four days later. Past-due water and sewer charges must be paid before services are restored.

The delinquency rates for collection of payment for sewer services of the City (expressed as a percentage of annual total revenues received by the City for the use of sewer services) for the five fiscal years ended June 30, 2016, through June 30, 2020, are set forth in the following table. The City averages approximately 55 customer accounts being shut off each month.

Table 7
CITY OF MORGAN HILL ENTERPRISE
DELINQUENCY RATES FOR
COLLECTION OF PAYMENT FOR SEWER SERVICES
FOR FISCAL YEARS 2015-16 THROUGH 2019-20

<u>Fiscal Year</u>	<u>Delinquency Rate for Sewer Services</u>
2015-16	4.6%
2016-17	2.5
2017-18	2.7
2018-19	1.0
2019-20	1.0

Source: City of Morgan Hill.

Employee Costs

General. The Enterprise pays a portion of certain City employee costs (“Employee Costs”). The Employee Costs are: (i) labor costs of employees of the Enterprise; and (ii) costs allocated to the Enterprise for services provided to the Enterprise by other departments in the City (e.g., accounting, legal, payroll, human resources, *et al.*). The costs allocated to the Enterprise include a variety of benefit costs, the largest of which are costs relating to the City’s retirement plans consisting of a defined benefit pension plan and other post-employment benefits (“OPEB”). See “– Employee Retirement Plans” for information about the City’s employee retirement plans.

The following table shows the number of Enterprise full-time employees and the employee costs (including a variety of benefits that include costs relating to the City’s employee retirement plans) for the past five fiscal years:

<u>Fiscal Year</u>	<u>Enterprise Employees (FTEs)</u>	<u>Employee Costs</u>
2015-16	14.48	\$ 997,264
2016-17	14.48	1,560,448
2017-18	14.48	1,674,372
2018-19	14.26	1,907,193
2019-20	14.30	1,922,993

Source: City of Morgan Hill.

Labor Relations. The employees of the Enterprise (excluding management employees) are members of American Federation of State, County and Municipal Employees. The City is subject to a two-year collective bargaining agreement with American Federation of State, County and Municipal Employees, which extends through December 31, 2021, but would remain in effect until replaced. Under the agreement, the City provides a contribution towards health, dental and vision insurance, depending on coverage level. The City also pays for life insurance, long-term disability, short-term disability, worker’s compensation, and a defined benefit plan contribution.

Employee Retirement Plans. All permanent City employees, including those assigned to the Enterprise, are eligible to participate in the Public Employee’s Retirement Fund of the California Public Employees Retirement System (“PERS”). The Enterprise’s total contributions to PERS as of June 30, 2020, 2019 and 2018 were \$253,715 \$197,277 and \$155,523, respectively.

The City contracts with PERS to provide OPEB consisting of integrated medical/prescription drug coverage under the Public Employees’ Medical and Hospital Care Act. The Enterprise’s total contributions to OPEB as of June 30, 2020, 2019 and 2018 were \$68,684, \$30,097 and \$7,974, respectively.

For information about the City’s employee retirement plans, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 - Note __.” and APPENDIX D – “GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA – Employee Retirement Plans.”

Enterprise Funds

For internal accounting purposes, the City maintains four separate funds for the Enterprise. For purposes of the City’s Comprehensive Annual Financial Report, three of these funds – the Sewer Operations Fund, Sewer Rate Stabilization Fund and Sewer Replacement Fund – are consolidated into a single fund and shown as the Sewer Operations Fund. The four funds are described below.

Sewer Operations Fund. The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance and debt service are charged to the Sewer Operations Fund.

Sewer Rate Stabilization Fund. The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund. The balance on deposit in the Rate Stabilization Fund was \$2,700,000 as of June 30, 2020. See “SECURITY FOR THE BONDS – Rate Stabilization Fund.”

Sewer System Replacement Fund. This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. The fund was initially funded with one-time revenues. The initial contribution to the Sewer System Replacement Fund was \$3,500,000 from the Sewer Operations Fund. The balance on deposit in the Sewer System Replacement Fund was \$9,200,000 as of June 30, 2020. Future funding will come from transfers from the Sewer Operations Fund when available.

Sewer Impact Fund. The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. Fund is subject to the restrictions of AB 1600.

Enterprise Reserves

The City’s current wastewater reserve policies are to make every effort to maintain a minimum reserve level of 25% of the appropriated operating budget for the Sewer Operations Fund in that fund, and to keep a minimum reserve level of 20% of the annual estimated utility usage revenue accounted for in the Enterprise’s operating budget in the Sewer Rate Stabilization Fund and 3% of net depreciable capital assets in the Sewer System Replacement Fund. The City is currently in compliance with these policies. The City’s reserve policies are subject to change. The City can provide no assurance that its financial policies will not change in the future or that it will continue to maintain reserves at existing levels.

Balance Sheets

The following tables show the comparative statements of net assets for the Enterprise for periods ending June 30, 2019, and June 20, 2020:

Table 8
CITY OF MORGAN HILL ENTERPRISE
STATEMENT OF NET POSITION

	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
ASSETS				
Current assets:				
Pooled cash and investment	\$11,419,845	\$18,877,841		
Restricted pooled cash and investments	2,885,398	--		
Cash with fiscal agents	--	--		
Receivables:	--	--		
Accrued interest	59,501	62,362		
Other accounts receivable	1,633,587	4,437		
Notes receivable-current	--	228,994		
Total current assets	15,998,331	19,173,634		
Non-current assets:				
Capital assets, net	--	--		
Non-Depreciable	2,476,292	2,998,173		
Depreciable and Sewer capacity rights	24,011,911	28,937,955		
Total non-current assets	26,488,203	31,936,128		
Total assets	42,486,534	51,109,762		
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	572,696	--		
Total Deferred Outflows	572,696			
LIABILITIES				
Current liabilities:				
Accounts payable	46,725	885,097		
Accrued liabilities	286,404	6,763		
Customer deposits	1,330	31,764		
Unearned revenue	--	4,752		
Interest payable	6,622	125,816		
Current obligations for:				
Bonds payable (Note 7)	1,445,000	--		
Capacity rights payable	--	--		
Total current liabilities	1,786,081	1,054,192		
Non-current liabilities:				
Long-term liabilities for:				
Bonds payable (Note 7)	11,613,474	--		
Net pension liability (Note 8)	2,463,827	--		
OPEB payable	--	--		
Net OPEB obligation (Note 9)	446,519	--		
Capacity rights payable	--	--		
Total noncurrent liabilities	14,523,820	--		
Total liabilities	16,309,901	1,054,192		
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 8)	78,801	--		
Total Deferred Inflows	78,801			
Net position:				
Net investment in capital assets	17,760,127	31,936,128		
Restricted net position-debt service	--	--		
Restricted net position-capital expansion		18,119,442		
Unrestricted	8,910,401	--		
Total net position	\$26,670,528	\$50,055,570	\$	\$

Source: City of Morgan Hill Comprehensive Annual Financial Statements Fiscal Years Ended June 30, 2019, and June 30, 2020.

Historical Financial Results

The following table presents a summary of the operating results of the Enterprise for the five fiscal years ended June 30, 2016, through June 30, 2020.

For additional information on the financial results of the Enterprise, see APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020.”

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Table 9
CITY OF MORGAN HILL ENTERPRISE

	FY 15-16 Sewer Operations	FY 15-16 Sewer Impact	FY 16-17 Sewer Operations	FY 16-17 Sewer Impact	FY 17-18 Sewer Operations	FY 17-18 Sewer Impact	FY 18-19 Sewer Operations	FY 18-19 Sewer Impact	FY 19-20 Sewer Operations	FY 19-20 Sewer Impact
Operating Revenues:										
Charges for services ⁽¹⁾	\$ 10,471,572	\$ 35,125	\$ 10,755,87	\$ -	\$ 10,829,471	\$ -	\$ 11,998,859	\$ -	\$	\$
Other Operating Income					23,486	4,172,476	-	4,876,920		
Developer Contributions		4,808,865		1,756,909						
Total Operating Revenues	10,471,572	4,843,990	10,755,875	1,756,909	10,852,957	4,172,476	11,998,859	4,876,920		
Operating Expenses:										
Salaries and benefits	997,264		1,560,448		1,674,372		1,907,193			
Utilities and taxes	39,537		51,965		53,143		57,291			
Operations and maintenance	4,627,661	16,084	4,406,723	8,920	4,570,583	15,534	4,790,293	16,709		
Depreciation	1,513,886	1,119,377	1,565,861	1,248,154	1,619,067	1,308,480	1,220,184	1,328,079		
Amortization of sewer capacity rights	944,917		944,917		944,917		944,917			
Administrative charges	201,485	12,652	211,572	13,284	222,132	13,944	266,436	54,468		
Total Operating Expenses	8,324,750	1,148,113	8,741,486	1,270,358	9,084,214	1,337,958	9,186,314	1,399,256		
Operating Income (Loss)	2,146,822	3,695,877	2,014,389	486,551	1,768,743	2,834,518	2,812,545	3,477,664		
Non-Operating Revenues/(Expenses):										
Investment earnings	100,576	123,697	121,818	153,397	207,814	229,257	318,041	344,622		
Interest (expense)	(625,940)		(440,495)	(145,648)	(343,116)	(190,976)	(485,708)	16,328		
Total nonoperating revenues (expenses)	(525,364)	123,697	(318,677)	7,749	(135,302)	38,281	(167,667)	360,950		
Income (loss) before operating transfers	1,621,458	3,819,574	1,695,712	494,300	1,633,441	2,872,799	2,644,878	3,838,614		
Capital Contributions										
Transfers in	63,368				232,776		232,692			
Transfers (Out)	(652,935)	(66,182)	(870,268)	(7,704)	(891,912)	(240,480)	(845,172)	(240,396)		
Change in net position	1,031,891	3,753,392	825,444	486,596	974,305	2,632,319	2,032,398	3,598,218		
Total Net Position-Beginning	22,076,830	39,585,045	23,108,721	43,338,437	23,663,825	43,825,033	24,638,130	46,457,352		
Restatement										
Total Net Position-Beginning, Restated										
Total Net Position-Ending	\$23,108,721	\$43,338,437	\$23,934,165	\$43,825,033	\$24,638,130	\$46,457,352	\$26,670,528	\$50,055,570	\$	\$

⁽¹⁾ In addition to sewer service charge revenues, includes investment earnings, reimbursement of expenses (such as property damage, cost sharing), penalties, lift station charges, and front footage fees.

Source: City of Morgan Hill Comprehensive Annual Financial Statement Fiscal Years Ended June 30, 2016, through June 30, 2020.

The following table presents a summary of the operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ended June 30, 2016, through June 30, 2020, calculated in accordance with the provisions of the Indenture.

Table 10
CITY OF MORGAN HILL ENTERPRISE
HISTORICAL SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2016, THROUGH JUNE 30, 2020

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Gross Revenues:					
Charges for current services	\$10,506,697	\$10,755,875	\$10,852,957	\$11,998,859	\$
Impact Fees	4,808,865	1,756,909	4,172,476	4,876,920	
Investment earnings	224,273	275,215	437,071	318,041	
Total Revenues	\$15,539,835	\$12,787,999	\$15,462,504	\$17,193,820	\$
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$ 997,264	\$1,560,448	\$1,674,372	\$1,907,193	\$
Operations and maintenance ⁽²⁾	4,643,745	4,415,643	4,586,117	4,790,293	
Administrative charges	214,137	224,856	236,076	266,436	
Total Operating Expenses	\$5,855,146	\$6,200,947	\$6,496,565	\$6,963,922	\$
Net Revenues ⁽³⁾	\$9,684,689	\$6,587,052	\$8,965,939	\$10,229,898	\$
Series 2015 Bonds Debt Service ⁽⁴⁾	\$528,074	\$1,936,300	\$1,939,800	\$1,939,125	\$1,938,625
Debt Service Coverage ⁽⁵⁾	18.34	3.40	4.62	5.28%	%
Net Revenues Less Impact Fees	\$4,875,824	\$4,830,143	\$4,793,463	\$5,352,978	\$
Coverage Without Impact Fees	9.23	2.49	2.47	2.76%	%

⁽¹⁾ Excludes depreciation, amortization and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁴⁾ Excludes earnings on the reserve fund for the 2002 SCRWA bonds.

⁽⁵⁾ Equals Net Revenues divided by Series 2015 Bonds Debt Service.

Source: City of Morgan Hill.

Projected Financial Results

The following table presents a summary of the projected operating results of the Enterprise, debt service and debt service coverage for the five fiscal years ending June 30, 2020, through June 30, 2024, calculated in accordance with the provisions of the Indenture. The following table represents the City's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. The obligation of the City to pay debt service on the Bonds is limited to Net Revenues and the City is not obligated to apply any other revenues to pay debt service on the Bonds.

The projections assume a final rate adjustment of 5% in [2021 through 2023] and no rate adjustments thereafter, and a 2% annual growth in the number of sewer accounts and no change in flow and strength by non-residential users. The impact fees shown in the projections are based on a projected increase in development activities. The projections also assume annual Operation and Maintenance Costs of the Enterprise will increase at an average of 2% annually, primarily as a result of inflation, increased pension

costs and increased costs for operation and maintenance. In addition, the projections assume annual interest earnings on Enterprise funds of 1.5%.

Table 11
CITY OF MORGAN HILL ENTERPRISE
PROJECTED SUMMARY STATEMENT OF REVENUES,
EXPENSES AND DEBT SERVICE COVERAGE
FOR FISCAL YEARS ENDING JUNE 30, 2020, THROUGH JUNE 30, 2024

	Projected <u>2020-21</u>	Projected <u>2021-22</u>	Projected <u>2022-23</u>	Projected <u>2023-24</u>	Projected <u>2024-25</u>
Gross Revenues:					
Charges for current services	\$13,394,453	\$14,238,146	\$15,141,760	\$16,104,201	
Impact Fees	6,225,545	6,845,919	4,890,147	5,014,637	
Investment earnings	370,194	377,598	385,150	392,853	
Total Revenues	\$19,990,192	\$21,461,663	\$20,417,057	\$21,511,691	
Less Operating Expenses ⁽¹⁾ :					
Salaries and benefits	\$2,184,238	\$2,265,081	\$2,327,774	\$2,388,481	
Operations and maintenance ⁽²⁾	5,585,062	5,758,591	5,873,773	5,991,258	
Administrative charges	347,058	355,734	362,849	370,106	
Total Operating Expenses	\$8,116,357	\$8,379,406	\$8,564,395	\$8,749,845	
Net Revenues ⁽³⁾	\$11,873,835	\$13,082,257	\$11,852,662	\$12,761,846	
Series 2015 Bonds Debt Service					
Total Debt Service	\$1,939,500	\$1,941,500	\$1,783,500	\$552,125	
Total Debt Service Coverage ⁽⁵⁾	6.12	6.74	6.65	23.11	
Net Revenues Less Impact Fees	\$5,648,290	\$6,236,338	\$6,962,515	\$7,747,209	
Coverage Without Impact Fees	2.91	3.21	3.90	14.03	

⁽¹⁾ Excludes depreciation and interest expense.

⁽²⁾ Includes operational costs of SCRWA and contributions to SCRWA reserve. See "THE ENTERPRISE - Treatment of Wastewater by SCRWA - Expenses Relating to SCRWA."

⁽³⁾ Calculated in accordance with the Indenture.

⁽⁵⁾ Equals Net Revenues divided by Total Debt Service.

Source: City of Morgan Hill.

RISK FACTORS

This section describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider these special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal of and interest on the Bonds.

Demand and Usage; Drought

There can be no assurance that the local demand for services provided by the Enterprise will continue according to historical levels. In addition, drought conditions and voluntary or mandatory water conservation measures could decrease usage of the services of the Enterprise. However, the impact of the potential drought on the Enterprise is expected to nominal because sewer service charges to residential consumers are established by measuring water consumption based on the three lowest months of water consumption in a year. As explained under the heading “THE ENTERPRISE – Rates and Charges – Sewer Service Charges,” the three-month usage is averaged together for each customer to determine the average volume of wastewater discharge. The calculated average is applied to each month of the 12-month period and represents consistent, essential internal usage. Historically, the discharge volume does not vary greatly. Of the \$63.00 that makes up the Average Monthly Single Family Residential Bill (“AMSFB”), 61% is the variable charge that is based on the average volume of wastewater discharge. The remaining 39% of the AMSFB consists of a fixed monthly charge scaled to the water meter size. On July 1, 2021, a 5.0% rate adjustment will increase the AMSFB to \$66.15.] See “THE ENTERPRISE – Rates and Charges.”

Any reduction in the level of demand or usage could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City’s rate covenants. Such rate increases could increase the likelihood of nonpayment.

Enterprise Operation and Maintenance Expenses and Net Revenues

There can be no assurance that the City’s operation and maintenance expenses for the Enterprise will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs passed on to the City by SCRWA, could reduce the City’s Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the City has covenanted to prescribe, revise and collect rates and charges for the Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Bonds.

The ability of the City to comply with its covenants under the Installment Purchase Agreement and generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “- Articles XIIIIC and XIID of the California Constitution.” The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Environmental Laws and Regulations

Wastewater collection treatment disposal and re-use facilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Bonds. See “THE ENTERPRISE – Regulatory Issues.”

Natural Disasters

Seismic. The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. There are a number of active and potentially active faults that are located within the vicinity of the City. These include the Calaveras Fault, which is a major branch of the San Andreas Fault located about three miles east of the City. There are also smaller faults, which appear to be connected to the Calaveras Fault, including the Silver Creek Fault, the Coyote Creek Thrust Fault and the Range Front Fault, which are all located from one half mile to one mile east of the City.

Flood Zone Mapping. Approximately 26 percent of the City’s redevelopment project area has been designated by Federal Emergency Management Agency (“FEMA”) as a Special Flood Hazard Area. According to FEMA, a home in such a floodplain has a 26 percent chance of suffering damage during a 30-year period. Any new residential construction in this area must have the lowest floor flood-proofed or raised at least one foot above the base flood elevation. Any substantial improvement to an existing structure in this area must be constructed to the same standard as new construction.

Wildfire Risks. In recent years, wildfires have become an increasing risk for communities throughout the State, led in part due to drought conditions in the State and in part to other climactic conditions. A wildfire impacting the City could have a material adverse impact on property values, sales tax revenue and otherwise within the City. The City contains wildland-urban-interface (WUI) areas as well as CAL FIRE-recommended Local Responsibility Area very high fire hazard severity zones (FHSZs). In addition, some of the unincorporated area surrounding the City is also designated a high FHSZ. Fires with the highest rates of spread and intensity usually occur in areas of high and very high FHSZ. A major wildfire occurred in September 2007 in Henry W. Coe State Park, several miles outside of the City. It began on September 3 and was fully contained by September 11. The burnt areas were entirely outside of the City limits, mostly in uninhabited territory. Other wildfires have also occurred in the County since 2007. Additionally, a portion of the easternmost area of the City was under an evacuation warning due to a the nearby SCU Lightning Complex wildfire which originated in mid-August 2020, however no actual evacuation occurred.

Anderson Dam and Reservoir Flooding Risks. Anderson Dam and Reservoir is a major water supply facility located approximately one mile east of the City that is owned and operated by the Santa Clara Valley Water District (the “District”). In 2011, the District announced the results of a seismic study of the Anderson Dam, which concluded that the dam could be affected if a major earthquake were to occur on the Calaveras Fault, which is located within two kilometers of the dam. Anderson Dam, which also sits atop the Coyote Creek-Range Front Fault Zone, is an earth and rockfill structure constructed in 1950 creating the Anderson Reservoir, the largest surface water reservoir in the County of Santa Clara. The study stated that the analysis found loosely compacted layers of liquefiable materials in the foundation of the dam that are susceptible to a reduction in strength when subjected to severe earthquake shaking. If the foundation were damaged, part of the dam could experience 15 to 25 feet of vertical deformation, with an additional 15 feet of potential cracking. The study stated that if the reservoir were full at the time, there could be an

uncontrolled release of water downstream from the dam. Anderson Dam Inundation Maps of the District show probable maximum flood depths of 25 to 35 feet on either side of US Highway 101.

Given the seismic concerns related to the Anderson Dam, the water level in the Anderson Reservoir is currently limited to about 58% of its capacity and the District is undertaking a Seismic Retrofit Project. The project will make improvements necessary to stabilize the dam embankment for the maximum credible earthquake on the Calaveras and Coyote Creek Faults, repair or replace the outlet works to protect against potential fault rupture risk from these faults and incorporate other measures to address safety deficiencies. The project has been ongoing for many years, and the estimated costs have increased significantly during that time. The District estimates construction of the Retrofit Project will cost approximately \$550 million, with the design and engineering phase currently underway and the construction phase projected to commence in 2022 and end by 2027.

Anderson Dam is regulated by the State of California Division of Safety of Dams, which performs yearly reviews and requires maintenance and safety standards to be enforced by the dam owners and operators, as well as the Federal Energy Regulatory Commission (“FERC”), which has dam safety jurisdiction at Anderson Dam. In February 2020, FERC issued a dam safety directive requiring that the District begin a full drawdown of the Anderson Reservoir by October 1, 2020. The dam safety directive indicated that, based on documents that had been recently submitted by the District to FERC, the seismic risk to the Anderson Dam was greater than previously understood and the risk of a dam failure to downstream life and property was extreme. The directive indicated that risk remained to the downstream population even with a fully drained reservoir, but a full drawdown reduced the risk as much as possible given the current condition of the Anderson Dam. The City cannot predict the success of the Retrofit Project being undertaken by the District or the implications of FERC’s demand that all water in the Anderson Reservoir be drawn-down.

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease which was first reported in China in late 2019, has since spread to other countries, including the United States, and is considered a pandemic by the World Health Organization. The United States State Department and the Center for Disease Control and Prevention (“CDC”), as well as other governmental authorities, have issued restrictions and warnings for the United States and a number of countries in Asia, Europe, South American and Africa, and similar restrictions and warnings may be extended to other countries in the future. The outbreak has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The outbreak has also negatively affected travel, commerce, asset values and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the State and the County. Unemployment in the United States has dramatically increased as a result of the outbreak. Federal and state governments (including California) have enacted legislation and have taken executive actions designed to mitigate the negative public health and economic impacts of the outbreak.

[discuss before posting][The City does not presently anticipate a material impact to the operations or financial position of the Enterprise as a result of COVID-19, in part because revenues have remained steady and there is no presently expected material increase in expenses or operational challenges.] Nonetheless, the City cannot predict (i) the severity, duration or extent of the COVID-19 outbreak; (ii) the duration or expansion of governmental restrictions imposed by governmental entities other than the City that affect the City; (iii) what effect any such COVID-19 related restrictions or warnings may have on the finances or operations of the City or the Enterprise; (iv) the extent to which the COVID-19 outbreak may result in changes in demand for the services or products of the Enterprise or the ability of the Enterprise’s customers to pay for such services or products; or (v) whether or to what extent the City may provide

deferrals, forbearances, adjustment or other changes to the Enterprise's arrangements with its customers in the future but any of the foregoing factors alone or in combination with others could result in material adverse impacts to the finances or operations of the City and the Enterprise.

Cybersecurity

The City, like many other public and private entities, rely on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that their efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of any entity, including with respect to the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Limitations on Remedies; Bankruptcy

The City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the owners of the Bonds.

If the Net Revenues are "special revenues" under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Indenture. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. The owners of the Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if these amounts are no longer subject to the lien of the Indenture, then there may be no amounts from which the owners of the Bonds are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the City may be able to use Net Revenues to pay necessary operating expenses of the Enterprise that are greater than or different from the Operation and Maintenance Costs defined in the Indenture before the remaining Net Revenues are made available to the Trustee to pay amounts owed to the owners of the Bonds. It is not clear which expenses would constitute necessary operating expenses.

If the City is in bankruptcy, then the City's creditors (including the Trustee on behalf of owners of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the owners of the Bonds from funds in the Trustee's possession. The rate covenant (see "SECURITY FOR THE BONDS – Rate Covenant") may not be enforceable in bankruptcy by the Trustee or the owners of the Bonds.

The provisions of the Installment Purchase Agreement that provide that the commencement of a bankruptcy case by the City is an event of default and that certain other insolvency-related events with

respect to the City are also events of default may be unenforceable. This may limit the ability of the Trustee to require the City to turn over to the Trustee Net Revenues and may allow the City to continue to spend Net Revenues for any purpose permitted by law as provided in the Installment Purchase Agreement, free and clear of the lien of the Installment Purchase Agreement, notwithstanding that the City is in bankruptcy.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Net Revenues), which lien could have priority over the lien of the Installment Purchase Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected. The City may be able to cause some of the Net Revenues to be released to it, free and clear of the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Bonds will be adequately protected.

The City may be able, without the consent and over the objection of the Trustee and the owners of the Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Bonds, while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the owners of the Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Articles XIIC and XIID

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other

than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before they take effect and is distinct from the Article XIID protest procedures described above and the legal process for initiative measures discussed below.

In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds

voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The City believes its Enterprise rates and charges are not taxes under Proposition 26. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the user charges of the Enterprise imposed by the City do not exceed the costs the City reasonably bears in providing the wastewater service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Enterprise’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

Loss of Tax-Exemption

As highlighted under the heading “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Installment Purchase Agreement and the Indenture.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City and the Authority with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and assuming compliance with covenants and representations regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not included in the gross income of the owners of the Bonds for federal income tax purposes. Failure by the City or the Authority to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Bond Counsel’s opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no

right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a Bond at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a Bond purchaser of purchasing a Bond with bond premium. Persons considering the purchase of Bonds with bond premium should consult with their own tax advisors with respect to the determination of bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of Bonds of a particular maturity over the initial offering price to the public of the Bonds of that maturity at which a substantial amount of the Bonds of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Bond. Original issue discount on a Bond or a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Bond accruing during each period is added to the adjusted basis of such Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Bonds other than at the initial offering price.

Bond Counsel is not opining on the accounting for or consequence to a Bond purchaser of bond premium or original issue discount. Accordingly, persons considering the purchase of Bonds with bond premium or original issue discount should consult with their own tax advisors with respect to the determination of bond premium or original issue discount on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Information Reporting and Backup Withholding

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to

be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Bonds of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or of the exemption of interest on the Bonds from State of California personal income taxation. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as APPENDIX E.

FINANCIAL STATEMENTS OF THE CITY

Included in this Official Statement, as APPENDIX B, are the audited financial statements of the City for the fiscal year ended June 30, 2020, together with the report dated _____ of Maze and Associates Accountancy Corporation, certified public accountants (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

CERTAIN LEGAL MATTERS

Norton Rose Fulbright US LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the City by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will also be passed upon for the Underwriter by Quint & Thimmig LLP, as Underwriter's Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. The fees paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds.

ABSENCE OF MATERIAL LITIGATION

In connection with issuance of the Bonds, each of the City and Authority will certify that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to its knowledge after reasonable investigation, threatened against or affecting it or its assets, properties or operations that, if determined adversely to it or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Purchase Agreement or the Indenture, or upon its financial condition, assets, properties or operations.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned its municipal bond rating of "___" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Enterprise (the "Annual Report") by not later than March 31 annually, commencing March 31, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of certain listed events is set forth in APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The initial Dissemination Agent will be the City.

The City has entered into prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with its undertakings. The City is aware of the following instances of non-compliance by itself, with the requirements of its continuing disclosure undertakings during the past five years:

[to come]

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority and City under which the Underwriter has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____)), plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

EXECUTION

The execution and delivery of this Official Statement have been authorized by the Authority Commission and the City Council of the City.

MORGAN HILL FINANCING AUTHORITY

By : _____
Christina Turner
Chief Administrative Officer

CITY OF MORGAN HILL

By : _____
Christina Turner
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY FOR FISCAL YEAR ENDING JUNE 30, 2020**

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF MORGAN HILL AND THE COUNTY OF SANTA CLARA

The following information concerning Santa Clara County (the “County”) and the City of Morgan Hill (the “City”) is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the City, the State of California (the “State”) or any of its political subdivisions, and none of the County, the City or the State or any of its political subdivisions is liable therefor.

The economic and demographic data contained in this appendix are the latest available, but, unless otherwise noted, are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they may not be indicative of the current financial condition or future prospects of the City, the County or the region. See “RISK FACTORS – COVID-19 Pandemic” in the forepart of this Official Statement.

General

The City. The City is approximately 24 miles south of downtown San Jose, 13 miles north of Gilroy, and 15 miles inland from the Pacific coast. Lying in a roughly 4-mile wide southern extension of the Santa Clara Valley, it is bounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Due to the moderating influence of the Pacific Ocean, the City enjoys a mild, Mediterranean climate. Summer months are characterized by coastal fog which arrives from the ocean around 10 p.m. and dissipates the next morning by 10 a.m. Winter months have many sunny and partly cloudy days, with frequent breaks between rainstorms.

The County. The County covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, 20 miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as "Silicon Valley". Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

Population

The following table shows population estimates for the City, the County and the State for the last five calendar years.

**CITY OF MORGAN HILL, COUNTY OF SANTA CLARA
AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2016 through 2020**

As of Each January 1	City of Morgan Hill	County of Santa Clara	State of California
2016	43,592	1,925,306	39,214,803
2017	43,934	1,936,052	39,504,609
2018	44,653	1,947,798	39,740,508
2019	45,742	1,954,286	39,927,315
2020	46,454	1,961,969	39,782,870

Source: State Department of Finance estimates.

Principal Employers

The following table lists the principal employers within the City for fiscal year 2018-19.

[Update to fiscal year 2019-20 when available].

**CITY OF MORGAN HILL
Principal Employers
Fiscal Year 2018-19**

Employer Name	No. of Employees
Morgan Hill Unified School District	900
Velodyne Lidar, Inc	453
Anritsu Company	403
Paramit Corporation	381
Mission Bell Mfg, Inc.	314
Lusamerica Foods, Inc.	293
Specialized Bicycle Components	280
Toray Advanced Composites USA	216
Cree, Inc.	203
City of Morgan Hill	196

Source: City of Morgan Hill Comprehensive Annual Financial Report Year Ending June 30, 2019.

The following tables list the largest manufacturing and non-manufacturing employers within the County as of September 2020.

COUNTY OF SANTA CLARA
Largest Employers
September 2020
(In Alphabetical Order)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adobe Inc	San Jose	Publishers-Computer Software (mfrs)
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
Ebay Inc	San Jose	E-Commerce
Flextronics International	Milpitas	Semiconductor Devices (mfrs)
Fujitsu Laboratories of Amer	Sunnyvale	Laboratories-Research & Development
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Physicians & Surgeons Equip & Supls-Mfrs
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Lucile Packard Children's Hosp	Palo Alto	Hospitals
Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
Maxim Integrated Products Inc.	San Jose	Printed & Etched Circuits-Mfrs
NASA	Mountain View	Federal Government-Space Research/Tech
Netapp Inc	Sunnyvale	Computer Storage Devices (mfrs)
Palo Alto Ctr	Palo Alto	Surgical Centers
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford School of Medicine	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Industry and Employment

The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 7.1 percent in September 2020, down from 7.3 percent in August 2020, and above the year-ago estimate of 2.6 percent. This compares with an unadjusted unemployment rate of 10.8 percent for California and 7.9 percent for the nation during the same period. The unemployment rate was 8.7 percent in San Benito County, and 7.0 percent in Santa Clara County.

SAN JOSE-SUNNYVALE-SANTA CLARA MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2015 through 2019
Annual Averages
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	1,042,000	1,058,200	1,069,300	1,074,900	1,085,200
Employment	997,700	1,017,400	1,034,100	1,045,600	1,057,400
Unemployment	44,200	40,800	35,200	29,300	27,800
Unemployment Rate	4.2%	3.9%	3.3%	2.7%	2.6%
<u>Wage and Salary Employment:</u> ⁽³⁾					
Agriculture	5,500	6,100	5,800	5,800	5,500
Mining and Logging	200	300	200	200	200
Construction	43,900	48,300	49,300	49,900	52,500
Manufacturing	164,800	166,700	166,900	172,100	173,000
Wholesale Trade	35,800	35,500	33,500	32,200	31,700
Retail Trade	86,600	85,800	85,800	85,700	83,600
Transportation, Warehousing, Utilities	14,600	15,500	15,400	15,800	16,200
Information	68,800	75,200	85,200	92,200	100,800
Finance and Insurance	21,100	21,500	21,600	21,600	21,900
Real Estate and Rental and Leasing	13,500	14,200	14,500	15,200	15,800
Professional and Business Services	223,700	232,600	236,600	237,000	242,900
Educational and Health Services	156,600	162,900	169,200	173,400	175,500
Leisure and Hospitality	96,800	100,600	103,400	105,700	106,500
Other Services	26,900	27,600	28,900	28,900	29,200
Federal Government	9,900	10,000	10,200	9,900	10,000
State Government	6,700	6,700	6,800	7,100	6,900
Local Government	76,400	77,400	78,600	79,700	80,300
Total all Industries	1,051,900	1,086,700	1,111,900	1,132,300	1,152,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State of California and the United States for the period 2016 through 2020.

CITY OF MORGAN HILL AND SANTA CLARA COUNTY Effective Buying Income As of January 1, 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	City of Morgan Hill	\$1,584,853	\$79,263
	Santa Clara County	73,637,380	79,345
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Morgan Hill	\$1,575,789	\$78,745
	Santa Clara County	77,917,425	81,466
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Morgan Hill	\$1,742,509	\$83,518
	Santa Clara County	85,859,495	88,243
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Morgan Hill	\$1,844,216	\$87,755
	Santa Clara County	91,332,099	92,773
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Morgan Hill	\$2,012,351	\$93,818
	Santa Clara County	97,710,060	98,882
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the first quarter of calendar year 2020 in the City were reported to be \$166,649,903 a 17.13% decrease in total taxable sales of \$201,087,074 reported during the first quarter of calendar year 2019. Annual figures are not yet available for calendar year 2020.

CITY OF MORGAN HILL
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	733	\$598,582	1,332	\$736,476
2016	801	615,625	1,375	772,485
2017	817	649,256	1,417	828,316
2018	842	697,280	1,498	873,551
2019	820	678,396	1,479	854,656

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	20,057	\$23,700,907	50,573	\$41,231,759
2016	30,146	24,158,590	50,519	41,831,669
2017	30,263	24,862,883	50,812	42,805,399
2018	30,266	26,885,138	52,994	45,353,074
2019	30,266	26,885,138	53,312	46,887,483

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015-2016. State Department of Tax and Fee Administration for year 2017 through 2019.

Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables.

**CITY OF MORGAN HILL
Building Permit Valuation
For Calendar Years 2015 through 2019
(Dollars in Thousands)⁽¹⁾**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$85,439.8	\$47,410.1	\$45,126.7	\$ 66,764.3	\$48,485.1
New Multi-family	33,568.0	22,069.9	8,598.7	48,388.6	14,930.1
Res. Alterations/Additions	<u>4,801.4</u>	<u>4,675.1</u>	<u>6,178.3</u>	<u>7,668.9</u>	<u>4,684.7</u>
Total Residential	\$123,809.2	\$74,155.1	\$59,903.7	\$122,821.8	\$68,099.9
 New Commercial	 \$11,010.9	 \$14,849.8	 \$13,301.1	 \$20,505.1	 \$29,825.4
New Industrial	520.0	0.0	0.0	0.0	0.0
New Other	15,047.7	6,008.9	14,659.1	14,242.9	5,291.1
Com Alterations/Additions	<u>6,322.5</u>	<u>9,654.1</u>	<u>9,713.3</u>	<u>8,914.2</u>	<u>8,388.5</u>
Total Nonresidential	32,901.1	\$30,512.8	\$37,673.5	\$43,662.2	\$43,508.6
 <u>New Dwelling Units</u>					
Single Family	296	168	164	202	179
Multiple Family	<u>234</u>	<u>105</u>	<u>47</u>	<u>317</u>	<u>62</u>
TOTAL	530	273	211	519	241

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY
Building Permit Valuation
For Calendar Years 2016 through 2020
(Dollars in Thousands)⁽¹⁾

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Permit Valuation</u>					
New Single-family	\$ 653,970.2	\$ 660,301.6	\$ 732,652.1	\$ 728,590.6	\$ 693,032.6
New Multi-family	706,781.1	564,761.0	1,760,303.9	1,098,643.3	567,726.7
Res. Alterations/Additions	<u>505,844.7</u>	<u>484,820.1</u>	<u>547,991.7</u>	<u>558,024.6</u>	<u>555,483.0</u>
Total Residential	\$1,866,596.0	\$1,709,882.7	\$3,040,947.7	\$2,385,258.0	\$1,816,242.3
New Commercial	\$1,258,808.7	\$2,327,643.2	\$1,150,170.4	\$1,962,366.5	\$2,664,298.3
New Industrial	100,301.2	44,268.9	118,567.1	32,080.0	41,875.8
New Other	533,644.5	282,966.1	303,729.1	120,557.4	273,529.1
Com Alterations/Additions	<u>1,697,046.2</u>	<u>2,072,862.8</u>	<u>1,786,849.8</u>	<u>2,017,142.3</u>	<u>2,467,939.0</u>
Total Nonresidential	\$3,589,800.6	\$4,727,741.0	\$3,359,316.3	\$4,132,146.2	\$5,447,644.9
<u>New Dwelling Units</u>					
Single Family	1,710	1,608	2,022	2,011	1,814
Multiple Family	<u>3,906</u>	<u>3,297</u>	<u>6,629</u>	<u>6,342</u>	<u>3,216</u>
TOTAL	5,616	4,905	8,651	8,353	5,030

⁽¹⁾ Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E
FORM OF BOND COUNSEL OPINION

Attachment: Morgan Hill 2020 Sewer Revenue Bonds - Preliminary Official Statement [Revision 1] (2906 : Adopt Resolution Authorizing The

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

BOND PURCHASE AGREEMENT

December 8, 2020

Morgan Hill Financing Authority
 17575 Peak Avenue
 Morgan Hill, CA 95037

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

Ladies and Gentlemen:

The undersigned, an authorized representative of Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), hereby offers to enter into this bond purchase agreement (the "Bond Purchase Agreement") with the Morgan Hill Financing Authority (the "Authority") and the City of Morgan Hill (the "City"). Upon the acceptance hereof by the Authority and the City, this offer will be binding upon the Authority, the City and the Underwriter. This offer is made subject to (a) the written acceptance hereof by the Authority and the City, and (b) withdrawal by the Underwriter upon written notice (given electronically or otherwise) delivered to the Authority and the City at any time prior to the acceptance hereof by each of the Authority and the City.

The Authority and City acknowledge that the Underwriters have made the statements in the following clauses (i) through (ii) and acknowledge and agree with respect to clauses (iii) and (iv): (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the Authority and City and the Underwriter and the Underwriter has financial and other interests that differ from those of the Authority and City; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisors or fiduciary to the Authority or City and has not assumed any advisory or fiduciary responsibility to the Authority or City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations the Underwriter has to the Authority and City with respect to the transaction contemplated hereby expressly are set forth in this Bond Purchase Agreement and as otherwise required by law; and (iv) each of the Authority and City has consulted with its own financial and/or municipal, legal,

accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

The Authority and the City hereby acknowledge receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning a complex municipal securities financing, if any.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase on the Closing Date (as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter on the Closing Date, the \$_____ aggregate principal amount of Morgan Hill Financing Authority Sewer Revenue Bonds, Series 2020 (the "Bonds").

The Bonds shall be dated their date of delivery, and shall have the maturities, bear interest at the rates, have reoffering yields, and be subject to the redemption terms as shown on Exhibit A hereto.

The aggregate purchase price to be paid by the Underwriter for the Bonds is hereby agreed to be \$_____, which amount represents the principal amount of the Bonds of \$_____, less \$_____, representing the Underwriter's discount, plus \$_____, representing an original issue premium. Such payment and delivery of the Bonds and the other actions contemplated hereby to take place at the time of such payment and delivery are herein sometimes called the "Closing" or "Closing Date."

The Bonds are being issued pursuant to Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "Marks-Roos Act"), a resolution of the Authority authorizing the issuance of the Bonds, adopted on November 18, 2020 (the "Authority Resolution"), and a Trust Indenture, dated as of December 1, 2020 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Section 1.01 of the Indenture.

The Bonds are being issued by the Authority to (a) finance the acquisition and construction of additions, betterments, extensions and improvements to the City's municipal sewer system (the "Sewer System"), and (b) pay costs of issuance of the Bonds.

The Bonds are special obligations of the Authority payable from revenues (the "Revenues"), consisting primarily of installment payments (the "Installment Payments") payable by the City under an installment purchase agreement, dated as of December 1, 2020, between the Authority, as seller, and the City, as purchaser (the "Installment Purchase Agreement"). The City's obligation to make the Installment Payments will be on a parity with its obligation to make installment payments under an installment purchase agreement, dated as of June 1, 2015 (the "2015 Installment Purchase Agreement"), by and between the Authority and the City, which secure the Authority's outstanding Sewer Revenue Bonds, Series 2015.

The City is legally required under the Installment Purchase Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Sewer System. "Net Revenues" with respect to the Sewer System as, for any period of computation, the amount of the Gross Revenues during such period, less the amount of Operation and Maintenance Costs of

the Sewer System during such period. The Installment Payments are scheduled in an amount sufficient to pay, when due, the principal of and interest on the Bonds. In addition to the Installment Payments, Net Revenues are pledged, ~~as a first and prior lien thereon,~~ to payments with respect to payments with respect to any parity obligations hereafter issued or incurred by the City. The City has covenanted under the Installment Purchase Agreement to prescribe, revise and collect such charges from the services and facilities of the Sewer System which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times the aggregate of the payments with respect to the Installment Payments and payments with respect to any parity obligations heretofore or hereafter issued or incurred by the City in such Fiscal Year. The Installment Payments are not subject to abatement.

All of the Authority's right, title and interest in and to the Installment Purchase Agreement (except for the right to receive Additional Payments to the extent payable to the Authority and certain rights to indemnification), including the right to receive Installment Payments under the Installment Purchase Agreement, are assigned to the Trustee for the benefit of the Owners of the Bonds.

A preliminary official statement of the Authority and the City, dated November 25, 2020 (together with the Appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement"), has been prepared for use in marketing the Bonds, and a final Official Statement of the Authority and the City to be dated the date hereof, as amended to conform to the terms of this Bond Purchase Agreement, and with such changes and amendments as are mutually agreed to by the Authority, the City and the Underwriter, including the cover page, the appendices and all information incorporated therein by reference, is herein collectively referred to as the "Official Statement," will be prepared which shall be in substantially the form of the Preliminary Official Statement, with such changes and amendments thereto as may be mutually agreed upon by the Underwriter, the Authority and the City.

It shall be a condition to the Authority's obligation to sell and to deliver the Bonds to the Underwriter and to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds that the entire \$_____ aggregate principal amount of the Bonds as authorized by the Indenture shall be sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter may change the offering prices (or yields) of the Bonds from time to time at any time. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The obligation of the Authority to sell and deliver the Bonds to the Underwriter shall also be conditioned upon the delivery by Norton Rose Fulbright LLP, Bond Counsel ("Bond Counsel"), of its approving legal opinions with respect to the Bonds.

The Authority and the City hereby authorize the Underwriter to use and distribute the Installment Purchase Agreement, the Indenture, the Preliminary Official Statement and the Official Statement and the information contained in such documents in connection with the public offering and sale of the Bonds. The Authority and the City have authorized the use of the Preliminary Official Statement in connection with the public offering of the Bonds by the Underwriter prior to the date hereof.

2. Bona Fide Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement (defined below) and in accordance with the priority of order instructions from the City or Authority, if any, or as otherwise applicable in accordance with the rules of the MSRB. The Underwriters shall take all required steps to ensure that orders

submitted during any retail order period meet the requirements of the City or the Authority, if any, and the requirements of the MSRB rules. Subject to Section 3(c), the Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices; provided, however, that the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to resell the Bonds to the public on terms consistent with this Bond Purchase Agreement, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriters to the Authority for the Bonds.

3. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority and the City in establishing the issue price of the Bonds and shall execute and deliver to the Authority and the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Authority and the City under this Section 3 to establish the issue price of the Bonds may be taken on behalf of the Authority and the City by the City's municipal advisor identified herein and any notice or report to be provided to the Authority and the City may be provided to the City's municipal advisor.

(b) The Authority and the City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority and the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority and the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) The Underwriter confirms that any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority and the City acknowledge that, in making the representation set forth in this subsection, the Underwriter

will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Authority and the City further acknowledge that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(d) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section 3. Further, for purposes of this Section 3:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority and the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

4. The Bonds. The Bonds will be issued, executed and delivered pursuant to the Indenture. The City Council of the City adopted a resolution on November 18, 2020, relating to the Bonds (the “City Resolution”). This Bond Purchase Agreement, the Installment Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined), are collectively referred to as the “City Documents.” This Bond Purchase Agreement, the Indenture and the Installment Purchase Agreement are collectively referred to as the “Authority Documents.”

5. Official Statement, Continuing Disclosure.

(a) The Authority and the City represent that they have deemed the Preliminary Official Statement to be final as of its date, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount,

principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

(b) The Underwriter agrees that, prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent electronically or by first class mail (or other equally prompt means) not later than the second business day following the date upon which each such request is received.

(c) The Authority agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the final Official Statement relating to the Bonds as the Underwriter shall reasonably request as necessary for the Underwriter to comply with paragraph (b)(4) of the Rule and with Rule G-32, Rule G-36 and all other applicable rules of the MSRB. The Authority agrees to deliver such Official Statements within seven business days after the execution hereof. The Underwriter agrees to give notice to the Authority on the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule, which date shall be no earlier than 25 days after the "end of the underwriting period," as determined in accordance with subsection (e) herein.

(d) Prior to the earlier of (i) receipt of notice from the Underwriter that no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule or (ii) 25 days after the date of the Closing, the Authority and the City shall provide the Underwriter with such information regarding the Authority and the City, each of their current financial conditions and ongoing operations as the Underwriter may reasonably request.

(e) The Authority and the City agree that, for a period of 25 days after the "end of the underwriting period" (as defined in the Rule), if any event of which it has actual knowledge occurs as a result of which the information in the Official Statement as then in existence would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Authority and the City shall promptly prepare, or cooperate in the preparation of, an amendment or supplement to the Official Statement which will correct such statement or omission. The Authority and the City shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. The Authority and the City shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. Unless the Underwriter otherwise advises the Authority and the City that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date. If such notification shall be subsequent to the Closing, the Authority and the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The Authority and the City hereby covenant and agree that it is a condition precedent to the Underwriter's obligation to purchase the Bonds that, on or prior to the Closing Date, it will enter into an agreement or contract for the benefit of the owners of the Bonds in which the

Authority and the City will undertake to provide financial information, operating data and notices of material events as required by paragraph (d)(2)(ii) of the Rule substantially in the applicable form in Appendix C to the Official Statement (the "Continuing Disclosure Certificate").

(g) The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system or as otherwise provided by the Securities Exchange Commission or MSRB within one business day after receipt thereof from the Authority, but in no event later than the Closing Date.

6. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees as follows:

(a) The City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority (i) to enter into, execute and deliver the City Documents; and (ii) to carry out and consummate the transactions on its part contemplated by the City Documents and the Official Statement.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents, and the consummation by it of all other transactions contemplated by the City Documents, all pursuant to the City Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the members of the City Council of the City was continuously present. The City Resolution has not been modified, amended or rescinded since the date of its adoption. When executed and delivered by the City, the City Documents will constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the City Documents) or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as provided by the City Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents or the consummation by it of all other transactions contemplated by the City Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Bond Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the City the validity or enforceability of the Bonds or the City Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the City to cause the execution and delivery by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the City of the City Documents.

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(h) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (k) of this Section 6) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (k) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the City executing this Bond Purchase Agreement has knowledge shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(l) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the City Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(m) So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the City will not issue or sell, or cause to be issued or sold, any bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from Installment Payments.

(n) The City shall honor all other covenants on its part contained in the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

(o) Except as described in the Preliminary Official Statement and Official Statement, the City has never failed to comply in all material respects with any undertaking of the City pursuant to the Rule.

(p) The audited financial statements of the City appended to the Official Statement for the year ended June 30, 2020, and any unaudited financial information presented in the body thereof, fairly present the financial position and results of the City as of the dates and for the periods set forth. Prior to the Closing Date, there will have been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City. The City is not a party to any litigation or other proceeding pending, or to its knowledge, threatened, which if, decided adversely to the City, would have a materially adverse effect on the financial condition of the City.

7. Representations, Warranties and Agreements of the Authority. The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to a Joint Exercise of Powers Agreement between the City and the Parking Authority of the City of Morgan Hill, dated as of May 1, 2015 (the "JPA Agreement").

(b) The Authority has full legal right, power and authority (i) to enter into, execute and deliver the Authority Documents and to sell and deliver the Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the issuance of the Bonds and the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and approved the distribution thereof (including in electronic form), has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the execution and delivery of the Bonds on its part contained in the Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the execution and delivery of the Bonds, all pursuant to the Authority Resolution adopted at a meeting duly called and held in accordance with the requirements of all applicable laws and at which a quorum of the board members of the Authority was continuously present. The Authority Resolution has not been modified, amended or rescinded since the date of its adoption and each Authority Document is the valid and binding obligation of the Authority. When executed and delivered by the Authority, the Authority Documents will constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought.

(d) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or the JPA Agreement, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Authority Documents) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Bonds or the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, Bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Authority Documents.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of

the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the execution and delivery of the Bonds under the Authority Documents or the consummation by it of all other transactions contemplated by the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Bonds and the Authority Documents have been duly obtained.

(f) The Bonds, when executed, issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly executed and outstanding obligations, entitled to the benefits of the Indenture, and upon such execution and delivery, the Indenture will provide, for the benefit of the Owners from time to time of the Bonds, the legally valid and binding security interest it purports to create.

(g) There is no action, suit, proceeding, inquiry or investigation, notice of which has been duly served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance, execution or delivery of the Bonds pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bonds or the Authority Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority to cause the execution and delivery of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the authorization, execution, delivery or performance by the Authority of the Bonds or the Authority Documents.

(h) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and the Underwriter shall bear all costs in connection with the foregoing.

(i) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with the Rule, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (l) of this Section 7) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended pursuant to paragraph (l) of this Section 7, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement (other than information therein provided by the Underwriter) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event of which the officer of the Authority executing this Bond Purchase Agreement has knowledge shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(m) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby or required for the valid execution and delivery of the Bonds shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(n) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any Bonds or other obligations, other than the Bonds delivered thereunder, the interest on and premium, if any, or principal of which will be payable from the Revenues.

(o) The Authority shall honor all other covenants on its part contained in the Indenture and the Installment Purchase Agreement which are incorporated herein and made a part of this Bond Purchase Agreement.

8. Closing. At 8:00 A.M., Pacific Standard time, on December 22, 2020, or on such other date time, as may be mutually agreed upon by the Authority, the City and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC"), or at such other place as the Authority, the City and the Underwriter may mutually agree, the Bonds in definitive, fully registered form (one Bond for each maturity), duly executed and registered in the name of Cede & Co. as nominee of DTC; and, subject to the terms and conditions hereof, the Underwriter shall wire to the Trustee Federal Reserve Bank funds in the amount of the purchase price of the Bonds.

9. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements the officers and other officials of the Authority and of the City, authorized Representative of Bond Counsel, the Trustee, counsel to the Authority and counsel to the City made in any certification or other documents furnished pursuant to the provisions hereof, and shall also be subject to the following additional conditions:

(a) The respective representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) All necessary official action of the Authority, the City and of the other parties thereto relating to the City Documents and the Authority Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the City or the Bonds, as the foregoing are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds; and

(e) At or prior to the Closing Date, the Underwriter shall have received copies of each of the following documents:

- (i) the Bonds;
- (ii) the Official Statement and each supplement or amendment, if any, thereto, executed by authorized officers of the Authority and the City;
- (iii) a copy of the Indenture, executed by the parties thereto;
- (iv) a copy of the Installment Purchase Agreement, executed by the parties thereto;
- (v) a copy of the Continuing Disclosure Certificate, executed by the City;
- (vi) a certified copy of the JPA Agreement;
- (vii) receipts for Bonds and the Bond proceeds;

that: (viii) a certificate or certificates of the City, dated the Closing Date, to the effect

(A) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the City has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the City at or prior to the Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the City Resolution, or (iii) the execution and delivery of the City Documents and performance of its obligations thereunder, has been repealed, modified, amended, revoked or rescinded;

(C) subsequent to June 30, 2020, and prior to Closing, there have been no material adverse changes in the financial position of the City;

(D) no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(E) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(F) no consent is required for the inclusion of the City's audited financial statements for the Fiscal Year ended June 30, 2020, in the Official Statement;

(G) The City has the power and authority to operate the Sewer System and has complied, and is in compliance in all material respects, with the terms of the Act and the City Documents;

(H) The Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE 2020 BONDS" and the proceeds of sale of the Bonds will be applied as described in the Official Statement under the caption "FINANCING PLAN—Wastewater Projects;" and

(I) Except as described in the Preliminary Official Statement and Official Statement, there is no lawsuit, regulatory or other action now pending, or, to the best knowledge of the City, threatened, to attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting revenues, including Net Revenues, and other income, or the anticipated receipt of Net Revenues;

(ix) a certificate or certificates of the Authority, dated the Closing Date, to the effect that:

(A) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date and the Authority has complied with all of the terms and conditions of this Bond Purchase Agreement required to be complied with by the Authority at or prior to Closing Date;

(B) none of the proceedings or authority for (i) the authorization, sale, execution and delivery of the Bonds, (ii) the adoption of the Authority Resolution, or (iii) the execution and delivery of the Authority Documents, has been repealed, modified, amended, revoked or rescinded;

(C) no event affecting the Authority has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and

(D) the information and statements contained in the Preliminary Official Statement and Official Statement (other than information relating to the Underwriter, the Municipal Advisor and The Depository Trust Company and its book-entry system) do not contain an untrue statement of a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and to the best of its knowledge after reasonable investigation, the Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which would have a material adverse impact on the Authority's ability to perform its obligations under the Authority Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument;

(x) an opinion, dated the Closing Date and addressed to the Underwriter and the Authority, of the City Attorney, to the effect that:

(A) the City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California;

(B) the City Documents have been duly approved by resolutions of the City adopted at meetings duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at

which a quorum of the members of the City Council of the City was continuously present and such resolutions have not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the City Council of the City or officer of the City to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the City Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the City of, or the performance by the City of its legal obligations under, the City Documents or in which a final adverse decision could materially adversely affect the operations of the City; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the City of, and the performance by the City of its obligations under, the City Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the City is a party or by which it is bound and of which such counsel has knowledge;

(E) the City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery of the City Documents by the parties thereto other than the City, the City Documents constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency within the State having jurisdiction over the City required for the issuance of the Bonds or the consummation by the City of the other financial transactions contemplated by the Official Statement and the City Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the City, (ii) the representations and warranties contained in each closing certificate of the City, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the City.

(xi) an opinion or opinions, dated the Closing Date and addressed to the Underwriter, of counsel for the Authority, to the effect that:

(A) the Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to the JPA Agreement;

(B) the Authority Documents have been duly approved by a resolution of the Authority adopted at a meeting duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at which a quorum of the members of the Board of Directors of the Authority was continuously present and such resolution has not been modified, amended or rescinded since the date of its adoption;

(C) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (1) challenges the right or title of any member of the Board of Directors of the Authority or officer of the Authority to hold his or her office or exercise or perform the powers and duties pertaining thereto; (2) challenges the validity or enforceability of the Bonds or the Authority Documents; (3) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the Authority of, or the performance by the Authority of its legal obligations under, the Authority Documents or in which a final adverse decision could materially adversely affect the operations of the Authority; or (4) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(D) to such counsel's best knowledge, the execution and delivery by the Authority of, and the performance by the Authority of its obligations under, the Authority Documents, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Authority is a party or by which it is bound and of which such counsel has knowledge;

(E) the Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Authority Documents by the parties thereto other than the Authority, the Authority Documents constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(F) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency having jurisdiction over the Authority required for the issuance of the Bonds or the consummation by the Authority of the other financial transactions contemplated by the Official Statement and the Authority Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the Authority, (ii) the representations and warranties contained in each closing certificate of the Authority, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the Authority.

(xii) an opinion, dated the Closing Date and addressed to the Authority, of Bond Counsel, substantially in the form set forth in Appendix E to the Official Statement,

together with a letter from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(xiii) a supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, to the effect that:

(A) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(B) the Bond Purchase Agreement has been duly executed and delivered by the Authority and the City and is a valid and binding agreement of the Authority and the City; and

(C) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS" and "TAX MATTERS," in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" and in APPENDIX E—"FORM OF OPINION OF BOND COUNSEL," insofar as such statements expressly summarize certain provisions of the Indenture, the Installment Purchase Agreement, certain tax matters relating to the Bonds and the final opinion of Bond Counsel, are accurate in all material respects;

(xiv) a letter, dated the Closing Date and addressed to the Authority and the Underwriter of Nixon Rose Fulbright LLP, as disclosure counsel ("Disclosure Counsel"), to the effect that based upon its participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement, and except to the extent set forth in their supplemental opinions such counsel advises that during the course of such representation of the Authority as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement and the Official Statement as of its respective date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion (except opinions of Bond Counsel), the information in Appendices B or F to the Preliminary Official Statement and the Official Statement or any information about book-entry or DTC included therein, as to which no opinion or view is expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xv) the opinion of Quint & Thimmig LLP, as Underwriter's counsel, satisfactory to Underwriter;

(xvi) a certificate of an authorized officer of the Trustee satisfactory to the Underwriter, certifying substantially as follows:

(A) the Trustee is a national banking association duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into the Indenture and to perform its duties under the Indenture;

(B) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture and, when executed by the other parties thereto, the Indenture will constitute a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms;

(C) the Bonds have been duly authenticated and delivered to the Underwriter pursuant to direction from the Authority;

(D) the Trustee is not in breach of or default under any law or administrative rule or regulation of the State of California or of any department, division, agency or instrumentality thereof, of any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Indenture;

(E) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the execution, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds or the Indenture;

(F) the execution and delivery of the Indenture will not conflict with or constitute a breach of or default under the Trustee's duties under such documents, or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(G) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication and delivery of the Bonds, the execution and delivery of the Indenture, the performance of the Trustee's duties under the Indenture or the consummation by the Trustee of the other transactions contemplated by the Indenture, except as such may be required under the state securities or blue sky laws in connection with the distribution of the Bonds by the Underwriter;

(xvii) an opinion of counsel to the Trustee in form and substance acceptable to the Underwriter and Disclosure Counsel;

(xviii) 15c2-12 certificates of the City and the Authority;

(xix) certified copies of the City Resolution and the Authority Resolution;

(xx) evidence that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, has assigned the rating of "___" to the Bonds;

(xxi) evidence required filings with the California Debt and Investment Advisory Commission;

(xxii) an Arbitrage Certificate relating to the Bonds in a form satisfactory to Bond Counsel;

(xxiii) an issue price certificate substantially in the form attached to this Bond Purchase Agreement as Exhibit B;

(xxiv) a certificate or certificates of the City, dated the Closing Date, evidencing satisfaction of the requirements of the 2015 Installment Purchase Agreement for the incurrence of the Installment Purchase Agreement as a Parity Obligation (as defined in the 2015 Installment Purchase Agreement);

(xxv) transcripts of all proceedings relating to the authorization, issuance, execution and delivery of the Bonds; and

(xxvi) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's and the Authority's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City and the Authority on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by each of them.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel, Disclosure Counsel and the Underwriter.

If the Authority and the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter, the Authority or the City shall be under any further obligation hereunder.

10. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City in writing, of its election to do so, if, after the execution hereof and prior to the Closing:

(a) the United States has become engaged in, or there has been an escalation of, hostilities which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(c) an event shall have occurred, or been discovered as described in paragraph (k) of Section 6 or paragraph (l) of Section 7 hereof, which in the opinion of the Underwriter requires

the preparation and publication of disclosure material or a supplement or amendment to the Official Statement;

(d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the Authority's or the City's obligations;

(f) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the execution, issuance, delivery, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement;

(g) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(h) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers;

(i) trading in securities on the New York Stock Exchange or other national securities exchange or association shall have been suspended or limited or minimum prices have been established on either such exchange;

(j) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States municipal securities market; or as of the date hereof that in the Underwriter's reasonable opinion materially adversely affects the marketability or market price of the Bonds; or

(k) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets.

If this Bond Purchase Agreement shall be terminated pursuant to this Section 10, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligations hereunder is not satisfied or because of any refusal, inability or failure on the part of the City or the Authority to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the City or the

Authority shall be unable to perform all of its respective obligations under this Bond Purchase Agreement, neither the City nor the Authority shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement. The Underwriter may, in its sole discretion, waive any of the conditions set forth in Section 9 or this Section 10.

11. Changes in Official Statement. After the Closing, neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing.

12. Payment of Costs and Expenses.

(a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter shall be payable by the Authority from the proceeds of the Bonds, including, but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) reasonable meals and travel expenses of the City and Authority paid for by the Underwriter, but not entertainment expenses; (iii) the fees and expenses of the City, its counsel, municipal advisor and consultants; (iv) the fees and expenses of the Authority, its counsel and consultants; (v) the fees and expenses of Bond Counsel; (vi) the fees and expenses of Disclosure Counsel; (vii) all expenses in connection with the preparation and printing of the Bonds; (viii) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (ix) the initial fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel; and (x) the fees and expenses of any rating agency rating the Bonds.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter's Counsel, and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, including, air travel and hotel accommodations in connection with the pricing of the Bonds; investor meetings, rating agency trips and meetings; the Closing; meals and transportation for the Underwriter during rating agency, investor meetings; pricing and Closing trips; expenses of the Underwriter related to attending working group meetings, such as parking, meals and transportation and any other miscellaneous costs associated with the Closing; (iii) all other expenses incurred by the Underwriter in connection with the public offering and distribution of Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the City; and (iv) the fees of the California Debt and Investment Advisory Commission.

The Authority and the City acknowledge that they have had an opportunity, in consultation with such advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

13. Notices. Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing:

If to Authority and the City:	City of Morgan Hill 17575 Peak Avenue Morgan Hill, CA 95037 Attention: City Manager Phone: (408) 776-7382
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To the Underwriter:

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Ms. Eileen Gallagher, Managing Director
Phone: (415) 364-6829

14. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriter; (b) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (c) any termination of this Bond Purchase Agreement.

15. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the end of the underwriting period for the Bonds shall mean the earlier of (a) the Closing Date unless the City and the Authority have been notified in writing by the Underwriter, on or prior to the Closing Date, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the Closing Date, or (b) the date on which notice is given to the City and the Authority by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City and the Authority pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the Closing Date, the Underwriter agrees to notify the City and the Authority in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule. The Underwriter agrees to file a copy of the Official Statement with each of the nationally recognized municipal securities information repositories.

16. No Assignment. This Bond Purchase Agreement is entered into between the City, the Authority and the Underwriter, and is solely for the benefit of the City, the Authority, the Underwriter and their respective successors or assigns, and no person other than the foregoing shall acquire or have any right under or by virtue of this Bond Purchase Agreement. All of the representations, warranties and agreements contained in this Bond Purchase Agreement shall survive the delivery of and payment for the Bonds and any termination thereof.

17. Effectiveness. This Bond Purchase Agreement shall become effective upon the execution of the acceptance by an authorized representative of the City and an authorized representative of the Authority and shall be valid and enforceable at the time of such acceptance.

18. Headings. The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

19. Governing Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

20. Counterparts; Electronic Delivery of Documents. This Bond Purchase Agreement (i) shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance and (ii) contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements, prior writings and representations with respect thereto.

This Bond Purchase Agreement may be executed in several counterparts, including counterparts that are manually executed and counterparts that executed with an electronic signature, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. The person associated with any such signature shall be deemed to have had the intent to sign this Bond Purchase Agreement with an electronic signature and that agrees that execution of this Bond Purchase Agreement by electronic signature is attributable to such person. All parties executing this Bond Purchase Agreement expressly agree under the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that this Bond Purchase Agreement and all other agreements, certificates, opinions and similar records ("documents") relating to the Bonds constitute a "transaction" under the UETA and expressly agree to allow all aspects of the transaction to which the UETA can apply to be conducted by electronic means. For these purposes, a signature by fax, e-mail, or other electronic technology on a document relating to the Bonds shall constitute an "electronic signature" to an "electronic record" under the UETA with respect to this specific transaction.

An electronic signature means a signature that is executed by symbol attached to or logically associated with a record and includes facsimile signatures or signatures transmitted by electronic mail in so-called PDF format. All parties to this Bond Purchase Agreement (a) agree that an electronic signature, whether digital or encrypted, of a party to this Purchase Bond Agreement or any other electronic record associated with the Bonds is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document relating to the Bonds sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Bond Purchase Agreement or any other document related to Series 2020 Bonds based on the foregoing forms of signature.

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If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the City, the Authority and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher,
Managing Director

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

MORGAN HILL FINANCING
AUTHORITY

By _____
Christina Turner
City Manager

ACCEPTED AND AGREED at:
Time: _____, December 8, 2020

CITY OF MORGAN HILL

By _____
Christina Turner
Executive Director

EXHIBIT A

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price
_____	_____	_____	_____	_____

* Term Bond

Redemption Provisions*Optional Redemption*

The Bonds maturing on or before October 1, ____, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, ____, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after October 1, ____, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Special Mandatory Redemption from Insurance and Sale Proceeds

The Bonds are subject to mandatory redemption, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the City under the Installment Purchase Agreement, at a redemption price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the redemption date.

Mandatory Sinking Account Redemption

The Bonds maturing on October 1, ____, and October 1, ____, (the "Term Bonds") are also be subject to redemption, by lot, on October 1 in each of the years as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to paragraphs described above, the total amount of all future payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

Sinking Account Redemption Date (October 1)	Principal Amount to be Redeemed
---	------------------------------------

†Maturity

EXHIBIT B

ISSUE PRICE CERTIFICATE

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), based on the information available to the Underwriter, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (collectively, the “Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated the Sale Date, between the Underwriter and the Issuer, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Underwriter has not offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) “*General Rule Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “*Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “*Issuer*” means the Morgan Hill Financing Authority.

(e) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than the Underwriter or a related party to the Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means December 8, 2020.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation of the Underwriter of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter makes no representation as to the legal sufficiency of the factual matters set forth herein.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Managing Director

Dated: December 22, 2020

SCHEDULE A TO ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

\$ _____
MORGAN HILL FINANCING AUTHORITY
Sewer Revenue Bonds, Series 2020

Hold-the- Offering Price Maturities	General Rule Maturities	Maturity Date (June 1)	Principal Amount	Interest Rate	Reoffering Price
--	-------------------------------	---------------------------	---------------------	------------------	---------------------

* Term Bond

SCHEDULE B TO ISSUE PRICE CERTIFICATE
PRICING WIRE OR EQUIVALENT COMMUNICATION

Attachment: Bond Purchase Agreement (2006 : Adopt Resolution Authorizing The Sale of Sewer Revenue Bonds)



CITY COUNCIL STAFF REPORT

MEETING DATE: November 18, 2020

PREPARED BY: Angie Gonzalez, Council Services Assistant
APPROVED BY: City Manager

ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Preserving and Cultivating Public Trust

2020-2021 Strategic Priorities

Economic Development

GUIDING DOCUMENTS

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

On November 4, 2020, the City Council introduced Ordinance No. 2318 New Series, by the following roll call vote: AYES: Carr, McKay, Spring, Martinez Beltran, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

The applicant applied for a Zoning Map Amendment to establish a Planned Development (PD) Combining District and Master Plan on November 1, 2019. The project, as amended, includes a 4,500 square foot urgent care facility, a 10,000 square foot cancer center, a 100,000 square foot medical office/hospital with 55 beds, a parking deck, a 10,000 square foot commercial retail/restaurant building, and a maximum 150-unit residential development.

Ordinance 2318 would approve Zoning Map Amendment ZA2019-0016: Juan Hernandez – MH Medical Properties (Lillian Commons) and change the zoning designation of the subject parcels (APNs 817-09-041, 817-09-039 and 817-09-040) from Service Commercial (CS) and PD to Mixed-Use Flex (MU-F) and PD and establish

a master plan for a mixed-use development project.

Council conditioned approval of the ordinance on an agreement by the applicant to either 1) construct the infrastructure necessary to support a medical campus, or 2) be halfway through the OSHPD approval process for a hospital prior to issuance of building permits for the housing development.

~~The OSHPD approval process is not a defined period and continues throughout the construction of a hospital building. Because the halfway point is not something that can be determined, staff is recommending that the second criteria be changed to require a purchase and sale agreement with a hospital system in lieu of having to make a determination that the project is halfway through the OSHPD permitting process.~~

~~This agreement has been incorporated into the language of the ordinance. The revised ordinance will be supplemented prior to the November 18th City Council meeting.~~

The OSHPD approval process is not a defined period and continues throughout the construction of a hospital building. Because the halfway point is not something that can be determined, staff originally considered that the second criteria be changed to require a purchase and sale agreement with a hospital system in lieu of having to make a determination that the project is halfway through the OSHPD permitting process.

However, upon further research and conversations with other hospitals, requiring an application to OSHPD would be a much further step towards the creation of a medical campus. The OSHPD application requires full construction drawings to move forward - there is no preliminary or conceptual step. Therefore, the following has been added to the agreement: Developer and healthcare provider have filed application with OSHPD, paid application fee and submitted construction documents and specifications to a warm shell standard.

These revised conditions have been incorporated into the language of the ordinance (Section 4.4 of Exhibit A – supplement 1).

COMMUNITY ENGAGEMENT: Inform

The proposed project was publicly noticed including a mailing to property owners within 600 feet of the project and a display ad in the newspaper for the minimum 10-day period and a sign was posted on the project site pursuant to the Planning Division requirements. Residents on the Planning Commission notify me email list were notified of the proposed ordinance on Friday, September 25, 2020. At that time, copies of the staff report and draft ordinance were posted to the City's website. A second notice was sent to residents on the City's e-mail lists on September 28, 2020. The Planning Commission held a public hearing to consider the proposed ordinance on September 29, 2020 and October 13, 2020.

This staff report was posted to the project webpage, all City social media accounts, and send to the community via City email blast on October 29, 2020 in advance of the November 4, 2020 City Council hearing.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Prior to the Planning Commission September 29, 2020 and October 13, 2020 meetings, the Planning Commission reviewed the preliminary application associated with this project at their January 28, 2020 meeting. As required by Section 18.30.050 (Planned Development Combining District) of the Morgan Hill Municipal Code, the applicant submitted an application for preliminary input from the Planning Commission on the proposed Planned Development on November 1, 2019. At the time, the applicant was requesting a Preliminary Review Application for a 4,500 square foot urgent care facility, a 10,000 square foot cancer center, a 100,000 square foot medical office/hospital with 55 beds, a parking deck, a 10,000 square foot commercial retail/restaurant building, and a 200 to 220-unit multifamily residential development.

A public hearing was held before the City Council on November 4, 2020.

FISCAL AND RESOURCE IMPACT:

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

CEQA (California Environmental Quality Act):

An Initial Study/Mitigated Negative Declaration (IS/MND) dated June 2020 was prepared for the project by David J. Powers in conformance with the California Environmental Quality Act (CEQA). The IS/MND was circulated for 30-days from June 30, 2020 to July 30, 2020. In summary, the comments received on the IS/MND did not raise any new issues about the project's environmental impacts, or provide information indicating the project would result in new environmental impacts or impacts substantially greater in severity than disclosed in the IS/MND.

LINKS/ATTACHMENTS:

1. Draft Ordinance 2318 Lillian Commons
2. 2318 Lillian Commons Exhibit A - As introduced on 11/4/20
3. Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption

Ordinance subject to change per direction of City Council from 11/4/2020 Public Hearing

ORDINANCE NO. 2318

AN ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

SECTION 1. The proposed amendment is consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860.

The project complies with the allowed density range for units and floor area ratio on the site in accordance with the General Plan.

SECTION 2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

The project is a mixed-used development that would provide health care services, retail and housing opportunities within the City.

SECTION 3. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.

The project is a mixed development proposal consisting of medical, retail and residential development. The project builds off the existing medical offices on the site to provide a complete medical services center; provides a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community; provide housing for the medical office/hospital uses that would be affordable to the

employees of these uses; provide housing in proximity to a school, commercial services and employment opportunities.

SECTION 4. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.

The proposed development is consistent with the policies established by the General Plan and Zoning Code.

SECTION 5. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.

The development will allow a mix of compatible uses, including a residential component to provide sustainability to the remainder of the uses, and a retail and medical office/hospital component to provide work opportunities to the neighborhood and community.

SECTION 6. The proposed project will provide a substantial public benefit. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.

Several public benefits include a medical center featuring medical offices, urgent care/pharmacy, and hospital beds; high-density housing to achieve Regional Housing Needs Allocation by providing lower income housing units; open space, courtyards, and plazas available to the public that provide opportunities for people to informally meet and gather; pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood; locate housing in proximity to parks, school, retail and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions; provide green buildings and sustainable development features, including photovoltaic renewable energy and exceeding Title 24 standards by three to five percent; and provide accessible parks and open space beyond the minimum required.

SECTION 7. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

The project site is 19.67-acres and will have a density of 7 to 24 dwelling units per acre and a floor area ratio of 0.42 to 0.5. The size and shape of the site will accommodate the proposed medical, retail, residential and open space uses.

SECTION 8. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

The site fronts Juan Hernandez Drive and Barrett Avenue. There are wet and dry utilities and infrastructure in the surrounding area that will support the project.

SECTION 9. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.

The project is compatible with the surrounding single-family residential uses and Barrett Elementary School and will not have a substantial adverse effect with Conditions of Approval and Mitigation Measures included. The open space and residential uses will provide a suitable buffer between the adjacent single-family residences and school.

SECTION 10. The request was considered by the Planning Commission at its regular meeting of September 29, 2020 and October 13, 2020, at which time the Planning Commission recommended approval of Zoning Amendment application, ZA2019-0016: Juan Hernandez – MH Medical Properties (Lillian Commons) and the Planned Development Master Plan as described in the attached Exhibit “A” dated October 30, 2019, and revised on March 13, 2020, and further revised by applicant on October 6, 2020, and by this reference incorporated herein. The City Council accepts the recommendation of the Planning Commission.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 4th DAY OF NOVEMBER 2020, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 18th DAY OF NOVEMBER 2020, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

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

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

IRMA TOREZ, City Clerk

∞ CERTIFICATE OF THE CITY CLERK ∞

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 Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 18th day of November 2020.

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

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT A

Planned Development Master Plan

**PD Master Plan Zoning Amendment / General Plan Amendment/
Application for Development Permit**

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Lillian Commons, LLC-Applicant

**October 30, 2019
Revised March 13, 2020**



Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

**Prepared by
EMC Planning Group**

PD MASTER PLAN ZONING AMENDMENT /
GENERAL PLAN AMENDMENT /
APPLICATION FOR DEVELOPMENT PERMIT

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Prepared for

LiLLian Commons, LLC
782 Sleeper Avenue
Mountain View, CA 94040
Tel 650.575.9608

Prepared by

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www.emcplanning.com

March 13, 2020

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

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1.0

INTRODUCTION

This Planned Development (PD) Master Plan has been prepared pursuant to the requirements of the City of Morgan Hill Municipal Code, and submittal requirements of the Community Development Department. This PD Master Plan also incorporates the requirements for a General Plan Amendment; the property has been concurrently re-designated from Commercial to Mixed Use Flex.

The PD Master Plan covers an area of approximately 19.7 acres east of Juan Hernandez Drive and north of Tennant Avenue. Refer to PD Master Plan section 4.5 for maps illustrating the plan boundary.

The PD Master Plan presents the following required information:

- Planning objectives;
- Community benefits;
- Land uses and approvals;
- Development standard deviations requested;
- Circulation plan;
- Locations of public facilities and open space;
- Diagrams showing various aspects of planned development;
- Development phasing; and
- Ongoing obligations

The PD Master Plan provides an overlay to the base Commercial Services (CS) zoning district. The purpose of the CS zoning district is to provide an area for commercial services that may be inappropriate in neighborhood or pedestrian-oriented shopping areas, and which generally require automotive access for customer convenience, servicing of vehicles or equipment, loading or unloading, or parking of commercial service vehicles.

The purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in the City of Morgan Hill. Permitted land uses may deviate from the land use regulations of the applicable base zoning district, in this case Service Commercial, provided the PD combining district allows only those land uses permitted in the applicable general plan land use designation.

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2.0

PLANNING OBJECTIVES

The PD Master Plan is designed to achieve the following planning objectives:

- Build off existing medical offices to provide a complete medical services center within the City.
- Provide a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community.
- Provide housing for the medical office/ hospital uses that would be affordable to the employees of these uses.
- Provide high-density housing in proximity to a school, commercial services, and employment opportunities.

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3.0

COMMUNITY BENEFITS AND GENERAL PLAN AMENDMENT JUSTIFICATION

3.1 Planned Development Community Benefits

The PD Master Plan will provide the following community benefits to the City of Morgan Hill:

- Provide the City with a well-rounded medical center featuring medical offices, urgent care/ pharmacy, and hospital beds.
- Provide the City with additional high-density housing to help the City achieve its Regional Housing Needs Allocation for lower income housing, and construct affordable housing units.
- Provide the neighborhood and City with open space, courtyards, and plazas that provide opportunities for people to informally meet and gather.
- Provide the neighborhood and City with pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood.
- Locate housing in proximity to parks, a school, retail, and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions.
- Provide the City with green buildings and sustainable development features. These will include photovoltaic renewable energy and meeting or exceeding Title 24 standards by three to five percent.
- Provide accessible parks and open space beyond the minimum required by the City. Park land will be dedicated to the City and the project will provide a walking/ jogging trail around the perimeter of the property to facilitate healthy living.

3.2 General Plan Amendment Justification

The PD Master Plan incorporates an amendment to the 2035 General Plan designation for the property to Mixed Use Flex (MU-F). The general plan amendment is necessary to permit the residential and hospital uses. Under the PD zoning, only those uses allowed in the property's general plan land use designation may be permitted by the PD zoning, and the general plan amendment to Mixed Use Flex accomplishes that purpose.

The 2035 General Plan defines the Mixed Use Flex district as follows:

The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of Residential or Mixed-Use projects within the Mixed Use Flex designation a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

This definition suits the development planned in the PD Master Plan, as the PD Master Plan conceptual Site Plan incorporates housing near the medical office/hospital uses that is intended to be affordable to the employees of these uses. In addition, the conceptual Site Plan incorporates a small commercial component within a 10,000 square foot building, with retail/restaurant uses to serve the employees and visitors to the hospital as well as the surrounding residential community. The conceptual Site Plan shows how the medical office/hospital, commercial, and high-density residential uses will be arranged and connect with one another.

Best Interest of the Community

Why is the proposed amendment in the best interest of the community?

The residential uses are located within the property to provide a transition in intensity between the existing medical uses, Barrett Avenue Elementary School, and the single family residential uses abutting Juan Hernandez Drive to the west. The commercial, medical office/ hospital uses will be located adjacent to the existing medical offices, providing a campus feel on the property. The structured parking will provide adequate parking to accommodate the medical uses and provide overflow parking for the compatible high-density residential uses on the project site.

The mix of uses will provide convenient retail uses and services adjacent to both the high density residential uses and the medical office/hospital. The medical office/hospital will be located close to a freeway access, and just off two thoroughfares (Tennant Avenue and Butterfield Boulevard) providing convenient access to Morgan Hill residents and those from elsewhere in the region.

Public Need

Is there currently a public need for this amendment?

The Commercial uses outlined in the 2035 General Plan, though appropriate for this property, do not include the “third leg” which provides a sustainable living solution for commercial and institutional employees. Housing, and especially affordable housing, are a critical public need throughout the State, and especially in the Bay Area. Apartments¹ are an affordable housing option for service workers and would provide employees the opportunity to eliminate their commute to work. The one and two bedroom apartments², with 15 percent affordable, would allow younger adults, families, and seniors to live and work in a sustainable manner. Additionally the proposed amendment to the 2035 General Plan for this property would go a long way toward meeting several General Plan policies, as listed below, and addressed in Section 7.0, 2035 General Plan Consistency.

Housing- Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.

Healthy Community- Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.

City & Neighborhood Form- Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.

The proposed hospital would also provide for the public needs, adding a much-needed medical services to the City of Morgan Hill. The hospital will also provide a variety of jobs for the city and surrounding population.

¹ [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

² [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

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4.0

PROPERTY AND DEVELOPMENT DESCRIPTIONS

4.1 Property Description

Location

The property within the PD Master Plan is located in the City of Morgan Hill, California, on Juan Hernandez Drive between Tennant Avenue and Barrett Avenue, adjacent to South Valley Freeway (US Highway 101-Salinas Valley Freeway). [Figure 1, Regional Location Map](#), shows the property location in a regional setting. All figures discussed in this section are presented in Section 4.5. Regional access to the property is provided by US Highway 101, and local access to the property is provided by Tennant Avenue from the south and Barrett Avenue from the north. Ingress and egress to the project site will be primarily from Juan Hernandez Drive, along the western property boundary.

The approximately 19.67-acre property consists of two adjoining undeveloped parcels of land (13.94-acres and 4.04-acres) and one developed parcel (1.69-acres). [Figure 2, Location Map](#), illustrates the location of the property with the parcels delineated. [Figure 3, Assessor's Parcel Map](#), presents the parcel map for the property and the Assessor's Parcels Numbers (APNs) 817-09-041 (13.94-acres), 817-09-039 (4.04-acres) and 817-09-040 (1.69-acres). Legal descriptions are presented in Section 9.0.

Property Characteristics

The undeveloped land is relatively flat, with several trees located on the northern parcel. Most of the property is vacant and has been farmed in the distant past. Two medical office buildings and related site improvements (driveway, parking, landscaping, and utilities) exist on the southern portion of the property as illustrated on [Figure 4, Existing Conditions Map](#).

Existing Land Use Designation and Zoning

The property is designated Commercial in the 2035 General Plan as illustrated in [Figure 5, Existing City General Plan Land Use Diagram](#), and is located in the Service Commercial zoning district with a Planned Development Combining District Overlay (PD) as illustrated in [Figure 6, Existing City Zoning Map](#).

Property Data

Project Location

City of Morgan Hill, CA (East of Juan Hernandez Drive, south of Barrett Avenue and west of US Highway 101 or Salinas Valley Freeway).

Street Address

0 and 16130 Juan Hernandez Drive, Morgan Hill, CA

Existing Assessor's Parcel Numbers

817-09-039, and 817-09-040, and 817-09-041

Acreage

Gross Property Acreage: 4.04, 1.69, and 13.94 (19.67 acres)

Net Property Acreage: 4.03, 1.66, and 13.49 (19.18- acres)

Zoning

Services Commercial District (CS) with Planned Development Combining District (PD) overlay

General Plan Designation

Mixed Use Flex (amended from Commercial)

4.2 PD Master Plan Description

General Plan Amendment

Incorporated into the PD Master Plan is an amendment to the 2035 General Plan land use diagram to change the designation for the property from Commercial to Mixed Use Flex (MU-F). [Figure 7, General Plan Amendment](#) indicated the existing and proposed land use designation.

Zoning Map Amendment

Concurrent with approval of the PD Master Plan, the property will be re-zoned by ordinance to reflect the application of the Planned Development combining district with a base CS district, and incorporation of this PD Master Plan for the property as illustrated in [Figure 8, Zoning Plat](#).

Parcel Map

A parcel map will divide the property's three existing parcels into four parcels to facilitate development or sale. The two vacant parcels would be subdivided into three parcels (A-C). The existing medical office site (Parcel D), would be reconfigured and included as part of the overall PD Master Plan. [Figure 9, Tentative](#)

Parcel Map, prepared by the project engineer indicates how the property will be subdivided. The three existing lots will be re-organized into four parcels. Parcel A, 4.17 acres, Parcel B, 1.78 acres, Parcel C, 9.49 acres, Parcel D, 4.13 acres, and 0.10 acres will be dedicated as right-of-way along Barrett Avenue.

Development

Development anticipated within the PD Master Plan would be in the range of 350,000 – 417,696 square feet of residential, commercial, office, and/or institutional uses, including up to 200-150 multi-family dwelling units. All land uses permitted in the PD Master Plan are presented in Section 5.0.

Figure 10, Site Plan is presented in Section 4.5. The conceptual Site Plan includes five uses. The square footage of each use is that provided on the conceptual Site Plan, and could slightly increase or decrease.

- 4,500 square foot urgent care/pharmacy facility on the existing medical site;
- 10,000 square foot medical office as cancer center;
- 100,000 square foot medical office and hospital with a parking deck (multi-story with 54,000 square-foot footprint);
- 10,000 square foot commercial retail/restaurant building; and
- 200-150-unit multifamily residential development ~~(178,500 square feet living units plus clubhouse, and 32,886 square feet covered carports).~~

All uses will share common driveway access to Juan Hernandez Drive and Barrett Avenue. The conceptual Site Plan illustrates the overall development concept, including the proposed land uses, building placement, circulation patterns, parking, and open space. The descriptions in this section are based on the conceptual Site Plan.

Parcel A

The proposed medical/hospital facility will occupy one building in Parcel A. Two pick-up/drop-off areas are located adjacent to the proposed buildings to assist patients. Development of Parcel A includes a 500-space parking structure that will be shared by the adjacent uses along with access and utility infrastructure. A small park is also located on Parcel A for visitors and employees.

Parcel B

This parcel will be developed with approximately 10,000 square feet of commercial/retail uses, including a 5,000 square-foot sit down restaurant, a 55-space surface parking lot, and access and utility infrastructure. The remaining 5,000 square feet will be available for other personal service or retail uses. The mix of uses within this building will be market driven and could fluctuate over the life of the building.

Parcel C

Parcel C will be developed with 200-150 multifamily residential units ~~in five buildings, a 3,000-square foot leasing office/club house, interior recreation area, covered and uncovered parking for 359-vehicles~~

and bicycles. Additional vehicle parking will be available through a shared parking agreement with the developer of Parcel A. ~~The proposed mix of units consists of 61 one bedroom units and 139 two bedroom units. Two of the five buildings will be three stories, approximately 35 feet tall, and are located closest to Juan Hernandez Drive. The other three buildings will be four stories, approximately 45 feet tall and will be placed around an interior recreation area and swimming pool.~~ Parcel C may also be developed with Single Family attached and detached for-sale dwelling units or other medical office uses.

Parcel D

Parcel D includes two existing medical buildings totaling 15,900 square feet and parking. The existing medical buildings will remain and a new one story 4,500 square foot urgent care/pharmacy medical facility will be constructed on this parcel, located in what is now occupied by a portion of the parking lot, leaving 30 surface parking spaces to remain for the existing medical facility and urgent care/pharmacy. A 10,000 square foot medical office – cancer center and a 66-space surface parking lot will be developed on this reconfigured parcel. Parking for the existing medical building displaced by the proposed urgent care/pharmacy facility will be replaced adjacent to the proposed medical office – cancer center and through a shared parking agreement with the remainder of the medical facility that will be developed on the new Parcel A.

Parkland/Open Space

The PD Master Plan includes the provision of approximately 2.9 acres of parks and open space. Amenities on Parcel C include a swimming pool, hot tub, lounging patio, and tot lot/play area, open play fields, and jogging/walking trail connections to adjacent sidewalk systems. Recreational parkland amenities in Parcel A include passive recreational opportunities with a landscaped area and park benches located between the medical/hospital facility and the commercial uses on Parcel B. Trail connections are provided throughout the property including new pedestrian access to the existing medical campus (Parcel D).

Site Access/Circulation

Access to the project site will be provided by four driveways: the existing driveway to the medical office would be retained and extended to provide secondary access to the medical/hospital facility and cancer center. An additional driveway, approximately 460 feet north of the existing driveway, will provide the primary access to Parcels A-C through the middle of the property. Two additional driveways will provide secondary access to the multifamily residential development from Barrett Avenue. The accessways for all project components are interconnected within the property. All new accessways will be designed to meet City of Morgan Hill design and performance standards for streets, driveways, curb, gutter and sidewalks. The conceptual Site Plan provides a layout of the circulation system for the project.

Juan Hernandez Drive is a two lane street with striping at Barrett Avenue to allow for turn lanes. The street is wide enough to provide on street parking but individual spaces are not marked. Barrett Avenue is a two lane street primarily providing access to Barrett Elementary School. Two left turn lanes from Juan Hernandez Drive into the property are proposed.

Sidewalks will be extended into the property from the existing sidewalks along Juan Hernandez Drive and Barrett Avenue. Connection will be made to the existing sidewalks on Juan Hernandez Drive and Barrett Avenue. Within the project boundary, sidewalks will be provided on all internal driveways to meet Americans with Disabilities (ADA) standards. Bicycle traffic shares the paved area or uses the sidewalk. Pathways and sidewalks designated for bicycle use will meet Caltrans design standards for bikeways. The passive park with a jogging/walking trail for pedestrians, will serve as a passage way from Barrett Avenue to the south side of the property. Additionally, all the uses proposed in the development project will have pedestrian connections to the park.

Parking

Parking will be located on each parcel and a shared parking agreement will be implemented per Municipal Code Section 18.72.050, on-site parking alternative-Section F, to meet the parking needs of the development. Parking below standards for some uses will be met by implementing a shared parking agreement between the newly created parcels within the property. Additionally, the mix of land uses will result in walking trips that will reduce parking demands for some uses.

Signage and Lighting

A detailed signage and lighting plans will be submitted during the Design Review phase of the project review. Signage and lighting will comply with the City of Morgan Hill Municipal Code, Sections 18.88 and 18.72.060G. We anticipate signage will be located at the intersection of Juan Hernandez Drive and the main access drive into the property, currently labeled as Street A on the conceptual Site Plan. Additional internal signage locations have not been determined at this time.

Storm Water Infrastructure

All drainage systems will be designed to comply with City and Regional Water Quality Control Board requirements for storm water management. Bio swales will be dispersed throughout the development, including a 25-foot wide landscape buffer along the east property line and a storm water basin, located in the southeast corner of the property. All drainage improvements will be designed and landscaped to meet City and State design criteria and performance standards. Where necessary, fencing around the ponds will consist of black chain link or decorative fencing and landscaping to shield views from US Highway 101 and onsite patrons.

Other Utilities

Sewer, water, and wastewater infrastructure will be designed and constructed in conformance with City standards. Ownership and maintenance will generally correspond to location within public or private property. Where utilities cross private property, easements will be established as necessary to provide access. Other utility infrastructure (gas, electric, communications, etc.) will be designed and constructed in conformance with State or utility standards. Ownership of these utilities will remain with the utility, with easements established as necessary to provide access.

Phasing

The proposed project would likely be constructed in phases starting with development of Parcel C, followed by development of Parcels B and D, and closing with the development of Parcel A. The hospital use will require approvals by the Office of Statewide Health Planning and Development (OSHDP) and the Division of the State Architect, some approvals could take as long as seven years, which is why it is expected to be the final element of the project to be developed. Full occupancy of all uses is assumed to occur in the year 2025-2027. Market factors could result in a changed phasing sequence.

Conceptual Development Plans

Figure 10, *Conceptual Site Plan*, illustrates the overall development concept, including the proposed land uses, buildings, circulation patterns, parking, and open space and common areas. This plan documents the percentage of site area that will be dedicated for all types of open space.

Figure 11, *Pedestrian Circulation/Open Space Plan*, illustrates the connectivity of the project, how it relates to the surrounding pedestrian network, and open space proposed on the project site.

Figure 12, *Illustrative Site Plan*, is a conceptual color rendering of how all the elements come together on the property.

Figure 13, *Conceptual Site and Utility Plan*, provides locations of sewer, water and fire connection on the site plan and also shows the proposed storm water management areas.

Figure 14, *Conceptual Grading Plan*, provides conceptual contour grading, drainage and flood control facilities, easement, property lines, rights-of-ways, and existing features beyond the site boundaries. Structures, building footprint and floor elevations are also depicted on the conceptual Grading Plan.

Full Size Plans, Illustrative Building Elevations, provided under separate cover, illustrate the building elevations and provide perspective renderings for each building. The building architecture and design are inspired by a distinctly modern and geometric aesthetic, using classical materials for a timeless appearance. The elevations are crafted of warm wood, grey stone and contrasting light stucco. The transparent glazing panes will provide ample daylight and animate the buildings, flooding the interior spaces with natural light and the orthogonal volumes and surfaces complement each other. The parking deck form is reduced in mass by using landscape screens facing US Highway 101.

Full Size Plans, The Conceptual Landscape Plans, provided under separate cover, identify landscaped areas throughout the PD Master Plan and explain the main landscape concepts to be achieved for the project. The conceptual Landscape Plans identify the major types of plant material to be used including street trees, parking lot trees, shrubbery to be used to screen the parking lots, and buffer plantings.

Conceptual Site Development Data

The PD Master Plan's conceptual Site Plan (see Figure 10) is used to provide the numbers that were used to prepare the project description and CEQA documentation. Additional dwelling units or floor area may be achieved on the property. The PD Master Plan allows a range of 350,000 – 417,696 square

feet of commercial, office, and/or institutional floor space and a maximum of ~~200~~ 150 multi-family or single family dwelling units. It is expected the conceptual Site Plan will be modified prior to Design Review. Modification will be kept to a limit acceptable to not trigger additional CEQA impacts or mitigation measures. If the conceptual Site Plan changes exceed this limit, additional CEQA documentation may be necessary.

Medical Office/Cancer Center

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot maximum)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 2 EV spaces, and 5 bicycle spaces

Medical/Hospital

Building Coverage: 33,333 square feet

Floor Area: 100,000 square feet

Building Height: Three story (52-foot maximum including rooftop equipment)

Parking: 500 shared spaces within deck, including 9 ADA spaces, 10 EV spaces, and 25 bicycle spaces

Decked Parking

Building Coverage: 54,000 square feet

Building Height: Three story (32-foot)

Retail/Restaurant

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot)

Parking: 55 spaces, including 3 ADA spaces, 2 EV spaces, and 5 uncovered bicycle spaces

Multi-Family Housing

Building Coverage: 51,750 square feet (apartments and clubhouse/leasing office)³

Floor Area: 175,500 square feet – apartments; 3,000 square feet – club house⁴

Building Height: Varies by building: Three story (35-foot maximum); ~~Four-story (45-foot)~~

³ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

⁴ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Dwelling Units: ~~200~~ 150 Units (~~conceptual Site Plan assumes 61 at 1 bedroom and 139 at 2 bedroom, or 200 units~~)

Parking: 359 spaces, including 8 ADA spaces, 200 covered spaces, and 7 EV spaces

Bicycle Parking: 36 covered bicycle spaces, 40 uncovered bicycle spaces

Urgent Care and Pharmacy

Building Coverage: 4,500 square feet

Floor Area: 4,500 square feet

Building Height: One story (25-foot)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 3 uncovered bicycle spaces

Existing Medical Buildings

Building Coverage: 15,900 square feet (12,300 square feet and 3,600 square feet)

Floor Area: 15,900 square feet

Building Height: One story

Parking: 96 shared spaces, including 30 existing spaces, 4 ADA spaces, 2 EV spaces and 4 uncovered bicycle spaces.

Park

Open Space / Passive Park Acreage: +/- 2.2 acres

Recreation exclusive for Multi-Family: +/- 0.70 acres

Additional open space is provided on site in landscaped buffers including walking/jogging trails.

Total Building Coverage

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Allowed: 417,696 square feet (50% of net land area)

Proposed: Not to exceed 50% (conceptual Site Plan indicates 212,319 square feet (25% of net land area)

Floor Area Ratio (FAR)

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Maximum FAR (per MU-F 0.5): 417,696 square feet

Proposed FAR: (0.42-0.5) 350,000 to 417,696 square feet (conceptual Site Plan indicates 351,786 square feet)

Total Square Feet

(Within buildings/carports on conceptual Site Plan)

Retail/Restaurant: 10,000 square feet

Medical Offices (4): 30,400 square feet

Medical/Hospital: 100,000 square feet

Residential: 178,500 square feet (includes club house/leasing office at 3,000 square feet)

Covered Residential Parking: 32,886 square feet – expected to be carports

Total: 351,786 square feet – (does not include the commercial parking structure)

Total Parking

Proposed Vehicle Parking: 1,010 spaces total (96 compact spaces at bio swales)

Covered Vehicle Parking: 700 spaces (500 spaces within parking structure)

Bicycle Parking: 118 (36 covered spaces, 82 uncovered spaces)

ADA Parking: 28 spaces

Electric Vehicle (EV): 23 spaces

4.3 Implementing Approvals

After the actions noted above are complete (General Plan Amendment, Zoning Map Amendment, and Parcel Map), the following implementing actions will remain to be taken by the City prior to construction. These approvals will most likely be separate actions for each parcel within the PD Master Plan.

Final Maps. After the tentative parcel map is approved, final maps will be filed. It is anticipated that a separate final map may be filed for each parcel, along with a corresponding improvement plan.

Design Review Permits. Prior to construction, each structure will be required to obtain a design review permit. Each design review permit will be approved by resolution by the Planning Commission.

Conditional Use Permits. Some uses that are allowed within the PD Master Plan will require a conditional use permit. Each conditional use permit will be approved by resolution by the Planning Commission.

4.4 Ownership and Ongoing Obligations

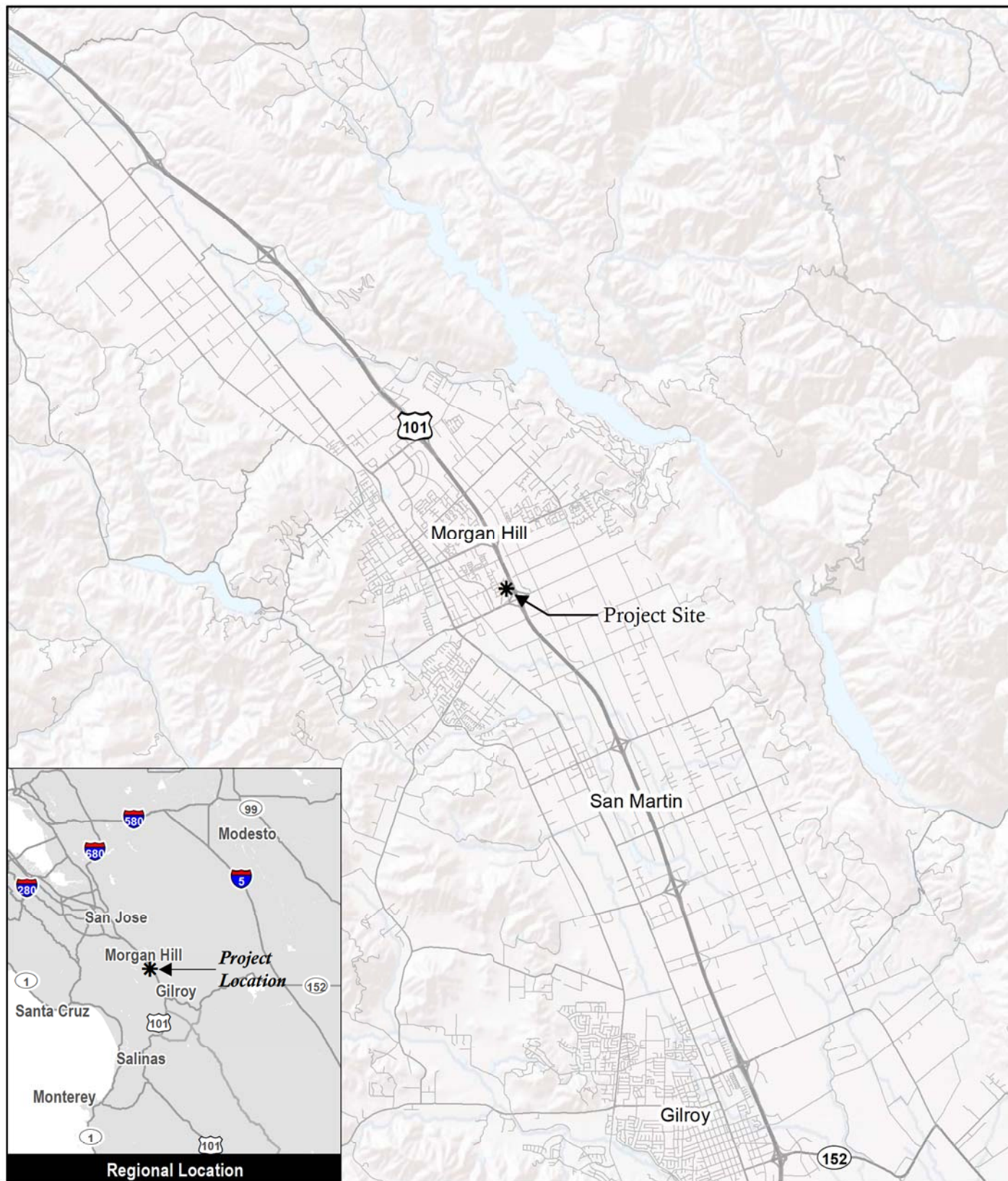
The PD Master Plan, General Plan Amendment, and subdivision proponent seeks to obtain City approval of the General Plan Amendment, PD Master Plan and subdivision entitlements. The applicant/proponent intends to develop Parcel D with the Medical Center (e.g. urgent care/pharmacy, cancer center, medical offices, etc.). The medical /hospital parcel, retail/restaurant parcel, and residential parcel will most likely be sold to end users or to specialized developers.

Park land will be set aside within an easement upon filing of the final parcel map(s). Infrastructure will be constructed by future developers. Dedication and long-term maintenance financing of circulation, water, wastewater, and storm water infrastructure will be determined when development applications are processed.

A memorandum of agreement (MOA) or development agreement (DA) will be drafted by the applicant and distributed to the developers of each lot to allow for an orderly manner in which to provide capital improvements and maintenance of the infrastructure and common areas located throughout the property. It is expected that a shared parking agreement will be prepared as part of the MOA/DA to allow shared parking among the end users of the PD Master Plan development.

4.5 Maps and Diagrams

Maps and Diagrams are presented on the following pages.



Source: ESRI 2019

Figure 1

Regional Location Map

Lillian Commons/Morgan Hill Medical Campus



0 2 miles



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0 300 feet



Subject Property



Morgan Hill
City Limits

Source: ESRI 2019, Santa Clara County GIS 2018

Figure 2

Vicinity Map

Lillian Commons/Morgan Hill Medical Campus

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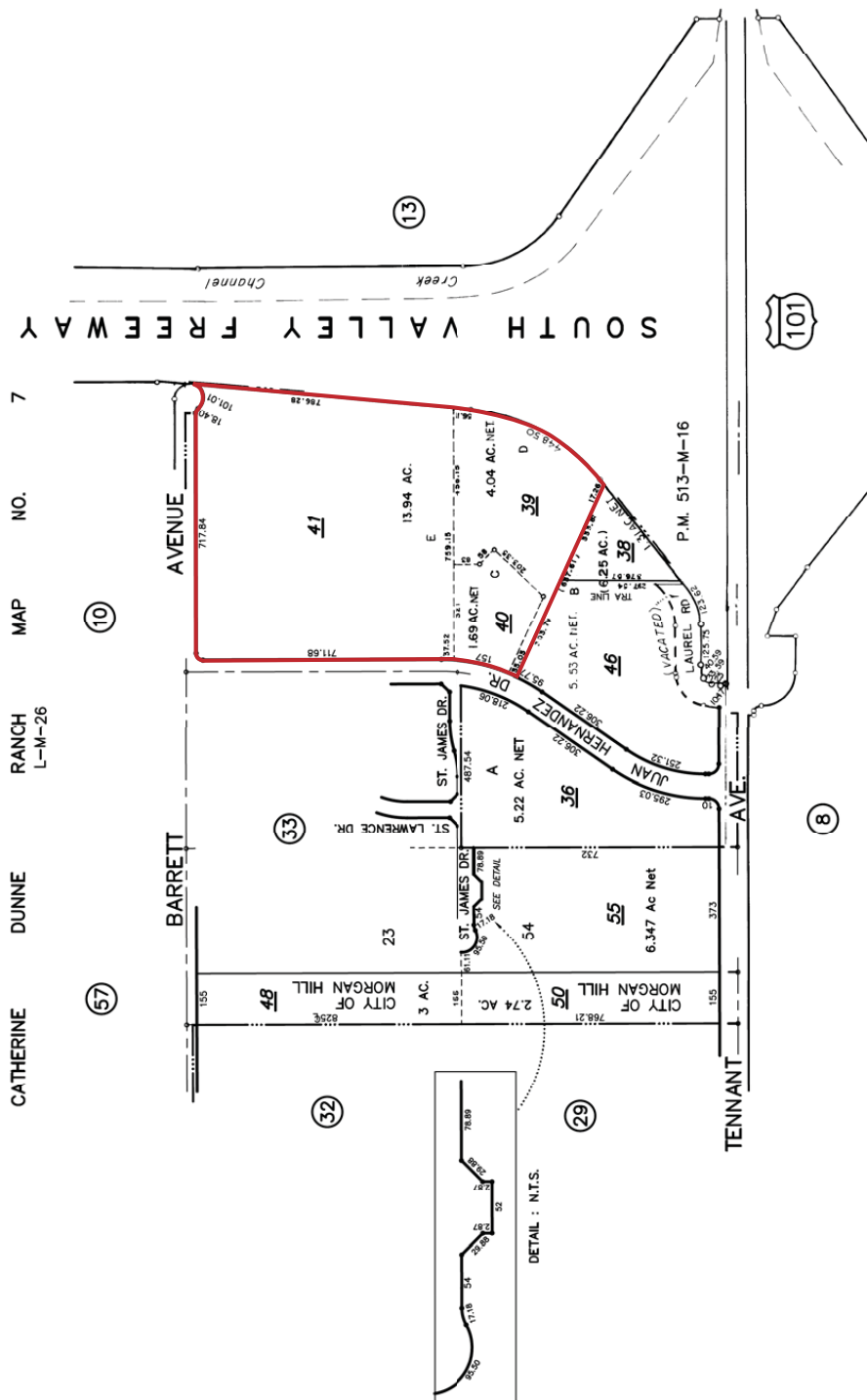
Figure 3

Assessor's Parcel Map

Lillian Commons/Morgan Hill Medical Campus

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

Source: Office of the Assessor, County of Santa Clara 2019



0 575 feet



Subject Property



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SURVEY NOTES

1. THIS MAP REPRESENTS AN AERIAL TOPOGRAPHIC SURVEY PERFORMED BY WHITSON ENGINEERS ON JUNE 26, 2019. MAPING SCALE IS 20' PER INCH WITH CONTOURS AT ONE FOOT INTERVALS.
2. THIS MAP PORTRAYS THE SITE AT THE TIME OF THE SURVEY AND DOES NOT SHOW SOILS OR GEOLOGY INFORMATION, UNDERGROUND CONDITIONS, EASEMENTS, ZONING OR REGULATORY INFORMATION OR ANY OTHER ITEMS NOT SPECIFICALLY REQUESTED BY THE CLIENT.
3. BOUNDARY LOCATIONS SHOWN HEREON WERE DETERMINED WITH THE BENEFIT OF A FIELD SURVEY SUPPLEMENTED BY RECORD DATA. ALL BOUNDARY SHOWN IS FROM RECORD DATA. THIS TOPOGRAPHY DOES NOT CONSTITUTE A BOUNDARY SURVEY. THERE MAY BE EASEMENTS OR OTHER RIGHTS, RECORDED OR UNRECORDED, AFFECTING THE SUBJECT PROPERTY WHICH ARE NOT SHOWN HEREON.
4. DISTANCES AND DIMENSIONS SHOWN ARE EXPRESSED IN FEET AND DECIMALS THEREOF, UNLESS OTHERWISE NOTED.
5. LOCATING OF UNDERGROUND UTILITIES WAS NOT WITHIN THE SCOPE OF THE TOPOGRAPHIC SURVEY. WITH THE EXCEPTION OF OBSERVED FACILITIES, SIZE AND LOCATION OF UNDERGROUND UTILITIES ARE SHOWN BASED ON AS-BUILT DOCUMENTS PROVIDED BY THE CITY OF MORGAN HILL.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NAVD88 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600, SHOWN HEREON.

LEGEND

- SUBJECT PROPERTY LINE
- ADJACENT PROPERTY LINE
- CENTERLINE
- SANITARY SEWER LINE
- WATER LINE
- STORM DRAIN
- EXISTING CONTOUR
- UTILITY MANHOLE
- STORM DRAIN CATCH BASIN
- FIRE HYDRANT
- WATER VALVE
- SURVEY MONUMENT (FOUND)

ABBREVIATIONS

- AC ACRE
- BW BACK OF WALK
- CB CATCH BASIN
- CH-LNK CHAIN LINK
- CONC CONCRETE
- EP EDGE OF PAVEMENT
- FL FLOWLINE
- GR GRATE
- HP HIGH POINT
- INV INVERT
- JP JOINT POLE
- LP LOW POINT
- MH MANHOLE
- OH OVERHEAD
- PL PROPERTY LINE
- SD STORM DRAIN
- SS SANITARY SEWER
- TC TOP OF CURB
- TS TRAFFIC SIGNAL
- WV WATER VALVE
- WM WATER METER
- x271.19 EXISTING SPOT ELEVATION

PROJECT TEAM

CIVIL ENGINEER / SURVEYOR

WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940

(831) 649-5225

ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEEN AVENUE, SUITE 210
SOUTH SAN FRANCISCO, CA 94080

(415) 312-0454

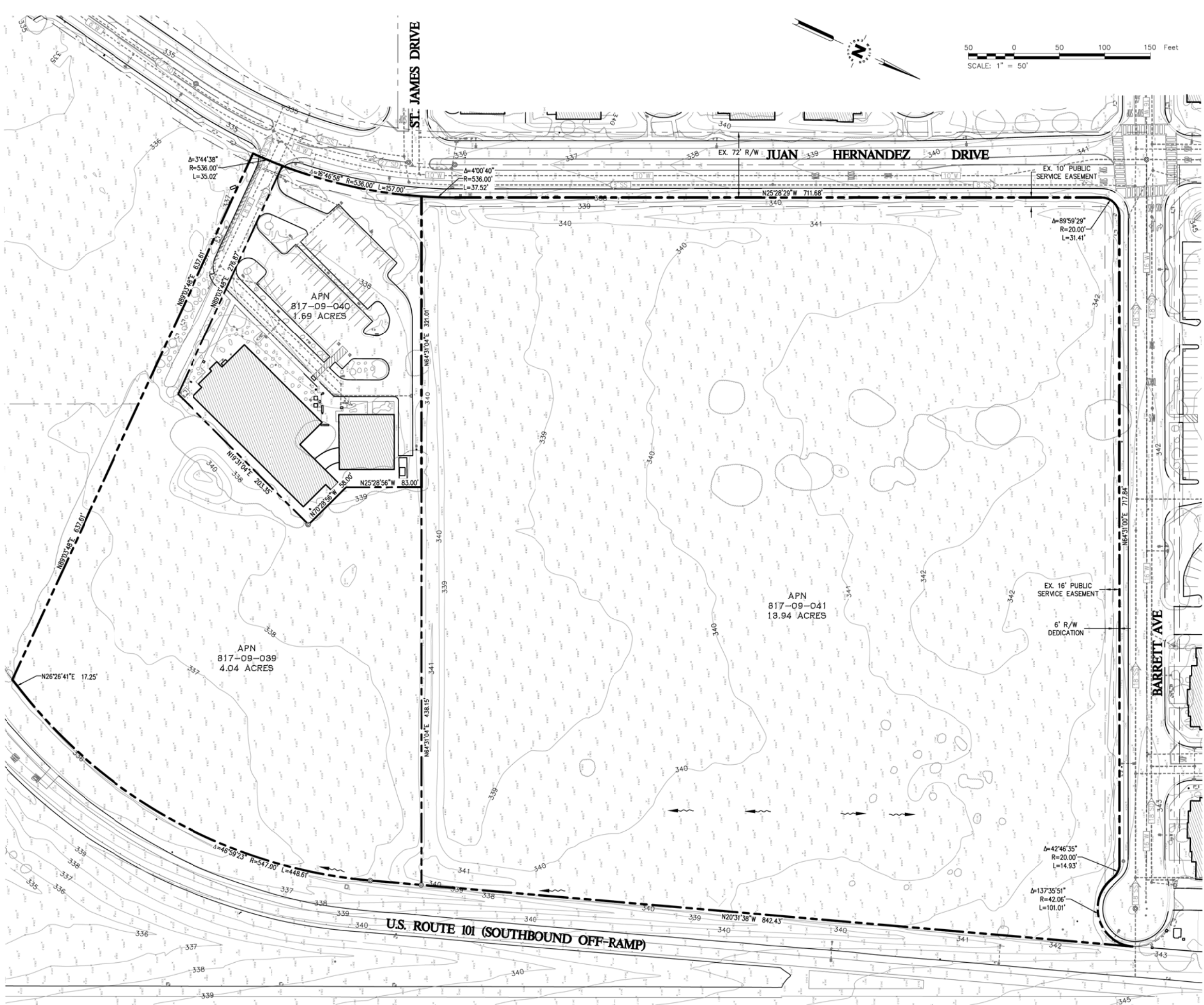
LANDSCAPE ARCHITECT

W. JEFFREY HEID LANDSCAPE ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

(408) 691-5207

SHEET INDEX

- C1.0 EXISTING CONDITIONS MAP
- C2.0 CONCEPTUAL SITE AND UTILITY PLAN
- C2.1 CONCEPTUAL GRADING PLAN



Civil Engineering
Land Surveying
4 Harris Court
Monterey, California
93940
whitsonengineers.com



NOT VALID
WITHOUT
SIGNATURE

SUBMITAL / REVISION

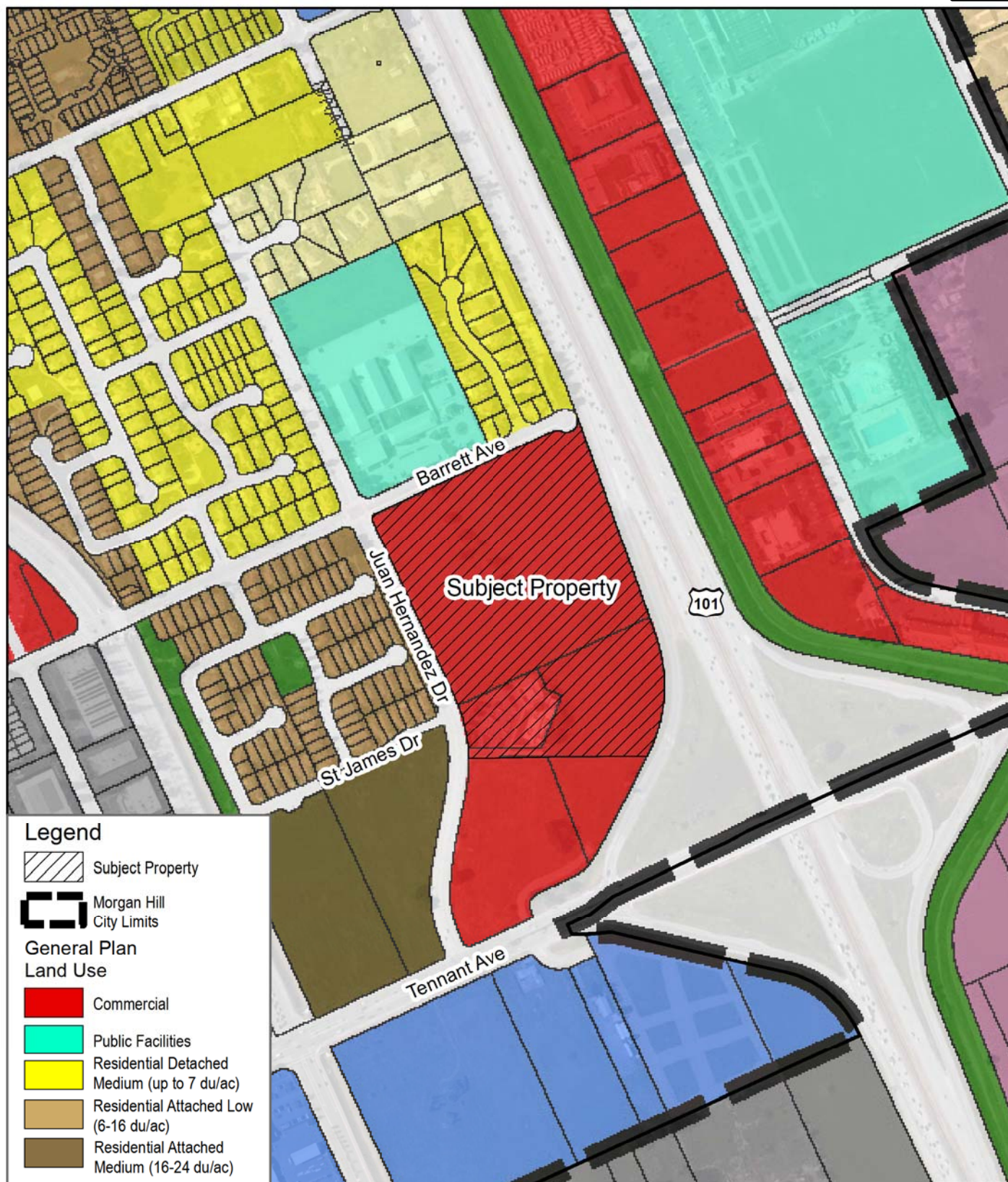
LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California

EXISTING CONDITIONS MAP
APN 817-09-039, -040, -041

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET

C1.0

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0 300 feet

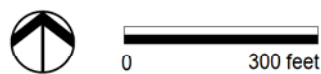
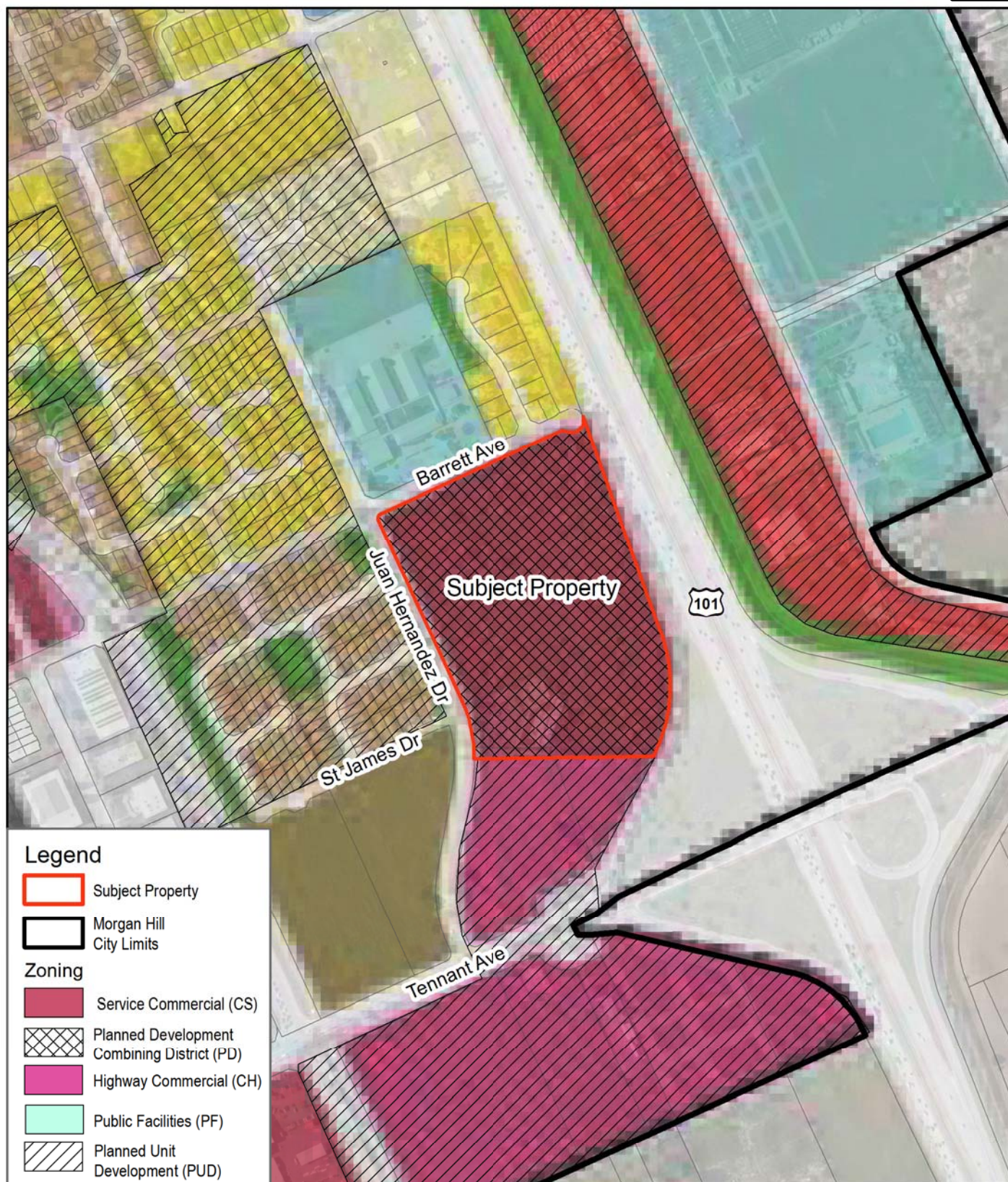
Source: ESRI 2019, Santa Clara County 2017

Figure 5

Existing City General Plan Land Use Map

Lillian Commons/Morgan Hill Medical Campus

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Source: ESRI 2019, Santa Clara County 2017

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

Figure 6

Existing City Zoning Map

Lillian Commons/Morgan Hill Medical Campus

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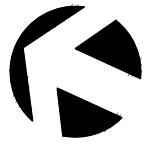
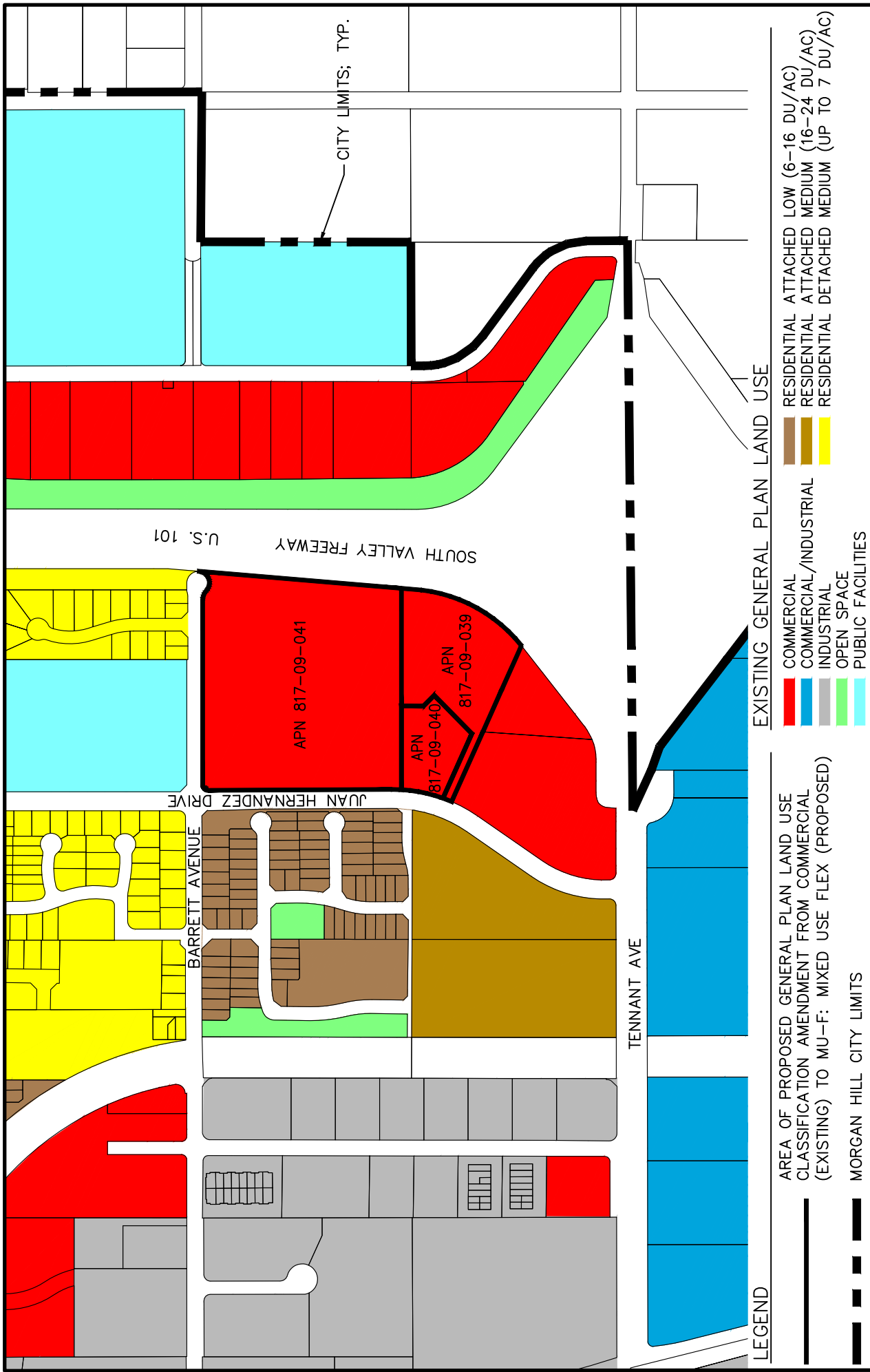


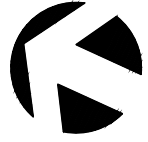
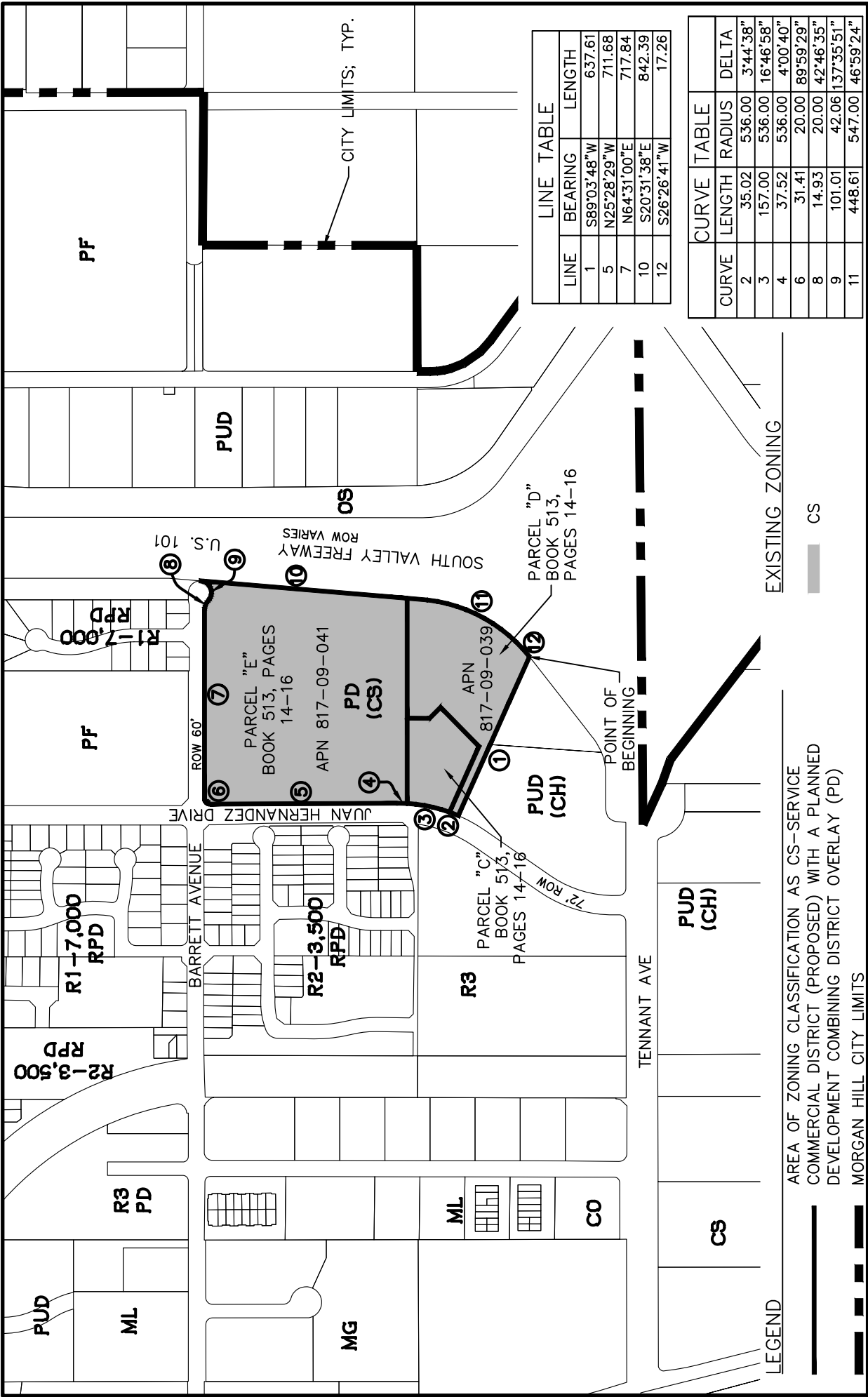
FIGURE 7 - PROPOSED GENERAL PLAN AMENDMENT TO THE CITY OF MORGAN HILL ENTITLED 0 JUAN HERNANDEZ DRIVE,

PREPARED BY:
 HITSON ENGINEERS
 HARRIS COURT
 MONTEREY, CA 93940
 (415) 649-5225

TOE

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2021 : Adopt Ordinance 2318 Lillian Commons)

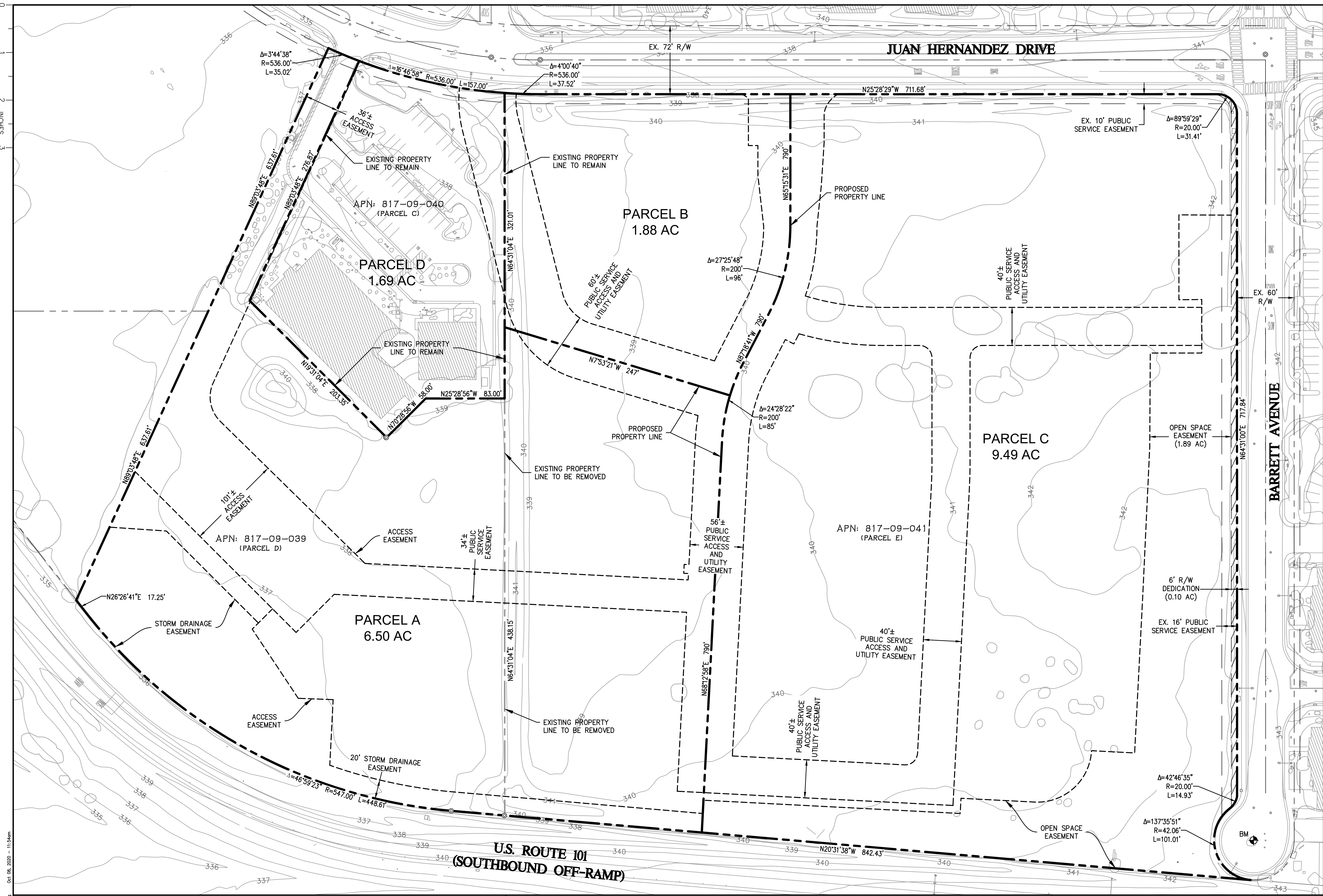
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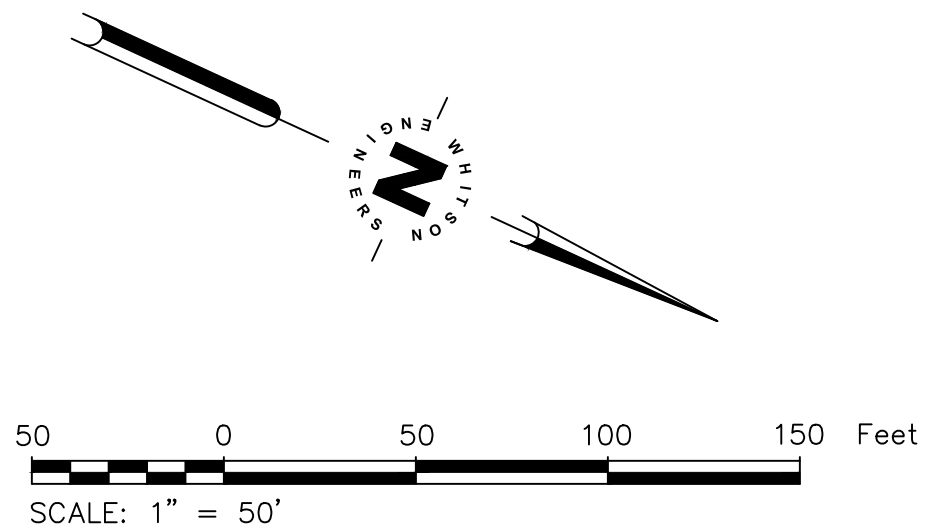
PREPARED BY:
 HUTTON ENGINEERS
 HARRIS COURT
 SAN JOSE, CA 95128
 (408) 649-5225

FIGURE 8 - MAP SHOWING ZONING LANDS OF 0 JUAN HERNANDEZ DRIVE, MORGAN HILL, BEING A PART OF ORDINANCE No. 5.b

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T:\Monterey\Projects\2690.01 - Morgan Hill\CAD\PLANS\2690.01-11.dwg Oct 08, 2020 - 11:54am



SUBDIVISION NOTES

PROPERTY DATA
ASSESSORS' PARCEL NO.: 817-09-039
817-09-040
817-09-041

LOCATION OF PROPERTY:
0 JUAN HERNANDEZ DRIVE

EXISTING LAND USE:
PROPOSED LAND USE: COMMERCIAL
MIXED USE-FLEX (MU-F)

EXISTING AND PROPOSED ZONING: SERVICE COMMERCIAL (CS) WITH
A PLANNED DEVELOPMENT (PD)
OVERLAY

OFF-SITE UTILITIES:
STORM DRAINAGE
SANITARY SEWER
WATER
GAS & ELECTRIC
TELEPHONE

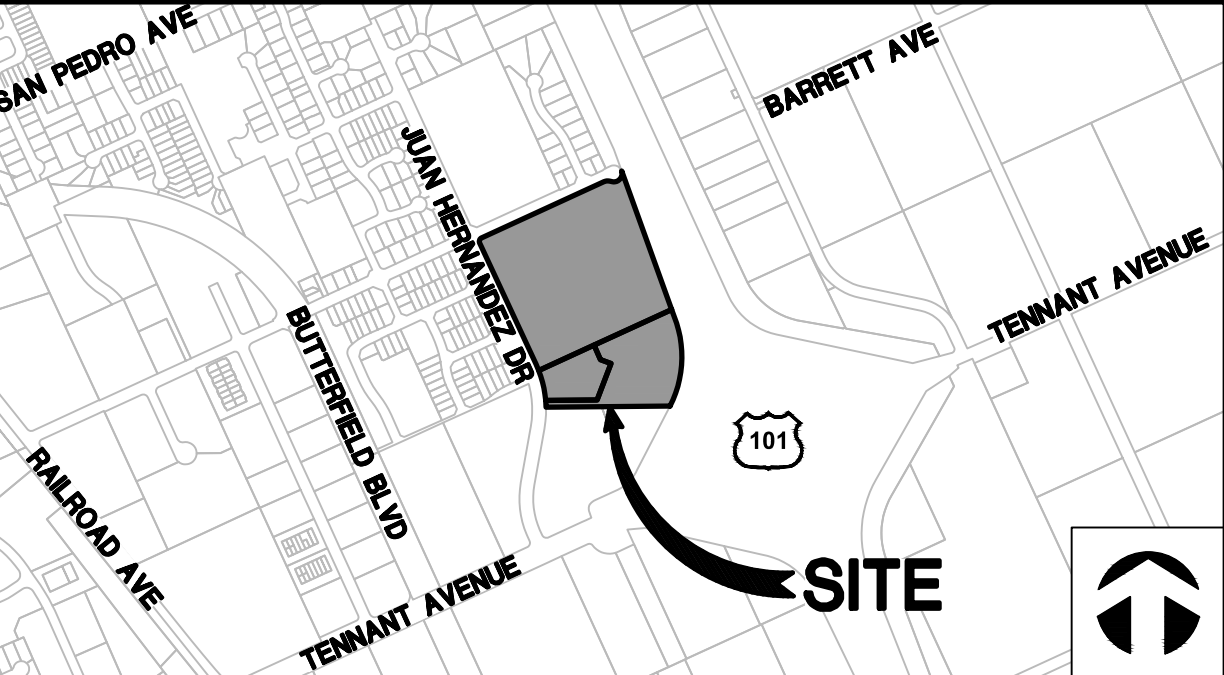
CITY OF MORGAN HILL
CITY OF MORGAN HILL
CITY OF MORGAN HILL
PACIFIC GAS & ELECTRIC
VERIZON

- NOTES:**
- SUBDIVIDER SHALL CONFORM TO THE REQUIREMENTS OF THE CITY OF MORGAN HILL CODE OF ORDINANCES CHAPTER 17.32 IN REGARDS TO SUBDIVISION IMPROVEMENTS.
 - LOT DIMENSIONS AND EASEMENT LOCATIONS ARE PRELIMINARY AND SUBJECT TO CHANGE PENDING FINAL ENGINEERING DESIGN.
 - THE PROJECT WILL BE PHASED.

ON-SITE UTILITIES:
STORM DRAINAGE
SANITARY SEWER
WATER
GAS & ELECTRIC
TELEPHONE

PRIVATE
PRIVATE
CITY OF MORGAN HILL
PACIFIC GAS & ELECTRIC
VERIZON

PARCEL SUMMARY	
DESCRIPTION	AREA (AC)
PARCEL A	6.50
PARCEL B	1.88
PARCEL C	9.49
PARCEL D	1.69
R/W DEDICATION	0.10
TOTAL	19.67



VICINITY MAP SCALE: 1" = 1000'

ABBREVIATIONS/LEGEND	
	GROUND CONTOUR
	PROPOSED PROPERTY LINE
	EXISTING PROPERTY LINE TO BE REMOVED
	ADJACENT PROPERTY LINE
	CENTERLINE
	EXISTING EASEMENT
	PROPOSED EASEMENT
	TREE DRIP LINE
	BENCHMARK
	SURVEY MONUMENT
	RIGHT OF WAY DEDICATION

LEGAL DESCRIPTION

PARCELS C, D AND E, AS SAID PARCELS ARE SHOWN AND SO DESIGNATED ON THE PARCEL MAP FILED FOR RECORD MAY 24, 1983, IN BOOK 513 OF MAPS, PAGE 16, SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NAVD88 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600, SHOWN HEREON.

PROJECT TEAM	
OWNER/APPLICANT LILLIAN COMMONS, LLC 782 SLEEPER AVENUE MOUNTAIN VIEW, CA 94040 (605) 575-9608	CIVIL ENGINEER WHITSON ENGINEERS 6 HARRIS COURT MONTEREY, CA 93940 RICHARD WEBER, RCE 55219 (831) 649-5225
PLANNER EMC PLANNING GROUP, INC. 301 LIGHTHOUSE AVENUE SUITE 210 MONTEREY, CA 93940 MICHAEL GROVES (831) 649-1799	ARCHITECT EVOCO ARCHITECTURE 160 SOUTH LINDEN AVENUE SUITE 210 SOUTH SAN FRANCISCO, CA 94080 DEEPAK PATANKAR (415) 312-0454
LANDSCAPE ARCHITECT W. JEFFREY HEID LANDSCAPE ARCHITECT 6179 ONEIDA DRIVE SAN JOSE, CA 95123 JEFFREY HEID (408) 691-5207	



TENTATIVE PARCEL MAP
0 JUAN HERNANDEZ DRIVE
PROPOSED SUBDIVISION OF
PARCELS C, D, AND E AS SHOWN ON
BOOK 513 OF MAPS ON PAGE 16
CITY OF MORGAN HILL, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA



ORIGINAL: SEPTEMBER 25, 2020
REVISED: OCTOBER 6, 2020
PROJECT No. 2690.01

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:

APN: 817-09-039, 040 and 041

Site Area: GLA -19.67 AC, 856,782 SF

Structure Size:

Parcel A - Proposed Medical Office / Hospital - 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park

Parcel B - Proposed Commercial/Restaurant - 1.78 AC
10,000 SF, 55 Pkg. Spaces

Parcel C - Proposed Residential Apartments - 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/Recreation

Parcel D - Proposed Urgent Care/ Existing Medical - 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces

Right-of-way Dedication - 0.10 AC

Zoning: Service Commercial - CS w/ PD Overlay

Existing General Plan Designation: Commercial

Proposed General Plan Amendment: Mixed Use Flex

Parking: Total Required 1,161 spaces/ Provided 1,010 spaces*

Required: Medical Office / Hospital @ 1/200 = 652 spaces

Proposed: Medical Office / Hospital @ 1/219 = 596 spaces

Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)

Proposed: Retail/Restaurant 55 spaces

Required: Apartments @ 1.5/1 bdrm and 2.0/2 bdrm = 375 spaces

Guest Parking at 1/3 DU = 68 spaces Total = 443 (203 covered)

Proposed: Apartments 359 spaces

*Shared parking proposed per Municipal Code Section 18.72.050

Lot Coverage:

Building = 212,319 SF (25% NLA)

Parking/Driveways = 227,804 SF

Landscape/Storm Water Mgmt. = 335,045 SF

Hardscape = 81,614 SF

Floor Area Ratio: 351,786 SF (0.42%)

LEGEND:

- Site Boundary (Whitson Engineering)
- Structures on Site
- Parking Carports



0 50' 100'

Figure 10

SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019

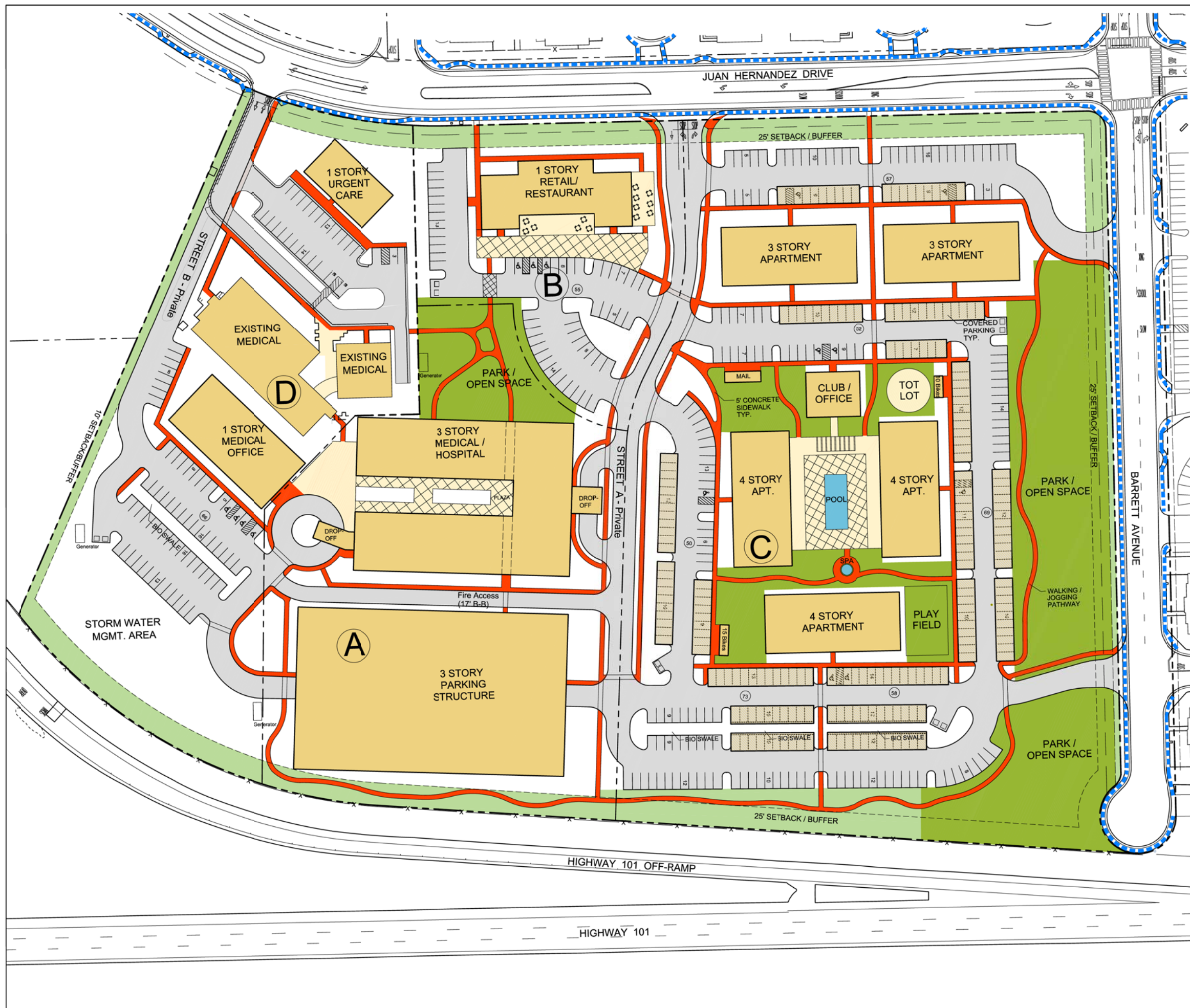


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A LAND USE PLANNING & DESIGN FIRM

Monterey, CA 831.649.1799 www.emcplanning.com

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Lillian Commons / Morgan Hill Medical Campus



LEGEND

- Buildings / Carports
- Existing Sidewalks
- Walkways / Jogging Paths
- Gathering Areas
- Park / Recreation / Open Space
- Landscape Buffers / Open Space

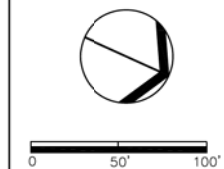


Figure 11

PEDESTRIAN CIRCULATION / OPEN SPACE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019



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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:

APN: 817-09-039, 040 and 041

Site Area: GLA -19.67 AC, 856,782 SF

Parcel A - Proposed Medical Office / Hospital - 6.50 AC
100,000 - 130,00 SF, 566 Pkg. Spaces

Parcel B - Proposed Commercial/Restaurant - 1.88 AC
10,000 SF, 50 Pkg. Spaces

Parcel C - Proposed Residential - 9.49 AC
150 Dwelling Units Maximum
1.98 AC Park/Recreation
School Drop-off/Pick-up Lot

Parcel D - Proposed Urgent Care/ Existing Medical - 1.69 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
31 Pkg. Spaces

Right-of-way Dedication - 0.10 AC

Zoning: Service Commercial - CS w/ PD Overlay

Existing General Plan Designation: Commercial

Proposed General Plan Amendment: Mixed Use Flex

Parking: Total Required 790 spaces/ Provided 895 spaces*

Required: Medical Office / Hospital @ 1/200 & other = 452 spaces

Proposed: Medical Office / Hospital @ 1/200 & other = 597 spaces

Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces

(Assumes 5,000 Retail and 5,000 Restaurant)

Proposed: Retail/Restaurant 50 spaces

Required: SF Residential (2 covered per DU + guest pkg.) 268 spaces

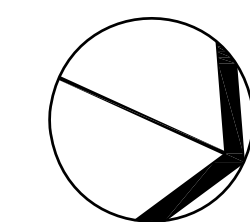
Proposed: SF Residential (2 covered per DU + guest pkg.) 268 spaces

*Shared parking proposed between Parcels per Municipal Code Section 18.72.050

Floor Area Ratio: 417,696 SF (0.5% max.)

LEGEND:

- Buildings
- Buffers / Open Space
- Sidewalks/Pathways
- Landscaping
(See Landscape Plan for Details)
- Park / Recreation



0 50' 100'

Figure 12

ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019

Revised October 6, 2020



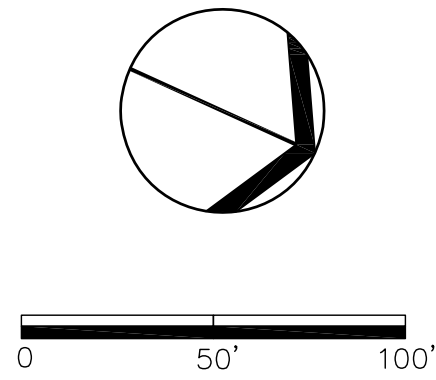
EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Mix Use Parcels:
Medical Campus - 8.19 AC, 42% of GLA
Commercial - 1.88 AC, 10% of GLA
Residential - 7.51 AC, 38% of GLA
Park - 1.98 AC, 10% of GLA
Right-of-way Dedication - 0.10 AC



LAND USE BUBBLE DIAGRAM
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 6, 2020

E

M

C

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A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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PROJECT DATA

1.

PROPERTY DATA:
ASSESSORS PARCEL NO.: 817-09-039
817-09-040
817-09-041
3.

EXISTING SITE:
PERVIOUS: ±18.51 AC
IMPERVIOUS: ±1.16 AC
TOTAL AREA: ±19.67 AC
4.

PROPOSED SITE:
PERVIOUS: ±8.82 AC
IMPERVIOUS: ±10.75 AC
RIGHT OF WAY DEDICATION: ±0.10 AC
TOTAL AREA: ±19.67 AC
5.

OFF-SITE UTILITIES:
STORM DRAINAGE CITY OF MORGAN HILL
SANITARY SEWER CITY OF MORGAN HILL
WATER/FIRE CITY OF MORGAN HILL
GAS & ELECTRIC PACIFIC GAS & ELECTRIC
TELEPHONE VERIZON

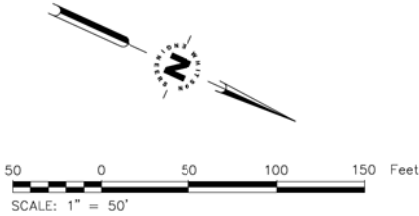
ON-SITE UTILITIES:
STORM DRAINAGE PRIVATE
SANITARY SEWER PRIVATE
WATER/FIRE PRIVATE
GAS & ELECTRIC PACIFIC GAS & ELECTRIC
TELEPHONE VERIZON
6.

ESTIMATED PRELIMINARY EARTHWORK:
CUT: ±30,000 CY
FILL: ±30,000 CY
NET BALANCE
7.

LEGAL DESCRIPTION:
PARCELS C, D AND E, AS SAID PARCELS ARE SHOWN AND SO DESIGNATED ON THE PARCEL MAP FILED FOR RECORD MAY 24, 1983, IN BOOK 513 OF MAPS, PAGE 16, SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA.
8.

PARCEL AREAS:
PARCEL A 4.17 AC
PARCEL B 1.78 AC
PARCEL C 9.49 AC
PARCEL D 4.13 AC
R/W DEDICATION 0.10 AC
TOTAL AREA: 19.67 AC
9.

BUILDING SETBACKS:
FRONT 25'
REAR 0'
SIDE 0'
STREET 15'



CONSTRUCTION KEYNOTES:

1. SOUTHBOUND LEFT TURN LANE CHANNELIZATION PER TRAFFIC STUDY.
2. STORMWATER BASIN SIZED TO DETAIN THE 10-YEAR, 24-HOUR STORM EVENT, INCLUDING FLOW CONTROL STRUCTURE TO LIMIT POST-PROJECT PEAK FLOWS TO PRE-PROJECT PEAK FLOWS FOR THE 2- THROUGH 10-YEAR STORM EVENTS.
3. CONNECT TO EXISTING WATER MAIN.
4. CONNECT TO EXISTING SEWER MAIN.
5. CONNECT TO EXISTING STORM DRAIN.
6. ACCESSIBLE PARKING. SEE SITE PLAN FOR PARKING COUNT AND REQUIREMENTS.
7. TRASH ENCLOSURE.
8. DOMESTIC WATER BACKFLOW DEVICE.
9. FIRE MAIN DOUBLE CHECK ASSEMBLY.
10. FIRE HYDRANT.

CONSTRUCTION PLAN LEGEND

- #

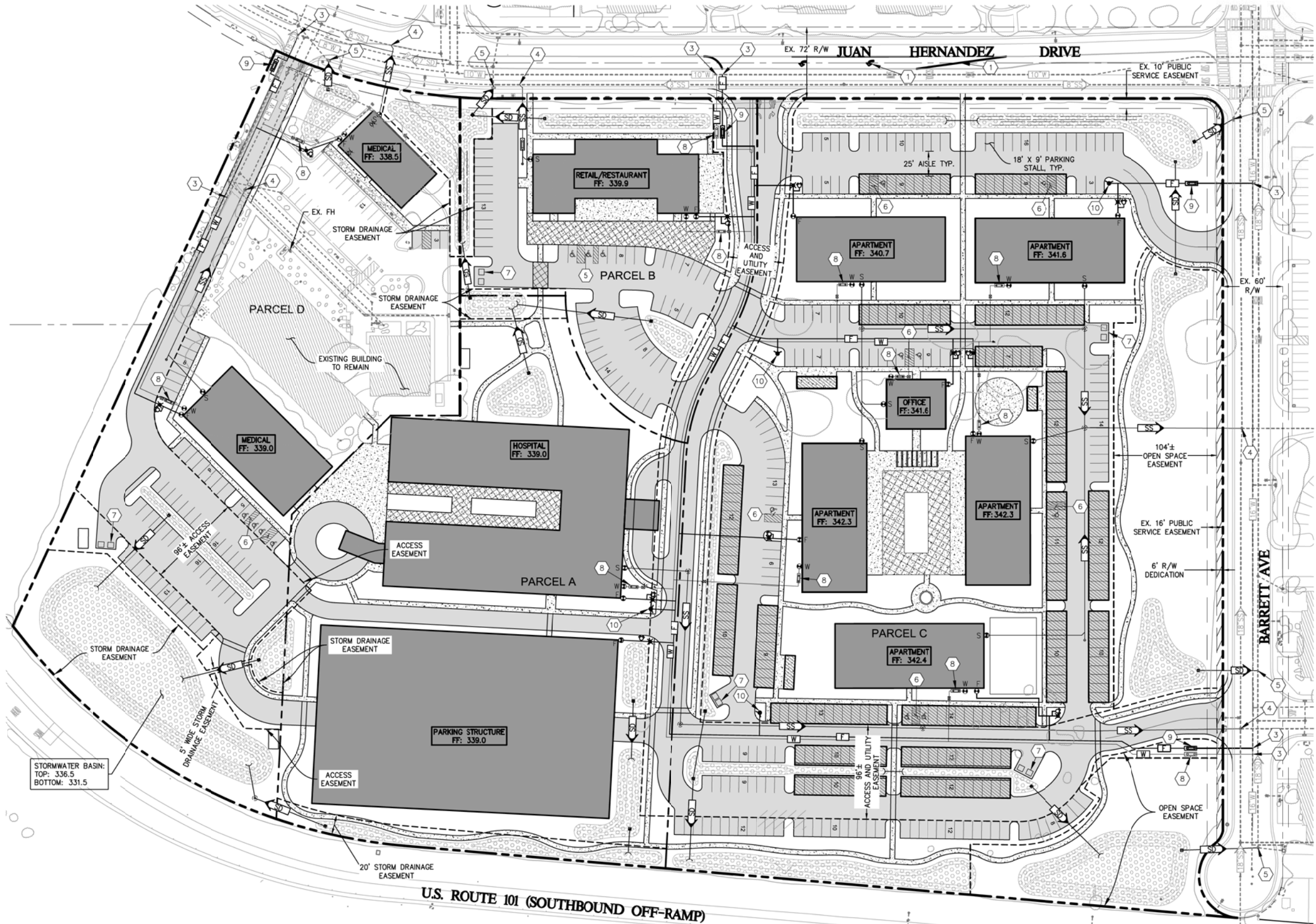
CONSTRUCTION KEYNOTE
- ASPHALT PAVING
- PROPOSED BUILDING
- CONCRETE WALKS AND FLATWORK
- 2

STORMWATER BIORETENTION OR BIOSWALE
- PROPOSED CARPORT/SHADE STRUCTURE
- RIGHT OF WAY DEDICATION
- PROPERTY LINE (EXISTING)
- PROPOSED PROPERTY LINE
- S

SEWER BUILDING POINT OF CONNECTION
- W

WATER BUILDING POINT OF CONNECTION
- F

FIRE BUILDING POINT OF CONNECTION
- FIRE DEPARTMENT CONNECTION AND POST INDICATOR VALVE
- UTILITY MANHOLE
- CLEANOUT



Civil Engineering
Land Surveying
4 Hains Court
Menlo Park, California
650.321.2225
whitsonengineers.com

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SIGNATURE

SUBMITTAL / REVISION

LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California
APN 817-09-039, -040, -041

CONCEPTUAL SITE AND UTILITY PLAN

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET
C2.0

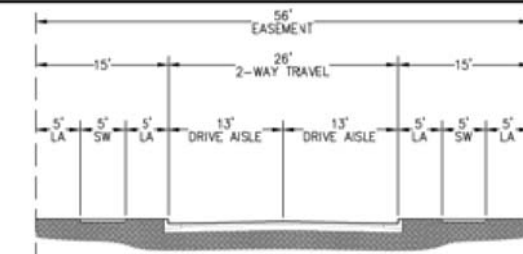
Packet Pg. 314

5.b

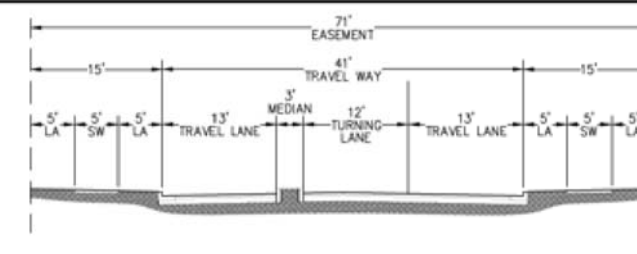
Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2021 : Adopt Ordinance 2318 Lillian Commons)

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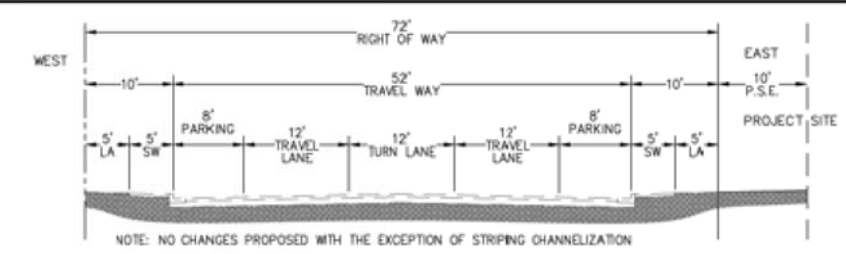
ESTIMATED PRELIMINARY EARTHWORK:
CUT: ±30,000 CY
FILL: ±30,000 CY
NET BALANCE



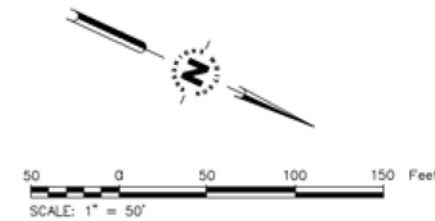
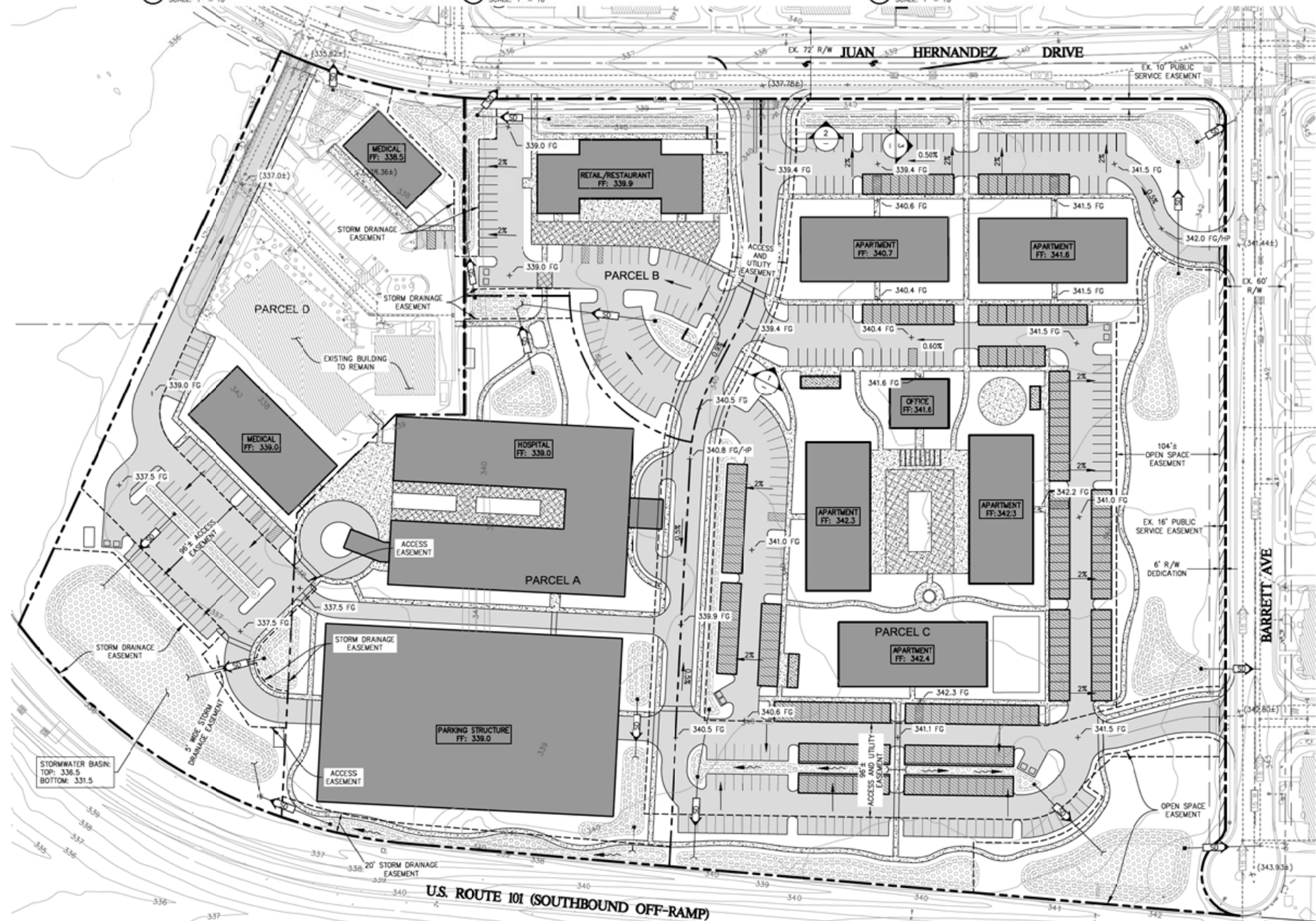
1 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'



2 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'



3 JUAN HERNANDEZ DRIVE
SCALE: 1" = 10'



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Civil Engineering
Land Surveying
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Monterey, California
(831) 461-5226
whitsonengineers.com

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SIGNATURE

[illegible]

LILLIAN COMMONS / MORGAN HILL
 MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
 Morgan Hill, California
 CONCEPTUAL GRADING PLAN
 APN 817-09-039, 040, 041

SCALE:	1"=50'
DRAWN:	GK
JOB No.:	2690.01
SHEET	
C2.1	

Packet Pg. 316

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

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3 RETAIL/ RESTAURANT



1 HOSPITAL

Figure 15

5.b

evoco

EVOCO ARCHITECTURE & INTERIORS
160 SOUTH LINDEN AVE # 210
SO. SAN FRANCISCO CA 94080
415.312.0454

OWNER:
LILLIAN COMMONS, LLC
782 SLEEPER AVENUE
MOUNTAIN VIEW, CA 94040

REVISIONS	
DATE/DESC.	

LILLIAN COMMONS/ MORGAN HILL
MEDICAL CAMPUS
0 AND 16130 JUAN HERNANDEZ DRIVE
MORGAN HILL, CA 95037

SEAL:


TITLE:
EXTERIOR
BUILDING VIEWS- 2

DATE:
OCTOBER 22, 2019

SCALE:
AS NOTED

JOB #:
19150

DRAWN
BY :
DP

A 9 2
Packet Pg. 318

Attachment: 2318 Lillian Commons Exhibit A - As introduced on 11/4/20 (2921 : Adopt Ordinance 2318 Lillian Commons)

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5.0

LAND USES

Table 1, PD Master Plan Allowed and Conditional Uses, presents uses allowed by the PD Master Plan. The table identifies the use as a permitted (P) or conditionally permitted (C) land use. Uses in bold are new uses added to the permitted uses in the CS zoning district as part of this PD Master Plan. Some uses permitted in the CS district were eliminated from the list. The MU-F General Plan designation permits the property to be developed in a mixed use fashion allowing residential and hospital uses not currently allowed within the 2035 General Plan Commercial land use designation or the CS zoning district.

The conceptual Site Plan portrays five types of uses on the property; however, a revised site plan, or the future reuse or re-purposing of buildings after they are constructed and initially occupied, could change or add to those uses. Table 1, PD Master Plan Allowed and Conditional Uses, provides a comprehensive list of allowed and conditional land uses that could be approved within the PD Master Plan.

Table 1-1 Parcel C PD Master Plan Allowed and Conditional Uses

<u>Use</u>	<u>Planned Development (PD)</u>
<u>Hospitals</u>	<u>P</u>
<u>Medical Offices and Clinics</u>	<u>P</u>
<u>Mixed Use Residential</u>	<u>P</u>

Table 1-2 Parcels A, B, and D PD Master Plan Allowed and Conditional Uses

Use	Planned Development (PD)
Accessory Dwelling Units	P
Banks and Financial Institutions	P
Bars and Nightclubs	C
Bed and Breakfast	C
Business Support Services	P
Cinemas and Theatres	C
College and Trade Schools	C
Convenience Market	C
Commercial Recreation, Indoor <15,000 square feet	P
Community Assembly	C
Cultural Institutions	P
Day Care Center	P C
Drive-Through and Drive-in Facilities	C

Use	Planned Development (PD)
Duets and Duplexes	€
Emergency Shelters	C
Farmers Markets	PC
Food and Beverage Production <10,000 square feet	P
Fuel and Service Stations	€
General Retail	P
Government Offices	P
Group Housing	€
Home Day Care, Small and Large	P
Hospitals	P
Hotel and Motels	C
Instructional Services	P
Live/Work Unit	P
Medical Offices and Clinics	P
Mixed Use Residential	P
Multi-Family Dwellings	P
Nursing Homes and Long-Term Care	€
Parking Lots and Structures	P
Parks and Recreational Facilities	P
Personal Services	P
Professional Offices	P
Residential Care Facilities	C
Residential Care Facilities, Small	PC
Restaurant- Fast Food, Sit Down	C
School, Public and Private	C
Single Family Detached Dwellings	€
Senior Housing, Independent Living	€
Social Services	C
Tasting Rooms	P
Veterinarian Clinics and Hospitals	€
Accessory Uses	(per Section 18.44)
Home Occupations	(per Section 18.92.060)
Temporary Uses	(per Section 18.92.150)

6.0

DEVELOPMENT STANDARDS

Development standards such as heights, setbacks, and building coverage within the planned development combining district are established in the PD Master Plan. Those standards may deviate from development standards in the Service Commercial base zoning district except that the maximum permitted floor area ratio and residential density may not exceed maximums established in the 2035 General Plan for the commercial land use designation. The floor area ratio for the Commercial land use designation in the 2035 General Plan is 0.6. The general plan amendment to Mixed Use Flex changes the floor area ratio to 0.5, which is reflected in the PD Master Plan. Standards in bold have been revised from those of the CS zoning district as part of this PD Master Plan. [Table 2, PD Master Plan Development Standards](#), presents the development standards.

Table 2 PD Master Plan Development Standards

Development Aspect	Parameter
Minimum Lot Size	10,000 square feet
Minimum Lot Dimensions	100-foot width; 100-foot depth
Maximum building coverage	50%
Minimum setbacks (front, rear, side, street) [1]	25, 0 , 0, 15 feet (respectively)
Maximum height (exceptions 18.56.020)	Residential/Office – 4-3 stories or 45-35 feet Hospital – 4 stories or 55 feet
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
On-Site Parking	Per Section 18.72 [2]
Retail	1 space per 250 square feet of net floor area
Restaurant (sit down)	1 space per 100 square feet of net floor area
Medical Office	1 space per 200 square feet of net floor area
Residential (multi-family)	1 bedroom unit – 1 covered 2 bedroom unit – 1 covered and 1 uncovered per unit
Guest Parking	1 per 3 units (shared with Medical Office use)
Electrical Vehicle Parking	1 per 25 to 49 automobile spaces, 2 per 50 to 100 automobile spaces, plus 1 per 50 ratio over 100 automobile spaces
Non-Residential Bicycle Parking	10% of automobile spaces; long term (enclosed): 5% of automobile spaces
Residential Bicycle Parking	10% of automobile spaces; long-term (enclosed), 1 per 5 units

NOTE:

[1] Outdoor seating, courtyards, and other publicly-accessible spaces **may occupy** the front setback. Residential porches and similar entry features may project **ten** feet into the front setback.

[2] Unless otherwise modified in this table.

PD Master Plan Development Standards for Single Family Residential

Development Aspect	Parameter
Minimum Lot Size (Single Family Residential)	1,000 square feet
Minimum Lot Dimensions	22-foot width; 45-foot depth
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Minimum Setbacks (front, rear, interior side, street side)	5 or N/A, 5 or N/A, 0 [1] or 3, 5 feet (respectively)
Maximum Height	3 stories or 35 feet [2]
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
Open Space	Per Section 18.40-4 based on lot size
Parking	Per Section 18.72 [3]
Residential (Single Family)	2 spaces - 1 covered space for each housing unit
Guest Parking	1 per housing unit [4] (shared with Medical Office use)

NOTE:

[1] A setback of zero feet is acceptable on one side yard; provided, that the sum of both side yard setbacks is at least eight feet

[2] Roof elements with minimum 5:12 roof pitch may exceed the building plate height by up to eight feet.

[3] Unless otherwise modified in this table.

[4] These guest spaces may include a combination of driveway parking, alley parking, on-street parking in front of the residence, and designated guest parking spaces.

CONSISTENCY WITH 2035 GENERAL PLAN

7.1 General Plan Land Use Designations

2035 General Plan- Commercial. The Commercial designation is primarily located along arterial roadways west of US Highway 101 and along the eastern freeway frontage. This designation is intended to allow a wide range of retail businesses, administrative and executive office uses, and professional services, either in stand-alone buildings or as part of shopping centers. The largest concentrations of this designation are found along Monterey Road and at the freeway interchanges, where retail stores are emphasized. The Service Commercial overlay along Monterey Road, north of Wright Avenue, allows auto-related uses, except for sales. The Commercial designation allows a maximum FAR of 0.6 and Mixed Use Flex designation allows a maximum FAR of 0.5

The General Plan goals and policies for Commercial with a Planned Development Combining District overlay are described below. In general, the 2035 General Plan encourages neighborhood-scale shopping near residential neighborhoods to foster walking and biking and to avoid car trips.

2035 General Plan - Mixed Use Flex. The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of a Residential or Mixed-Use project within the Mixed Use Flex designation, a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

Because the PD Master Plan includes a mix of uses on the property including retail, medical office, medical hospital, multi-family apartments⁵, and a park element as part of the Planned Development Combining District, Mixed Use in addition to Commercial 2035 General Plan goals and policies have been analyzed.

⁵ [All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.](#)

7.2 General Plan Goals and Policies

Applicable 2035 General Plan Goals, Policies, and Implementation Measures are presented in Table 3 through Table 9 below, along with an assessment of PD Master Plan consistency.

City and Neighborhood Form

Table 3 General Plan 2035 - City and Neighborhood Form Goals and Policies

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Residential Neighborhoods-GOAL CNF-10 A variety of housing types and densities available to all residents.	Consistent: The PD Master Plan allows for a variety of housing types. The conceptual Site Plan shows multifamily residential which will provide the community with new housing types including one and two bedroom apartments. ⁶
Policy CNF-10.3 Adequate Supply of Multi-Family Housing. Provide for an adequate supply of multi-family housing, located convenient to shopping, services, and transportation routes.	The PD Master Plan will assist the City in achieving an adequate housing supply as the PD Master Plan allows for 200 <u>150</u> residential units. The conceptual Site Plan provides for a mix of residential, commercial, and medical uses that will allow for the placement of housing convenient to the shops, services, and offices, and adjacent to major transportation
Policy CNF-10.6 Density Near Infrastructure. Encourage higher residential densities at locations where convenient access and adequate infrastructure is readily available.	Consistent: The property is adjacent to Juan Hernandez Road and Barrett Avenue in an area with existing utilities. A survey was completed by Whitson Engineers that determined there was adequate infrastructure available around the project site to support the uses identified in the PD Master Plan.
New Subdivisions-GOAL CNF-11 High quality, aesthetically pleasing, livable, sustainable, well-planned residential neighborhoods, well-connected to neighborhood services.	Consistent: The PD Master Plan's conceptual Site Plan provides a well-planned, aesthetically pleasing, livable, sustainable and well-connected residential neighborhood with integrated commercial/retail and medical offices.

⁶ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Policy CNF-11.5 Outside Connections. Require new subdivisions to provide multiple connections to the surrounding community.

Methods to achieve this may include:

- Providing multiple points of entry into the project for motorists, bicyclists and pedestrians.
- Extending the existing street pattern at the edges of the subdivision into the site. Extended streets should match the type and scale of streets to which they connect.
- Installing landscaping and street improvements at the edge of subdivisions that appear as common amenities shared with adjacent neighborhoods.

Consistent: As shown in the PD Master Plan conceptual Site Plan, development within the property will be designed to be compatible with the surrounding neighborhood. Multiple points of pedestrian ingress/egress are provided along Barrett Avenue and Juan Hernandez Drive, with connections to existing sidewalks. Two points of ingress/egress for vehicles and bicycles are provided along Barrett Avenue, and two along Juan Hernandez Drive. A private drive is provided along the southern portion of the property that could provide connectivity to the adjacent vacant parcel to the south when it is developed in the future. The conceptual Site Plan provides for connectivity to this adjacent vacant parcel to facilitate connectivity in anticipation of its eventual development. Residential and open space/park uses will be adjacent to existing residential uses and

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
- Minimizing the use of gates, fences, and walls that separate the subdivision from the surrounding community. - Planning for future connections to adjacent undeveloped property.	Barrett Elementary School, and connectivity within the property will be provided via several pedestrian paths. The open space area abuts Barrett Avenue, which is adjacent to Barrett Elementary School, and will be made accessible to the school. The northern most open space/park area will be dedicated by easement for public use, including use by the Barrett Elementary School, to be used as a common amenity.
Policy CNF-11.10 Open Space. Require new subdivisions to feature integrated common open spaces, parks, and community facilities that serve as social and design focal points. Open spaces should be a close walking distance from all residents and should be large enough to be useful for residents.	The conceptual Site Plan includes approximately three acres of passive park/open space. Approximately 1.7 acres of the open space will be available to the elementary school for its use and benefit. The remainder of open space, including walking trails, serves the residential, commercial and office components of the plan, as well as neighboring residents. The open space and park areas are within walking distance of all of these uses and connected by pedestrian paths.
Policy CNF-12.1 Neighborhood Center Design. Allow neighborhood centers within future residential neighborhoods. Neighborhood centers are envisioned as nodes or focal points that offer neighborhood-serving services and amenities within a reasonable walking distance from adjoining residential areas. These centers should be designed to increase the accessibility of goods and services within existing residential neighborhoods, particularly for the benefit of senior citizens and those with limited mobility, and to offer opportunities for socialization.	Consistent: The PD Master Plan includes neighborhood serving uses and amenities including retail, restaurant, and medical office/hospital uses to serve the proposed and existing neighborhood. These uses include public gathering areas and pedestrian access. These services will be within walking distance to the existing and proposed neighborhoods and will increase the accessibility of services for the existing neighborhood, particularly for the benefit of senior citizens by providing close walkable medical offices.
Policy CNF-12.4 Neighborhood Center Requirements. Require future neighborhood centers to meet the following requirements: - The design of neighborhood center should provide a sense of place, promote casual interaction, and enhance overall well-being. - The design of neighborhood center should complement the residential character of its immediate surroundings, including site design, access, building style, building materials, signage, lighting, and landscaping.	Consistent: The PD Master Plan conceptual Site Plan includes pedestrian pathways that connect the open space, residential, retail, and medical components of the plan. The PD Master Plan includes a small retail center and open space/park areas that, along with the pedestrian access ways, will provide gathering areas and a sense of place, thereby promoting casual interaction and overall well-being. The project will be required to undergo design review with the City of Morgan Hill to ensure that the design complements the residential character of the adjacent neighborhood.

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Mixed Use Flex-GOAL CNF-13 Mixed use flex developments that include a variety of uses and forms to foster a dynamic urban environment. Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.	Consistent: The PD Master Plan allows for a variety of uses including retail, residential, and medical uses. The combination of uses within the property provides for walkability to services for residents and employees.
Commercial and Office- GOAL CNF-15 Sufficient, sustainable, and concentrated commercial and office uses. Policy CNF-15.3 Retail Uses at Major Intersections. Encourage retail sales use at major intersections as the focus of clustered commercial development.	Consistent: The PD Master Plan provides for clustered commercial, medical, and retail uses near a major intersection at the south side of Morgan Hill.
Policy CNF-15.5 Office Development. Encourage new regional and local-serving office development at appropriate locations.	Consistent: The PD Master Plan allows for medical offices/hospital uses to create a campus of medical offices to serve the community and region.
Commercial / Industrial-GOAL CNF-18 Integrated job-generating centers that offer workers and businesses a range of services to meet their daily needs. Policy CNF-18.1 Vibrant Job Centers. Encourage land with a Commercial/Industrial designation to develop with job-generating uses with amenities that support workers and businesses, such as restaurants, lodging, fitness centers, and hair salons.	Consistent: The PD Master Plan allows for concentrated and integrated retail, medical offices and hospital uses that will provide jobs for the City and the surrounding neighborhood. The medical office/hospital is expected to produce approximately 472 jobs. The PD Master Plan also allows for amenities such as restaurants, and personal services to serve the neighborhood and the surrounding community.

Housing

Table 4 General Plan 2035 - Housing Goals and Policies

General Plan Housing Goals and Policies	Consistency Analysis
Goal HE-4 A range of housing types for all age groups, served by transit, recreational amenities, shopping, and health and personal services, that allows residents to age in place.	Consistent: The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office/hospital and retail uses. Residents of the neighborhood would live within walking distance of health and personal services that would allow for them to age in place.
Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.	The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office/hospital, retail uses, open space/park uses, and Barrett Elementary School. The nearest Valley Transportation Authority bus route is located more than one mile from the property, but the applicant is open to the establishment of service at the property.

Economic Development

Table 5 General Plan 2035 - Economic Development Goals and Policies

General Plan Economic Development Goals and Policies	Consistency Analysis
Policy ED-7.4 Compatible Uses in Retail Centers. Encourage the evolution of retail centers into mixed-use activity nodes by supporting integration of uses that provide necessary or useful services or amenities that will benefit nearby residential areas and commercial establishments. Such uses may include but shall not be limited to: a. Health services and fitness facilities. b. Childcare. c. Housing, including affordable and senior housing. d. Religious facilities. e. Education/training facilities. f. Parks/community facilities/public gathering places.	Consistent: The PD Master Plan provides a mix of retail and medical uses convenient to the proposed and existing adjacent neighborhood. The medical and retail uses will provide health and retail services and amenities to the existing and proposed neighborhood. The PD Master Plan also includes public plaza and gathering locations.
GOAL ED-8 Office and industrial areas that provide high-quality work locations for existing and new businesses. Policy ED-8.1 Office and Industrial Development. Support the development of office and industrial facilities to meet local demand, compete for regional growth opportunities, and create high-quality jobs that match with local housing opportunities.	Consistent: The PD Master Plan allows for medical and retail uses to meet local demand and create high quality jobs. The PD Master Plan also allows for residential uses thereby providing local housing opportunities adjacent to places of employment.

Healthy Community

Table 6 General Plan 2035 - Healthy Community Goals and Policies

General Plan Healthy Community Goals and Policies	Consistency Analysis
Parks, Recreation, and Trails- GOAL HC-3 Usable, complete, well-maintained, safe, and high-quality activities and amenities, including active and passive parks and recreational facilities, community gardens, and trails that are accessible to all ages, functional abilities, and socio-economic groups.	Consistent: As shown in the conceptual Site Plan, the PD Master Plan includes over three acres of passive park areas, open space buffer areas, and a tot lot connected by meandering pedestrian pathways. The passive park and open space on the property will allow for multiple activities for all socio-economic groups, functional ability, and ages.
Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.	Consistent: The PD Master Plan identifies open space areas that will be available to residents and patrons of the medical and retail facilities.

General Plan Healthy Community Goals and Policies	Consistency Analysis
Access to Health Care- GOAL HC-7 Access for all residents to health care facilities and other important community health amenities. Policy HC-7.2 Professional Education. Encourage increased education and professional development resources to support students and employees in the health care field.	Consistent: The PD Master Plan provides for 130,400 square feet of medical facilities and important health amenities for residents. It is expected that a wide variety of medical practices will be provided within a campus setting that could encourage increased professional development resources to support students/interns in the health care field.

Transportation

Table 7 General Plan 2035- Transportation Goals and Policies

General Plan Transportation Goals and Policies	Consistency Analysis
GOAL TR-3 A coordinated, continuous network of streets and roads. Policy TR-3.16 Private Development Access along Arterials. Require development that occurs along arterial streets to obtain access through a local street or major entrance and not through curb cuts directly onto the arterial street wherever possible.	Consistent: The property is not accessed directly from an arterial. Tennant Avenue and Butterfield Boulevard are the nearest arterials too the property. The property is accessed from Juan Hernandez Drive and Barrett Avenue, which connect to these arterials.
Policy TR-3.17 Planned Development Access near Highway 101. Require Planned Developments (PDs) for commercial, office, or industrial uses at the intersections of Highway 101 and arterial streets to take access from a public street intersecting with the arterial street at a minimum distance of 600 feet from the freeway on and off ramps, unless the City Engineer finds that direct access to the arterial street or closer access will meet safety standards, or that mitigating actions will be taken to ensure safe access and minimum interference with traffic flows.	Consistent: Access to the property will be from Juan Hernandez Drive and Barrett Avenue. Juan Hernandez Drive is an existing City street that intersects Tennant Avenue at a safe distance from the off ramp of US Highway 101. The nearest property driveway is more than 700 feet north of Tennant Avenue.
Parking-GOAL TR-5 Adequate off-street parking. Policy TE-5.1 Adequate Parking Supply. Ensure that all developments provide adequate and convenient parking...	Consistent: The conceptual Site Plan provides for a 500-space parking structure and 96 additional spaces for the existing and proposed medical uses, 55 spaces for the retail use, and 359 spaces for residential use, which totals 1,010 on-site parking spaces. Based on the parking demand study, the parking supply for the entire project is proposed to total 1,010 spaces, as indicated in the study. The total gross parking requirement for the entire project is 965 spaces using the more conservative approach. There will be an overall surplus of about 45 spaces using City gross parking requirements with selected ITE peak parking rates. The project therefore will provide an adequate total parking supply to meet the overall project demand. Parking is conveniently located within walking distance to the various uses, and can be easily facilitated through a shared parking arrangement.

Policy TR-5.3 Parking Lot Connection. Require cross-connection of parking lots, where feasible and practical, at the time of design review for all commercial and industrial developments.	Consistent: As shown in the PD Master Plan conceptual Site Plan, parking lots are cross-connected where practical.
Bikeways-GOAL TR-8 A useable and comprehensive bikeway system that safely connects neighborhoods with workplaces and community destinations. Policy TR-8.12 Bicycle Parking. Bicycle parking and other supportive facilities shall be provided at all schools, parks, recreation facilities, commercial centers, civic buildings (including the library), transit centers, and workplaces based on the recommendations and standards in the Bikeways Master Plan.	Consistent: Existing bike lanes on Juan Hernandez Drive will serve the development providing a safe bikeway system to get to and from the property. Bicycle parking will be provided at each use on the property to encourage residents, employees, and patrons to use alternative means of transportation. On-site bicycle parking will adhere to the Bikeways Master Plan guidelines, and zoning code requirements.
Pedestrian Network-GOAL TR-9 Expanded pedestrian opportunities. Policy TR9.7 Concurrent Implementation. Where feasible, implement the trails and pedestrian system concurrent with adjacent developments.	Consistent: As shown in the conceptual Site Plan, sidewalks and pathways will be provided throughout the property to encourage walking on the campus. Sidewalks connect to those located on adjacent streets to provide connectivity.
Policy TR 10.3 and TR-10.4 Flexible Work Hours. Encourage employers to provide a flexible set of working hours to ease traffic congestion. Carpooling. Support a Countywide car/vanpool matching program.	Consistent: The applicant will provide educational materials to end uses or future developers to encourage employers to provide flexible work hours, carpooling options, and other alternative transportation methods as may be available. Bay Area employers with 50 or more full-time employees within the Bay Area Air Quality Management District geographic boundaries are required to register and offer commuter benefits to their employees in order to comply with Air District Regulation 14, Rule 1.

Natural Resources and Environment

Table 8 General Plan 2035 - Natural Resources and Environment Goals and Policies

General Plan Natural Resources and Environment Goals and Policies	Consistency Analysis
Water Quality and Conservation - GOAL NRE-7 Conservation of water resources. Policy NRE-7.1 Water Standards for Private Development. Promote water conservation and efficient water use in all private development projects. Require development to exceed State standards for the use of water.	Consistent: Water saving measures will be implemented on the development project in the way of "green" design features. Very low flow toilets, efficient landscaping, and water capture and reuse will be used to conserve water.

Policy NRE-7.3 Water Efficiency and Landscaping. Promote water conservation and efficient water use in all public and private landscaping plans.	Consistent: Drought tolerant and area-suitable landscape materials will be utilized on the development project to promote water conservation.
Energy Efficiency-GOAL NRE-16 Conservation of energy resources. Policy NRE-16.1 Energy Standards for New Development. New development, including public buildings, should be designed to exceed State standards for the use of energy.	Consistent: New development will be designed consistent with energy standards that meet and exceed the City and State standards for use of energy.
Policy NRE-16.7 Renewable Energy. Encourage new and existing development to incorporate renewable energy generating features, like solar panels and solar hot water heaters.	Consistent: Future development of the property will adhere to new State climate change regulations, which include requirements to provide solar energy and otherwise reduce electrical use. Design approval of development is required, during which the merits of the project site plan and design will be considered, including renewable energy.

Safety, Services, and Infrastructure

Table 9 General Plan 2035- Safety, Services, and Infrastructure Goals and Policies

General Plan Safety, Services and Infrastructure Goals and Policies	Consistency Analysis
Noise GOAL SSI-8 Prevention of noise from interfering with human activities or causing health problems. Policy SSI-8.1 Exterior Noise Level Standards. Require new development projects to be designed and constructed to meet acceptable exterior noise level standards (see Table SSI-1), as follows: - Apply a maximum exterior noise level of 60 dBA Ldn in residential areas where outdoor use is a major consideration (e.g., backyards in single-family housing developments and recreation areas in multi-family housing projects). Where the City determines that providing an Ldn of 60 dBA or lower cannot be achieved after the application of reasonable and feasible mitigation, an Ldn of 65 dBA may be permitted. - Indoor noise levels should not exceed an Ldn of 45 dBA in new residential housing units.	Consistent: The conceptual Site Plan includes a 25 foot buffer from the US Highway 101 off-ramp and places the parking and parking garage closest to the freeway to further buffer the medical and residential uses. Residentially occupied buildings are located a minimum of 250 feet from the US Highway 101s through lanes. A noise analysis was completed for the project that determined all exterior and interior noise levels would be met with implementation of the recommendations contained therein. Mitigation measures will be implemented when the buildings are constructed to ensure the acceptable noise levels are met.

Noise levels in new residential development exposed to an exterior Ldn 60 dBA or greater should be limited to a maximum instantaneous noise level (e.g., trucks on busy streets, train warning whistles) in bedrooms of 50 dBA. Maximum instantaneous noise levels in all other habitable rooms should not exceed 55 dBA. The maximum outdoor noise level for new residences near the railroad shall be 70 dBA Ldn, recognizing that train noise is characterized by relatively few loud events.	
Policy SSI-8.4 Office Noise Level Standards. Interior noise levels in office buildings should be maintained at 45 dBA Leq (hourly average) or less, rather than 45 dBA Ldn (daily average).	Consistent: Mitigation measures including noise reduction measures and emergency generator noise suppressors will be implemented when the buildings are constructed to ensure the acceptable noise levels are met. A noise analysis is provided as part of the CEQA documentation.
Policy SSI-8.9 Site Planning and Design. Require attention to site planning and design techniques other than sound walls to reduce noise impacts, including: a) installing earth berms; b) increasing the distance between the noise source and the receiver; c) using non-sensitive structures such as parking lots, utility areas, and garages to shield noise sensitive areas; d) orienting buildings to shield outdoor spaces from the noise source; and e) minimizing the noise at its source.	Consistent: Building location was taken into account in the conceptual Site Plan to locate sensitive uses a minimum of 250 feet from the through lanes of US Highway 101. Building placement and strategically placed landscaping will help to minimize noise at its source. Additionally, the noise analysis recommends an 8 foot sound wall along Highway 101 to reduce noise impacts to the residential component of the project.

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8.0

PD MASTER PLAN AND ZONING FINDINGS

8.1 PD Master Plan Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.30.050.H.7 (Findings).

General Plan and Zoning Consistency

- a. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.*

Finding

The PD Master Plan incorporates an amendment of the 2035 General Plan. The 2035 General Plan designation of Mixed Use Flex with a seven dwelling unit per acre minimum and 24 dwelling unit per acre maximum will allow the residential uses proposed within the PD Master Plan and the hospital use, not currently an allowed use on the property. Section 7 outlines in greater detail how the PD Master Plan is consistent with the goals and policies of the 2035 General Plan. As allowed by Municipal Code Section 18.30.050, the PD Master Plan identifies several changes to the development standards that apply in the CS district; these changes include increased building heights and modifications to parking standards for shared parking arrangements. The floor area ratio is reduced from 0.6 to 0.5. The Planning Commission will have say on two aspects of future development, to ensure consistency with zoning regulations. Design approval is required for all development, during which the merits of the site plan and architectural design will be considered. Some uses may require a conditional use permit, and those will require a hearing to determine suitability. During these reviews, consistency with zoning code requirements will be analyzed as they specifically relate to the development project. The PD Master Plan is not located within a specific plan or area plan.

Superior to Development Under Existing Zoning

- b. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.*

Finding

The PD Master Plan allows a mix of compatible uses, including a much-needed residential component to provide sustainability to the remainder of the uses, and a retail and medical office / hospital component to provide work opportunities to the neighborhood and community. The urgent care/ pharmacy would provide a convenient location for the surrounding neighborhood and patrons to the school to utilize the services it will provide. The affordable multi-family residential uses will allow tenants to age in place, and will provide a near-by down-sizing option for empty nesters in the adjacent single family houses. The passive park with a walking/jogging trail system, located along Barrett Avenue and US Highway 101, will allow for enjoyment by the retail and medical office employees and visitors, as well as by the apartment residents⁷ and residents of the surrounding neighborhood. The high-density residential use will allow elementary school-aged children to walk to Barrett Elementary School. The retail area will provide convenience services to both the medical/office uses and residents.

Substantial Public Benefit

- c. *The proposed project will provide a substantial public benefit as defined in Paragraph 8 (Substantial Public Benefit Defined) below. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.*

Substantial Public Benefit Defined. When used in this section, "substantial public benefit" means a project feature not otherwise required by the zoning code or any other provision of local, state, or federal law that substantially exceeds the city's minimum development standards and significantly advances goals of the general plan. A project must include one or more substantial public benefits to be rezoned as a planned development. The public benefit provided shall be of sufficient value as determined by city council to justify deviation from the standards of the zoning district that currently apply to the property. Examples of substantial public benefits include but are not limited to:

- a. **Housing that is affordable to lower-income households.**
- b. **Public plazas, courtyards, open space, and other public gathering places that provide opportunities for people to informally meet and gather.**
- c. **New or improved pedestrian and bicycle pathways that enhance circulation within the property and connectivity to the surrounding neighborhood.**
- d. **Green building and sustainable development features that substantially exceed the city's minimum requirements.**
- e. *Preservation, restoration, or rehabilitation of a historic resource.*
- f. *Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.*
- g. **Publicly accessible parks and open space beyond the minimum required by the city or other public agency.**

⁷ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

- h. Habitat restoration and or protection of natural resources beyond the minimum required by the city or other public agency.*

Finding

The items shown in bold above are items for which the PD Master Plan exceeds the City's minimum development standards.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. The residential units are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. The PD Master Plan proponent agrees to enter into a contract with the City to ensure the continued affordability of all affordable rental units for 55 years or a longer period of time if required by an applicable construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program. Rents for the lower income density bonus units will be set at an affordable rent as defined in Section 50053 of the Health and Safety Code.

Single Family for-sale units will comply with the City of Morgan Hill Municipal Code Section 18.48.070, and the city shall ensure that the initial occupant of all affordable for-sale units are households of low-, very low-, or moderate-income, as applicable, that the units are offered at an affordable housing cost as defined in Health and Safety Code Section 50052.5, and that affordability covenants and restrictions continue for 55 years.

Under Municipal Code Section 18.156, residential units are subject to Residential Development Control System (RDCS), and require an application for Residential Building Allotment for any units proposed. SB-330 (2019 – Nancy Skinner) was recently signed by the Governor and eliminates this program that is designed to meter new housing development over time.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public benefit. The two park areas encompass approximately 2.20 acres of land. This acreage does not include the walking trail within other open areas of the property. This area can be used by residents, employees, and the general public as they visit the uses on the project site. The tenants on the property may also use the passive park as an amenity for people to informally meet and gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the park to allow walking opportunities and exercise for seniors and youth. Walkways will connect from the park to all other uses on the property and to the surrounding local streets to provide full connectivity. This will encourage visitors to walk, bike, and use other forms of transportation to reduce greenhouse gas emissions and promote a healthy community. The pathways will provide a connection between the high-density residential uses and Barrett Elementary School, and will connect all uses to the retail commercial area.

Because the development is a Commercial subdivision, the applicant is technically not required to dedicate open space per Title 17, Section 17.28.150. However the proponents, because they are submitting for a PD Master Plan, would like to dedicate a portion of the property as park area, available to the public and to the adjacent Barrett Elementary School. The minimum required open space for this project, if it were a multi-family subdivision, would be to provide recreation amenities in the amount

of .0088 acres per dwelling unit, at 200 dwelling units this would equal 1.76 acres of land. The park area and open space adjacent to Barrett Avenue is approximately 1.73 acres and would be dedicated with an easement, and be available to the general public. Additional public open space is provided where the pathway continues along US Highway 101. Additional open space and amenities are provided for private use of the multi-family residences (approximately 0.70 acres) and as a break area for the employees (approximately 0.44 acres); these would remain in private ownership.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features such as LED smart lighting, solar power, very low flow toilets, and building materials to encourage healthy indoor air quality.

Residential market-rate and affordable housing rental units are proposed to provide a sustainable land use pattern that reduces the number and length of vehicle trips. This higher density residential and mixed use development is within walking distance to Barrett Elementary School, and will also provide for convenient services within walking distance for the on-site employees and residents.

Bicycle parking and pathways are provided to promote alternative modes of transportation. Landscaping will be designed to meet and exceed the state standards for water conservation, including low water use trees and shrubs, and plantings to provide shade to reduce the need for excessive building cooling.

Community Benefits from the Project

Healthcare Facilities. The PD Master Plan would provide much needed medical facilities to serve the community. The Urgent Care/Pharmacy would reduce trips traveled to receive routine medical care. The Cancer Center would provide services to meet the growing need for this service in the area.

Retail Component. Providing an appropriately sized retail/restaurant building would provide onsite workers the opportunity to have breakfast or lunch within walking distance from their place of employment, avoiding automobile travel.

Creates Jobs for Morgan Hill. The hospital, urgent care/pharmacy, medical office and retail uses proposed will provide varied work opportunities for the people living in Morgan Hill and the surrounding area.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public health benefit. The two park areas encompass approximately 2.20 acres of land. It is expected the Restaurants will also have outdoor dining areas, providing places to gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the parks to allow walking opportunities and exercise for all ages. Walkways will connect from the park and to all other uses on the property and to the sidewalks on the surrounding streets, providing full connectivity.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. As proposed in the Conceptual Site Plan, the residential units

are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. If the project is designed with Single Family for-sale units, affordable housing will be provided per the City code.

School Drop-off. The project will help to alleviate the parking and drop-off issues associated with Barrett Avenue Elementary School. Cross walks will be installed on both adjoining streets to enhance walkability to and from the project. Parking to serve the school and public is expected to be provided in the park adjacent to Barrett Avenue.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features.

Landscape the Site. The development will provide abundant landscaping throughout to create a green and aesthetic feel, as well as screen development from the traffic on US Highway 101, Juan Hernandez Drive and Barrett Avenue.

Restore Habitat. The project tree and landscape planting will enhance wildlife on the project site as well as provide a visually pleasing atmosphere for the surrounding area. Flowering plants and trees are proposed to accomplish this restoration. Adequate Property Size

Adequate Property Size

d. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

Finding

With approximately 19.67 acres of land, there is adequate land area to provide the uses proposed in the PD Master Plan. The medical office / hospital uses proposed are intentionally located adjacent to the existing medical office to promote a walkable medical campus. The retail uses, including public services, are proposed along the active local street to ensure visibility and ease of access by the surrounding residential uses and provide easy access by the residents and employees on the property. Residential uses, providing affordable housing, are located on the property to provide adequate separation from the highway and close proximity to the passive park and Barrett Elementary School.

The PD Master Plan under a Mixed Use Flex general plan designation, which includes multi-family residential uses, retail commercial and restaurant, medical office/hospital uses, and open space parks, will provide a dynamic environment of compact living. This will allow residents and employees to meet daily needs and lessen the need for a private automobile.

Adequate Infrastructure

e. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

Finding

The PD Master Plan, which abuts the US Highway 101 off-ramp, is surrounded on two sides by local streets and has a driveway connection just south of the existing medical offices, used for access to the medical campus and additional driveways are proposed for site access. Juan Hernandez Drive and Barrett Avenue are existing local streets with the capacity to handle the development of this property. Circulation to the property from within Morgan Hill is provided by Tennant Avenue and Butterfield Boulevard. Public utilities exist in the surrounding streets and can serve the proposed development.

Compatible with Surroundings

- f. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.*

Finding

The PD Master Plan deviates from the approved commercial zoning existing on the property by the addition of hospital and multi-family residential uses. With the incorporated general plan amendment to Mixed Use Flex, and the mixed use development envisioned in the conceptual Site Plan, suitable transitions between the existing uses will be provided. There are no uses included in the conceptual Site Plan that would have an adverse effect on the surrounding residential and school uses. The existing residential uses adjacent to Juan Hernandez Drive and Barrett Avenue, and Barrett Elementary School will benefit from the retail and restaurant uses that the PD Master Plan provides. The park and open space provided on the property will benefit the adjacent Barrett Elementary School and the adjacent residences. The high density residential use will provide a suitable buffer between the adjacent single family residences and school, and the walkable medical campus. The uses proposed will not cause odors, health risks, or safety issues to the surrounding sensitive uses. Adequate measures will be taken during the construction phase to protect the surrounding property from noise, vibration, dust, and construction traffic.

Zoning Map Findings

- g. Findings required for the concurrent approval of a zoning map amendment can be made.*

Finding

The project site is in a Services Commercial zoning district with a PD combining overlay so the finding can be made that it is consistent with the zoning map. Amending the 2035 General Plan use to allow the residential and hospital use will not alter the zoning map.

8.2 Zoning Amendment Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.114.060 - Findings for Approval.

A. *Findings for all Zoning Code and Zoning Map Amendments.*

General Plan Consistency

1. *The proposed amendment is consistent with the general plan and any applicable specific plan as provided by Government Code Section 65860.*

Finding

With the general plan amendment that is incorporated into the PD Master Plan, the zoning map amendment is consistent with the 2035 General Plan. The general plan land use diagram amendment from Commercial to Mixed Use Flex allows specific residential uses to be included in the CS district with the PD overlay.

Public Interest, Health, Safety, Convenience, Welfare

2. *The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.*

Finding

The multi-family residential uses would be beneficial to the public interest, health, safety, convenience, and welfare of the city. The multi-family residential uses would provide more opportunities for residents to work near the medical offices, retail uses, and medical/hospital facility on the property, all of which provide job opportunities for the onsite and surrounding residential uses. The residential uses, including 15 percent affordable units, would also allow seniors the opportunity to age in place, consistent with 2025 General Plan policy. Providing residential uses in close proximity to the commercial and office uses would also reduce the greenhouse gas emissions if the residents were employees or were patrons of the proposed uses, and would enable school-aged children to walk to school. The multi-family residential housing added on this property, when capped at 200-150 units, would not create an overload on the local street system. Additionally, where the housing is positioned on the property allows for a step down from the existing residential and public facility use to the denser office and commercial uses. The hospital use would also be beneficial to the public interest, health, safety, convenience, and welfare of the city. The hospital would provide much needed medical service to the community and a variety of job opportunities.

Internal Consistency

- B. *Additional Finding for Zoning Code Text Amendments. The proposed amendment is internally consistent with other applicable provisions of the zoning code.*

Finding

No changes to the existing zoning code text will be made. The PD Master Plan continues to rely on Zoning Code development standards for the most part. Several deviations from established standards are specifically outlined in the PD Master Plan, consistent with the regulations for establishing PD districts and PD Master Plans. There would be no internal inconsistencies as a result of the PD Master Plan.

Physically Suitable Site

- C. *Additional Finding for Zoning Map Amendments. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.*

Finding

The 19.67 acre parcel is suitable in design, location, shape and size to accommodate the uses allowed by the PD Master Plan. The multi-family residential use would be appropriate next to the passive park located on the property along Barrett Avenue and would serve as a buffer from the more intense uses of office/commercial on the southern end of the property. With the amendment to the 2035 General Plan changing the land use designation from Commercial to Mixed Use Flex, the PD Master Plan is consistent with the general plan and zoning code. All of the uses in the PD Master Plan will contribute to the health, safety, and welfare of persons living or working on the property and surrounding properties, and to the community at large. The PD Master Plan promote community health and social interaction within the neighborhood by providing retail stores, a restaurant, plazas, and open spaces as gathering places. The pathways provide places for healthful exercise.

9.0

LEGAL DESCRIPTIONS

Legal Description – APN 817-09-039 and 817-09-041

Real property in the City of Morgan Hill, County of Santa Clara, State of California, described as follows:

All of parcels “D” and “E”, as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California on May 24, 1983 in Book 513 of Maps, on Pages 14, 15, and 16, more particularly described as follows:

Beginning at the most southerly corner of said parcel “D”, as shown on said Parcel Map; thence

- 1) South 89°03’ 48” West, 637.61’, thence
- 2) Along a non-tangent circular curve, concave west, the center of which bears South 89°03’ 47” West, with a radius 536.00’, through a central angle 3° 44’ 38”, an arc length of 35.02 feet; thence
- 3) North 89° 03’ 48” East, 276.87 feet; thence
- 4) North 19° 31’ 04” East, 203.35 feet; thence
- 5) North 70° 28’ 56” West, 58.00 feet; thence
- 6) North 25° 28’ 56” West, 83.00 feet; thence
- 7) South 64° 31’ 04” West, 321.00 feet; thence
- 8) Along a non-tangent circular curve, concave southwest, the center of which bears South 68° 32’ 11” West, with a radius 536.00’, through a central angle 4° 00’ 40”, and arc length of 37.52 feet; thence
- 9) North 25° 28’ 29” West, 711.68 feet; thence
- 10) Along a tangent circular curve, concave east, with a radius 20.00 feet, through a central angle 89° 59’ 29”, and arc length of 31.41 feet; thence
- 11) North 64° 31’ 00” East, 717.84 feet; thence
- 12) Along a non-tangent circular curve, concave south, the center of which bears South 15° 32’ 49” East, with a radius 20.00 feet, through a central angle 42° 46’ 35”, an arc length 14.93 feet; thence

- 13) Along a tangent reverse circular curve, concave northwest, with a radius 42.06 feet, through a central angle $137^{\circ} 35' 51''$, an arc length 101.01 feet; thence
- 14) South $20^{\circ} 31' 38''$ East, 842.39 feet; thence
- 15) Along a non-tangent circular curve, concave west, the center of which bears South $69^{\circ} 29' 06''$ West, with a radius 547.00 feet, through a central angle $46^{\circ} 59' 24''$, an arc length 448.61 feet; thence
- 16) South $26^{\circ} 26' 41''$ West, 17.26 feet, more or less to the Point of Beginning

End of Description

All of parcels "C", as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California

Legal Description - APN 817-09-040

The land referred to herein below is situated in the City of Morgan Hill, County of Santa Clara, State of California and is described as follows:

Parcel One:

Parcel C, as shown on Parcel Map recorded in Book 513 of Maps, at Pages 14, 15, 16, Santa Clara County Records, and being a portion of Lot 25 and lot 52 of "Catherine Dune Ranch Map No. 7", as shown on Map thereof, recorded in Book "L" of Maps, at page 26, Santa Clara County Records.

Parcel two:

An easement for ingress and egress over, under, on and across a strip of land 35.00 feet wide, described as follows:

Beginning at an iron pipe distant thereon South 25 degrees 57' 55" East 126.93 feet from the Southerly corner common to Lots 24 and 25, as shown on said Map and running thence North 89 degrees 03' 48" East 276.87 feet, South 00 degrees 56 deg. 12" East 35.00 feet, and South 89 degrees 03' 48" West 272.72 feet; thence along a curve to the left from a tangent bearing of North 00 degrees 56' 12" West, having a radius of 536.00 feet and a Central Angle of 3 degrees 44' 48", a distance of 35.03 feet to the Point of Beginning.

**PD Master Plan Zoning Amendment / General Plan Amendment/
Application for Development Permit**

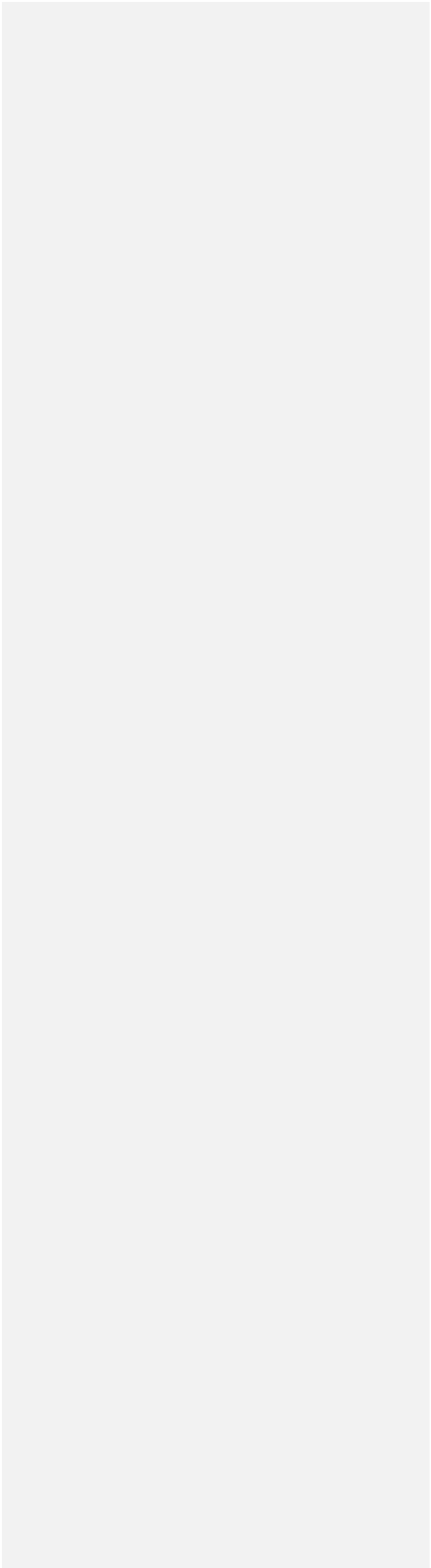
Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Lillian Commons, LLC-Applicant

Introduced November 4, 2020



**Prepared by
EMC Planning Group**



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

**PD MASTER PLAN ZONING
AMENDMENT / GENERAL PLAN
AMENDMENT /
APPLICATION FOR DEVELOPMENT PERMIT**

**Lillian Commons/ Morgan Hill Medical
Campus A Mixed Use Development**

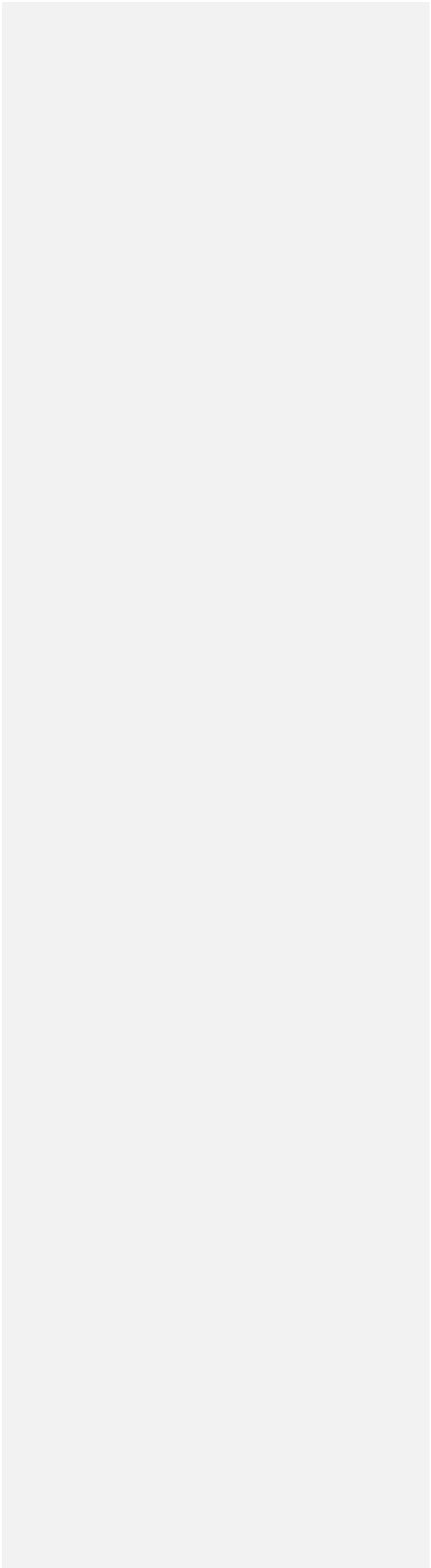
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March 13, 2020



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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1.0

INTRODUCTION

This Planned Development (PD) Master Plan has been prepared pursuant to the requirements of the City of Morgan Hill Municipal Code, and submittal requirements of the Community Development Department. This PD Master Plan also incorporates the requirements for a General Plan Amendment; the property has been concurrently re-designated from Commercial to Mixed Use Flex.

The PD Master Plan covers an area of approximately 19.7 acres east of Juan Hernandez Drive and north of Tennant Avenue. Refer to PD Master Plan section 4.5 for maps illustrating the plan boundary.

The PD Master Plan presents the following required information:

- Planning objectives;
- Community benefits;
- Land uses and approvals;
- Development standard deviations requested;
- Circulation plan;
- Locations of public facilities and open space;
- Diagrams showing various aspects of planned development;
- Development phasing; and
- Ongoing obligations

The PD Master Plan provides an overlay to the base Commercial Services (CS) zoning district. The purpose of the CS zoning district is to provide an area for commercial services that may be inappropriate in neighborhood or pedestrian-oriented shopping areas, and which generally require automotive access for customer convenience, servicing of vehicles or equipment, loading or unloading, or parking of commercial service vehicles.

The purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in the City of Morgan Hill. Permitted land uses may deviate from the land use regulations of the applicable base zoning district, in this case Service Commercial, provided the PD combining district allows only those land uses permitted in the applicable general plan land use designation.

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2.0

PLANNING OBJECTIVES

The PD Master Plan is designed to achieve the following planning objectives:

- Build off existing medical offices to provide a complete medical services center within the City.
- Provide a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community.
- Provide housing for the medical office/ hospital uses that would be affordable to the employees of these uses.
- Provide high-density housing in proximity to a school, commercial services, and employment opportunities.

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3.0 COMMUNITY BENEFITS AND GENERAL PLAN AMENDMENT JUSTIFICATION

3.1 Planned Development Community Benefits

The PD Master Plan will provide the following community benefits to the City of Morgan Hill:

- Provide the City with a well-rounded medical center featuring medical offices, urgent care/ pharmacy, and hospital beds.
- Provide the City with additional high-density housing to help the City achieve its Regional Housing Needs Allocation for lower income housing, and construct affordable housing units.
- Provide the neighborhood and City with open space, courtyards, and plazas that provide opportunities for people to informally meet and gather.
- Provide the neighborhood and City with pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood.
- Locate housing in proximity to parks, a school, retail, and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions.
- Provide the City with green buildings and sustainable development features. These will include photovoltaic renewable energy and meeting or exceeding Title 24 standards by three to five percent.
- Provide accessible parks and open space beyond the minimum required by the City. Park land will be dedicated to the City and the project will provide a walking/ jogging trail around the perimeter of the property to facilitate healthy living.

3.2 General Plan Amendment Justification

The PD Master Plan incorporates an amendment to the 2035 General Plan designation for the property to Mixed Use Flex (MU-F). The general plan amendment is necessary to permit the residential and hospital uses. Under the PD zoning, only those uses allowed in the property's general plan land use designation may be permitted by the PD zoning, and the general plan amendment to Mixed Use Flex accomplishes that purpose.

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The 2035 General Plan defines the Mixed Use Flex district as follows:

The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of Residential or Mixed-Use projects within the Mixed Use Flex designation a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

This definition suits the development planned in the PD Master Plan, as the PD Master Plan conceptual Site Plan incorporates housing near the medical office/hospital uses that is intended to be affordable to the employees of these uses. In addition, the conceptual Site Plan incorporates a small commercial component within a 10,000 square foot building, with retail/restaurant uses to serve the employees and visitors to the hospital as well as the surrounding residential community. The conceptual Site Plan shows how the medical office/hospital, commercial, and high-density residential uses will be arranged and connect with one another.

Best Interest of the Community

Why is the proposed amendment in the best interest of the community?

The residential uses are located within the property to provide a transition in intensity between the existing medical uses, Barrett Avenue Elementary School, and the single family residential uses abutting Juan Hernandez Drive to the west. The commercial, medical office/ hospital uses will be located adjacent to the existing medical offices, providing a campus feel on the property. The structured parking will provide adequate parking to accommodate the medical uses and provide overflow parking for the compatible high-density residential uses on the project site.

The mix of uses will provide convenient retail uses and services adjacent to both the high density residential uses and the medical office/hospital. The medical office/hospital will be located close to a freeway access, and just off two thoroughfares (Tennant Avenue and Butterfield Boulevard) providing convenient access to Morgan Hill residents and those from elsewhere in the region.

Public Need

Is there currently a public need for this amendment?

The Commercial uses outlined in the 2035 General Plan, though appropriate for this property, do not include the “third leg” which provides a sustainable living solution for commercial and institutional employees. Housing, and especially affordable housing, are a critical public need throughout the State, and especially in the Bay Area. Apartments¹ are an affordable housing option for service workers and would provide employees the opportunity to eliminate their commute to work. The one and two bedroom apartments², with 15 percent affordable, would allow younger adults, families, and seniors to live and work in a sustainable manner. Additionally the proposed amendment to the 2035 General Plan for this property would go a long way toward meeting several General Plan policies, as listed below, and addressed in Section 7.0, 2035 General Plan Consistency.

Housing- Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.

Healthy Community- Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.

City & Neighborhood Form- Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.

The proposed hospital would also provide for the public needs, adding a much-needed medical services to the City of Morgan Hill. The hospital will also provide a variety of jobs for the city and surrounding population.

¹ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

² All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

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4.0

PROPERTY AND DEVELOPMENT DESCRIPTIONS

4.1 Property Description

Location

The property within the PD Master Plan is located in the City of Morgan Hill, California, on Juan Hernandez Drive between Tennant Avenue and Barrett Avenue, adjacent to South Valley Freeway (US Highway 101-Salinas Valley Freeway). [Figure 1, Regional Location Map](#), shows the property location in a regional setting. All figures discussed in this section are presented in Section 4.5. Regional access to the property is provided by US Highway 101, and local access to the property is provided by Tennant Avenue from the south and Barrett Avenue from the north. Ingress and egress to the project site will be primarily from Juan Hernandez Drive, along the western property boundary.

The approximately 19.67-acre property consists of two adjoining undeveloped parcels of land (13.94-acres and 4.04-acres) and one developed parcel (1.69-acres). [Figure 2, Location Map](#), illustrates the location of the property with the parcels delineated. [Figure 3, Assessor's Parcel Map](#), presents the parcel map for the property and the Assessor's Parcels Numbers (APNs) 817-09-041 (13.94-acres), 817-09-039 (4.04-acres) and 817-09-040 (1.69-acres). Legal descriptions are presented in Section 9.0.

Property Characteristics

The undeveloped land is relatively flat, with several trees located on the northern parcel. Most of the property is vacant and has been farmed in the distant past. Two medical office buildings and related site improvements (driveway, parking, landscaping, and utilities) exist on the southern portion of the property as illustrated on [Figure 4, Existing Conditions Map](#).

Existing Land Use Designation and Zoning

The property is designated Commercial in the 2035 General Plan as illustrated in [Figure 5, Existing City General Plan Land Use Diagram](#), and is located in the Service Commercial zoning district with a Planned Development Combining District Overlay (PD) as illustrated in [Figure 6, Existing City Zoning Map](#).

Property Data

Project Location

City of Morgan Hill, CA (East of Juan Hernandez Drive, south of Barrett Avenue and west of US Highway 101 or Salinas Valley Freeway).

Street Address

0 and 16130 Juan Hernandez Drive, Morgan Hill, CA

Existing Assessor's Parcel Numbers

817-09-039, and 817-09-040, and 817-09-041

Acreage

Gross Property Acreage: 4.04, 1.69, and 13.94 (19.67 acres)

Net Property Acreage: 4.03, 1.66, and 13.49 (19.18- acres)

Zoning

Services Commercial District (CS) with Planned Development Combining District (PD) overlay

General Plan Designation

Mixed Use Flex (amended from Commercial)

4.2 PD Master Plan Description

General Plan Amendment

Incorporated into the PD Master Plan is an amendment to the 2035 General Plan land use diagram to change the designation for the property from Commercial to Mixed Use Flex (MU-F). [Figure 7, General Plan Amendment](#) indicated the existing and proposed land use designation.

Zoning Map Amendment

Concurrent with approval of the PD Master Plan, the property will be re-zoned by ordinance to reflect the application of the Planned Development combining district with a base CS district, and incorporation of this PD Master Plan for the property as illustrated in [Figure 8, Zoning Plat](#).

Parcel Map

A parcel map will divide the property's three existing parcels into four parcels to facilitate development or sale. The two vacant parcels would be subdivided into three parcels (A-C). The existing medical office site (Parcel D), would be reconfigured and included as part of the overall PD Master Plan. [Figure 9, Tentative](#)

[Parcel Map](#), prepared by the project engineer indicates how the property will be subdivided. The three existing lots will be re-organized into four parcels. Parcel A, 4.17 acres, Parcel B, 1.78 acres, Parcel C, 9.49 acres, Parcel D, 4.13 acres, and 0.10 acres will be dedicated as right-of-way along Barrett Avenue.

Development

Development anticipated within the PD Master Plan would be in the range of 350,000 – 417,696 square feet of residential, commercial, office, and/or institutional uses, including up to 150 multi-family dwelling units. All land uses permitted in the PD Master Plan are presented in Section 5.0.

[Figure 10, Site Plan](#) is presented in Section 4.5. The conceptual Site Plan includes five uses. The square footage of each use is that provided on the conceptual Site Plan, and could slightly increase or decrease.

- 4,500 square foot urgent care/pharmacy facility on the existing medical site;
- 10,000 square foot medical office as cancer center;
- 100,000 square foot medical office and hospital with a parking deck (multi-story with 54,000 square-foot footprint);
- 10,000 square foot commercial retail/restaurant building; and
- 150-unit multifamily residential development.

All uses will share common driveway access to Juan Hernandez Drive and Barrett Avenue. The conceptual Site Plan illustrates the overall development concept, including the proposed land uses, building placement, circulation patterns, parking, and open space. The descriptions in this section are based on the conceptual Site Plan.

Parcel A

The proposed medical/hospital facility will occupy one building in Parcel A. Two pick-up/drop-off areas are located adjacent to the proposed buildings to assist patients. Development of Parcel A includes a 500-space parking structure that will be shared by the adjacent uses along with access and utility infrastructure. A small park is also located on Parcel A for visitors and employees.

Parcel B

This parcel will be developed with approximately 10,000 square feet of commercial/retail uses, including a 5,000 square-foot sit down restaurant, a 55-space surface parking lot, and access and utility infrastructure. The remaining 5,000 square feet will be available for other personal service or retail uses. The mix of uses within this building will be market driven and could fluctuate over the life of the building.

Parcel C

Parcel C will be developed with 150 multifamily residential units. Additional vehicle parking will be available through a shared parking agreement with the developer of Parcel A.. Parcel C may also be developed with Single Family attached and detached for-sale dwelling units or other medical office uses.

Parcel D

Parcel D includes two existing medical buildings totaling 15,900 square feet and parking. The existing medical buildings will remain and a new one story 4,500 square foot urgent care/pharmacy medical facility will be constructed on this parcel, located in what is now occupied by a portion of the parking lot, leaving 30 surface parking spaces to remain for the existing medical facility and urgent care/pharmacy. A 10,000 square foot medical office – cancer center and a 66-space surface parking lot will be developed on this reconfigured parcel. Parking for the existing medical building displaced by the proposed urgent care/pharmacy facility will be replaced adjacent to the proposed medical office – cancer center and through a shared parking agreement with the remainder of the medical facility that will be developed on the new Parcel A.

Parkland/Open Space

The PD Master Plan includes the provision of approximately 2.9 acres of parks and open space. Amenities on Parcel C include a swimming pool, hot tub, lounging patio, and tot lot/play area, open play fields, and jogging/walking trail connections to adjacent sidewalk systems. Recreational parkland amenities in Parcel A include passive recreational opportunities with a landscaped area and park benches located between the medical/hospital facility and the commercial uses on Parcel B. Trail connections are provided throughout the property including new pedestrian access to the existing medical campus (Parcel D).

Site Access/Circulation

Access to the project site will be provided by four driveways: the existing driveway to the medical office would be retained and extended to provide secondary access to the medical/hospital facility and cancer center. An additional driveway, approximately 460 feet north of the existing driveway, will provide the primary access to Parcels A-C through the middle of the property. Two additional driveways will provide secondary access to the multifamily residential development from Barrett Avenue. The accessways for all project components are interconnected within the property. All new accessways will be designed to meet City of Morgan Hill design and performance standards for streets, driveways, curb, gutter and sidewalks. The conceptual Site Plan provides a layout of the circulation system for the project.

Juan Hernandez Drive is a two lane street with striping at Barrett Avenue to allow for turn lanes. The street is wide enough to provide on street parking but individual spaces are not marked. Barrett Avenue is a two lane street primarily providing access to Barrett Elementary School. Two left turn lanes from Juan Hernandez Drive into the property are proposed.

Sidewalks will be extended into the property from the existing sidewalks along Juan Hernandez Drive and Barrett Avenue. Connection will be made to the existing sidewalks on Juan Hernandez Drive and Barrett Avenue. Within the project boundary, sidewalks will be provided on all internal driveways to meet Americans with Disabilities (ADA) standards. Bicycle traffic shares the paved area or uses the sidewalk. Pathways and sidewalks designated for bicycle use will meet Caltrans design standards for bikeways. The passive park with a jogging/walking trail for pedestrians, will serve as a passage way from Barrett Avenue to the south side of the property. Additionally, all the uses proposed in the development project will have pedestrian connections to the park.

Parking

Parking will be located on each parcel and a shared parking agreement will be implemented per Municipal Code Section 18.72.050, on-site parking alternative-Section F, to meet the parking needs of the development. Parking below standards for some uses will be met by implementing a shared parking agreement between the newly created parcels within the property. Additionally, the mix of land uses will result in walking trips that will reduce parking demands for some uses.

Signage and Lighting

A detailed signage and lighting plans will be submitted during the Design Review phase of the project review. Signage and lighting will comply with the City of Morgan Hill Municipal Code, Sections 18.88 and 18.72.060G. We anticipate signage will be located at the intersection of Juan Hernandez Drive and the main access drive into the property, currently labeled as Street A on the conceptual Site Plan. Additional internal signage locations have not been determined at this time.

Storm Water Infrastructure

All drainage systems will be designed to comply with City and Regional Water Quality Control Board requirements for storm water management. Bio swales will be dispersed throughout the development, including a 25-foot wide landscape buffer along the east property line and a storm water basin, located in the southeast corner of the property. All drainage improvements will be designed and landscaped to meet City and State design criteria and performance standards. Where necessary, fencing around the ponds will consist of black chain link or decorative fencing and landscaping to shield views from US Highway 101 and onsite patrons.

Other Utilities

Sewer, water, and wastewater infrastructure will be designed and constructed in conformance with City standards. Ownership and maintenance will generally correspond to location within public or private property. Where utilities cross private property, easements will be established as necessary to provide access. Other utility infrastructure (gas, electric, communications, etc.) will be designed and constructed in conformance with State or utility standards. Ownership of these utilities will remain with the utility, with easements established as necessary to provide access.

Phasing

The proposed project would likely be constructed in phases starting with development of Parcel C, followed by development of Parcels B and D, and closing with the development of Parcel A. The hospital use will require approvals by the Office of Statewide Health Planning and Development (OSHDP) and the Division of the State Architect, some approvals could take as long as seven years, which is why it is expected to be the final element of the project to be developed. Full occupancy of all uses is assumed to occur in the year 2025-2027. Market factors could result in a changed phasing sequence.

Conceptual Development Plans

Figure 10, *Conceptual Site Plan*, illustrates the overall development concept, including the proposed land uses, buildings, circulation patterns, parking, and open space and common areas. This plan documents the percentage of site area that will be dedicated for all types of open space.

Figure 11, *Pedestrian Circulation/Open Space Plan*, illustrates the connectivity of the project, how it relates to the surrounding pedestrian network, and open space proposed on the project site.

Figure 12, *Illustrative Site Plan*, is a conceptual color rendering of how all the elements come together on the property.

Figure 13, *Conceptual Site and Utility Plan*, provides locations of sewer, water and fire connection on the site plan and also shows the proposed storm water management areas.

Figure 14, *Conceptual Grading Plan*, provides conceptual contour grading, drainage and flood control facilities, easement, property lines, rights-of-ways, and existing features beyond the site boundaries. Structures, building footprint and floor elevations are also depicted on the conceptual Grading Plan.

Full Size Plans, Illustrative Building Elevations, provided under separate cover, illustrate the building elevations and provide perspective renderings for each building. The building architecture and design are inspired by a distinctly modern and geometric aesthetic, using classical materials for a timeless appearance. The elevations are crafted of warm wood, grey stone and contrasting light stucco. The transparent glazing panes will provide ample daylight and animate the buildings, flooding the interior spaces with natural light and the orthogonal volumes and surfaces complement each other. The parking deck form is reduced in mass by using landscape screens facing US Highway 101.

Full Size Plans, The Conceptual Landscape Plans, provided under separate cover, identify landscaped areas throughout the PD Master Plan and explain the main landscape concepts to be achieved for the project. The conceptual Landscape Plans identify the major types of plant material to be used including street trees, parking lot trees, shrubbery to be used to screen the parking lots, and buffer plantings.

Conceptual Site Development Data

The PD Master Plan's conceptual Site Plan (see Figure 10) is used to provide the numbers that were used to prepare the project description and CEQA documentation. Additional dwelling units or floor area may be achieved on the property. The PD Master Plan allows a range of 350,000 – 417,696 square

feet of commercial, office, and/or institutional floor space and a maximum of 150 multi-family or single family dwelling units. It is expected the conceptual Site Plan will be modified prior to Design Review. Modification will be kept to a limit acceptable to not trigger additional CEQA impacts or mitigation measures. If the conceptual Site Plan changes exceed this limit, additional CEQA documentation may be necessary.

Medical Office/Cancer Center

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot maximum)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 2 EV spaces, and 5 bicycle spaces

Medical/Hospital

Building Coverage: 33,333 square feet

Floor Area: 100,000 square feet

Building Height: Three story (52-foot maximum including rooftop equipment)

Parking: 500 shared spaces within deck, including 9 ADA spaces, 10 EV spaces, and 25 bicycle spaces

Decked Parking

Building Coverage: 54,000 square feet

Building Height: Three story (32-foot)

Retail/Restaurant

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot)

Parking: 55 spaces, including 3 ADA spaces, 2 EV spaces, and 5 uncovered bicycle spaces

Multi-Family Housing

Building Coverage: 51,750 square feet (apartments and clubhouse/leasing office)³

Floor Area: 175,500 square feet – apartments; 3,000 square feet – club house⁴

Building Height: Varies by building: Three story (35-foot maximum)

³ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

⁴ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Dwelling Units: 150 Units

Parking: 359 spaces, including 8 ADA spaces, 200 covered spaces, and 7 EV spaces

Bicycle Parking: 36 covered bicycle spaces, 40 uncovered bicycle spaces

Urgent Care and Pharmacy

Building Coverage: 4,500 square feet

Floor Area: 4,500 square feet

Building Height: One story (25-foot)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 3 uncovered bicycle spaces

Existing Medical Buildings

Building Coverage: 15,900 square feet (12,300 square feet and 3,600 square feet)

Floor Area: 15,900 square feet

Building Height: One story

Parking: 96 shared spaces, including 30 existing spaces, 4 ADA spaces, 2 EV spaces and 4 uncovered bicycle spaces.

Park

Open Space / Passive Park Acreage: +/- 2.2 acres

Recreation exclusive for Multi-Family: +/- 0.70 acres

Additional open space is provided on site in landscaped buffers including walking/jogging trails.

Total Building Coverage

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Allowed: 417,696 square feet (50% of net land area)

Proposed: Not to exceed 50% (conceptual Site Plan indicates 212,319 square feet (25% of net land area)

Floor Area Ratio (FAR)

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Maximum FAR (per MU-F 0.5): 417,696 square feet

Proposed FAR: (0.42-0.5) 350,000 to 417,696 square feet (conceptual Site Plan indicates 351,786 square feet)

Total Square Feet

(Within buildings/carports on conceptual Site Plan)

Retail/Restaurant: 10,000 square feet

Medical Offices (4): 30,400 square feet

Medical/Hospital: 100,000 square feet

Residential: 178,500 square feet (includes club house/leasing office at 3,000 square feet)

Covered Residential Parking: 32,886 square feet – expected to be carports

Total: 351,786 square feet – (does not include the commercial parking structure)

Total Parking

Proposed Vehicle Parking: 1,010 spaces total (96 compact spaces at bio swales)

Covered Vehicle Parking: 700 spaces (500 spaces within parking structure)

Bicycle Parking: 118 (36 covered spaces, 82 uncovered spaces)

ADA Parking: 28 spaces

Electric Vehicle (EV): 23 spaces

4.3 Implementing Approvals

After the actions noted above are complete (General Plan Amendment, Zoning Map Amendment, and Parcel Map), the following implementing actions will remain to be taken by the City prior to construction. These approvals will most likely be separate actions for each parcel within the PD Master Plan.

Final Maps. After the tentative parcel map is approved, final maps will be filed. It is anticipated that a separate final map may be filed for each parcel, along with a corresponding improvement plan.

Design Review Permits. Prior to construction, each structure will be required to obtain a design review permit. Each design review permit will be approved by resolution by the Planning Commission.

Conditional Use Permits. Some uses that are allowed within the PD Master Plan will require a conditional use permit. Each conditional use permit will be approved by resolution by the Planning Commission.

4.4 Conditions Prior to Residential Construction

Prior to the issuance of building permits for residential construction on Parcel C, the Development Services Director shall confirm that Developer Lillian Commons L.L.C. has satisfied one of the following criteria:

- (1) Obtained building permits for and commenced construction of:
 - a. expansion of the parking lot on Parcel D from 45 spots to at least 60 spots, in order to support medical campus needs; and

b. Street A or B (as designated on the Conceptual Site Plan), with utility infrastructure suitable for a medical campus or hospital.

-OR-

(2) Developer and healthcare provider have filed application with OSHPD, paid application fee and submitted construction documents and specifications to a warm shell standard.

4.44.5 Ownership and Ongoing Obligations

The PD Master Plan, General Plan Amendment, and subdivision proponent seeks to obtain City approval of the General Plan Amendment, PD Master Plan and subdivision entitlements. The applicant/proponent intends to develop Parcel D with the Medical Center (e.g. urgent care/pharmacy, cancer center, medical offices, etc.). The medical /hospital parcel, retail/restaurant parcel, and residential parcel will most likely be sold to end users or to specialized developers.

Park land will be set aside within an easement upon filing of the final parcel map(s). Infrastructure will be constructed by future developers. Dedication and long-term maintenance financing of circulation, water, wastewater, and storm water infrastructure will be determined when development applications are processed.

A memorandum of agreement (MOA) or development agreement (DA) will be drafted by the applicant and distributed to the developers of each lot to allow for an orderly manner in which to provide capital improvements and maintenance of the infrastructure and common areas located throughout the property. It is expected that a shared parking agreement will be prepared as part of the MOA/DA to allow shared parking among the end users of the PD Master Plan development.

4.54.6 Maps and Diagrams

Maps and Diagrams are presented on the following pages.

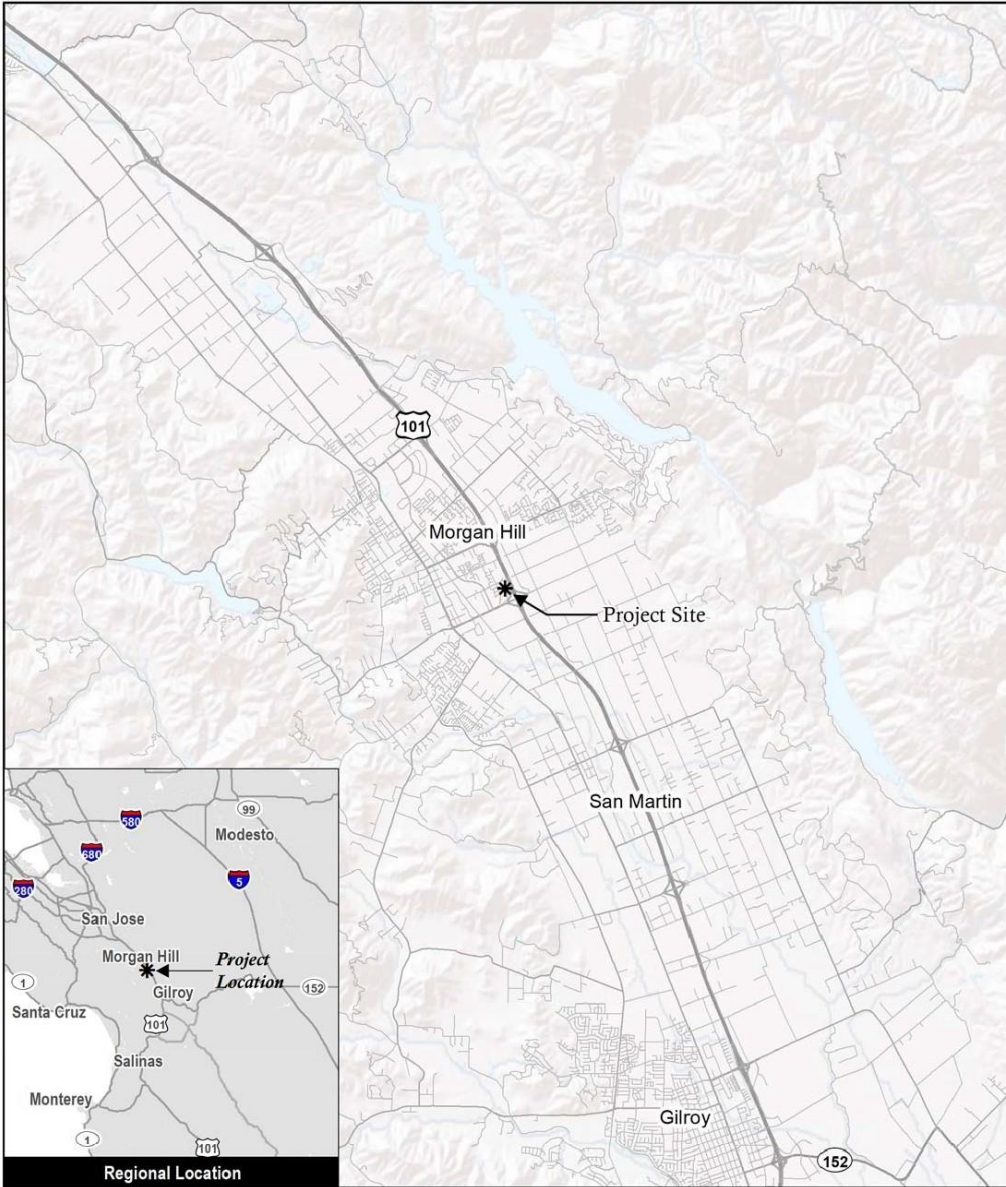


Figure 1

Regional Location Map

Lillian Commons/Morgan Hill Medical Campus

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Figure 2

Vicinity Map

Lillian Commons/Morgan Hill Medical Campus

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Lillian Commons/Morgan Hill Medical Campus

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SURVEY NOTES

- 1. THIS MAP REPRESENTS AN AERIAL TOPOGRAPHIC SURVEY PERFORMED BY WHITSON ENGINEERS ON JUNE 26, 2019. MAPING SCALE IS 20' PER INCH WITH CONTOURS AT ONE FOOT INTERVALS.
- 2. THIS MAP PORTRAYS THE SITE AT THE TIME OF THE SURVEY AND DOES NOT SHOW SOILS OR GEOLOGY INFORMATION, UNDERGROUND CONDITIONS, EASEMENTS, ZONING OR REGULATORY INFORMATION OR ANY OTHER ITEMS NOT SPECIFICALLY REQUESTED BY THE CLIENT.
- 3. BOUNDARY LOCATIONS SHOWN HEREON WERE DETERMINED BY RECORDS AND FIELD SURVEY. THIS TOPOGRAPHY DOES NOT CONSTITUTE A BOUNDARY SURVEY. THERE MAY BE EASEMENTS OR OTHER RIGHTS, RECORDS OR UNRECORDED ATTACHING THE SUBJECT PROPERTY WHICH ARE NOT SHOWN HEREON.
- 4. DISTANCES AND DIMENSIONS SHOWN ARE EXpressed IN FEET AND DECIMALS THEREOF, UNLESS OTHERWISE NOTED.
- 5. LOCATING OF UNDERGROUND UTILITIES WAS NOT WITHIN THE SCOPE OF THE TOPOGRAPHIC SURVEY. WITH THE EXCEPTION OF OBSERVED FACILITIES, SIZE AND LOCATION OF UNDERGROUND UTILITIES ARE SHOWN BASED ON AS-BUILT DOCUMENTS PROVIDED BY THE CITY OF MORGAN HILL.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NA 1988 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600. SHOWN HEREON.

LEGEND

- SUBJECT PROPERTY LINE
- ADJACENT PROPERTY LINE
- CENTERLINE
- SANITARY SEWER LINE
- WATER LINE
- STORM ORAN
- EXISTING CONTOUR
- UTILITY MANHOLE
- STORM ORAN CATCH BASIN
- FIRE HYDRANT
- WATER VALVE
- SURVEY MONUMENT (FOUND)

ABBREVIATIONS

- AC ACRE
- BP BACK OF WALL
- CB CATCH BASIN
- CH-LNK CHAINLINK
- CONC CONCRETE
- CPV CURB
- EP ELEVATION
- FL FIRE LINE
- GR GRATE
- HP HIGH POINT
- INV INVERT
- JP JOINT POLE

- SO LOW POINT
- IP MANHOLE
- OH OVERHEAD
- PL PROPERTY LINE
- SD STORM DRAIN
- SS SANITARY SEWER
- TC TOP OF CURB
- TS TRAFFIC SIGNAL
- WM WATER METER

EXISTING SPOT ELEVATION

WHITSON ENGINEERS

PROJECT TEAM

CIVIL ENGINEER / SURVEYOR
ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEN AVENUE, SUITE 210
SOUTH SAN FRANCISCO, CA 94080

(415) 312-0454

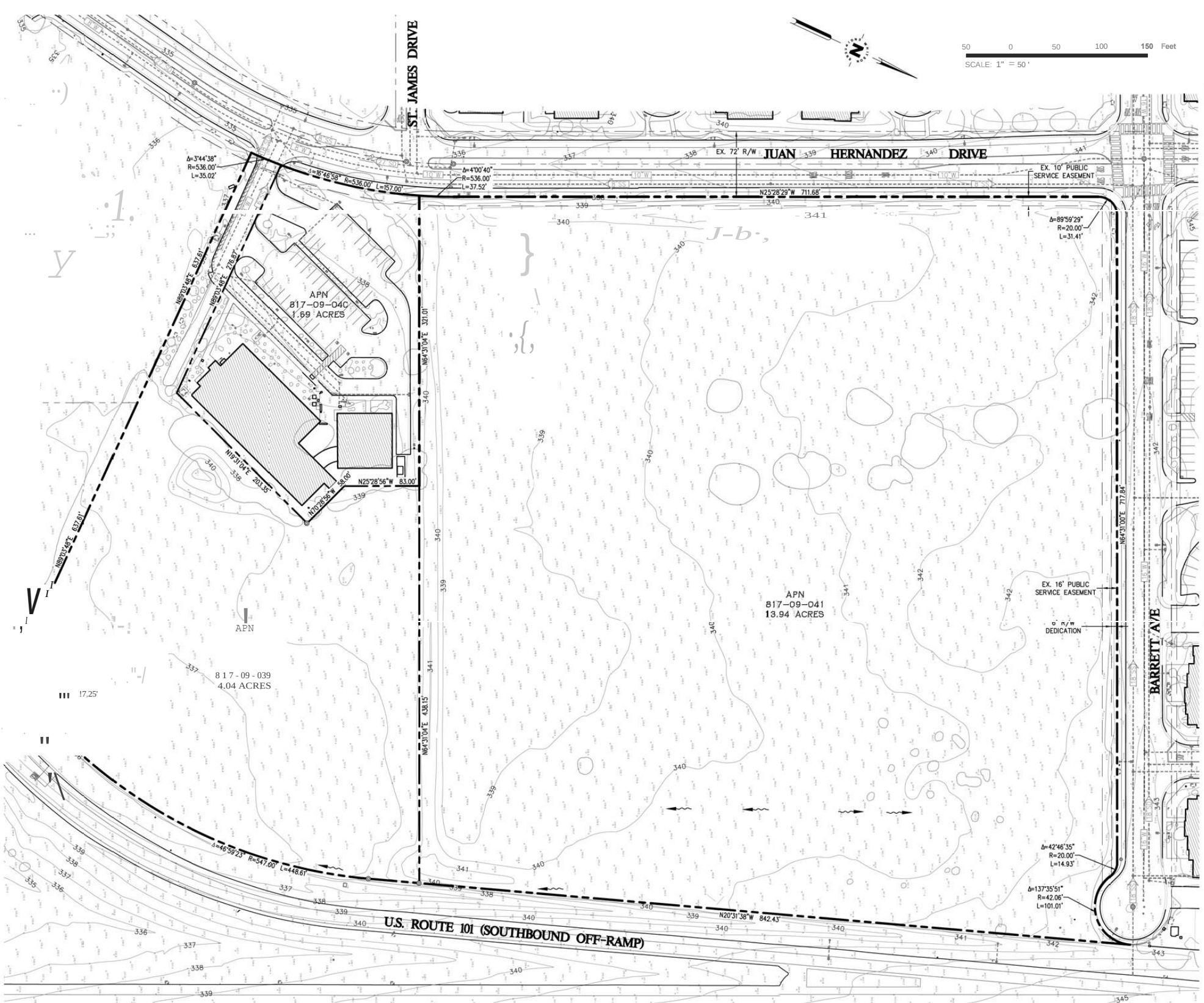
LANDSCAPE ARCHITECT

W. JEFFREY HED LANDSCAPE ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

(408) 691-5207

SHEET INDEX

- C1.0 EXISTING CONDITIONS MAP
- C2.0 CONCEPTUAL SITE AND UTILITY PLAN
- C2.1 CONCEPTUAL GRADING PLAN



NOT VALID WITHOUT SIGNATURE

SUBMITTAL / REVISION	

LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT

Morgan Hill, California

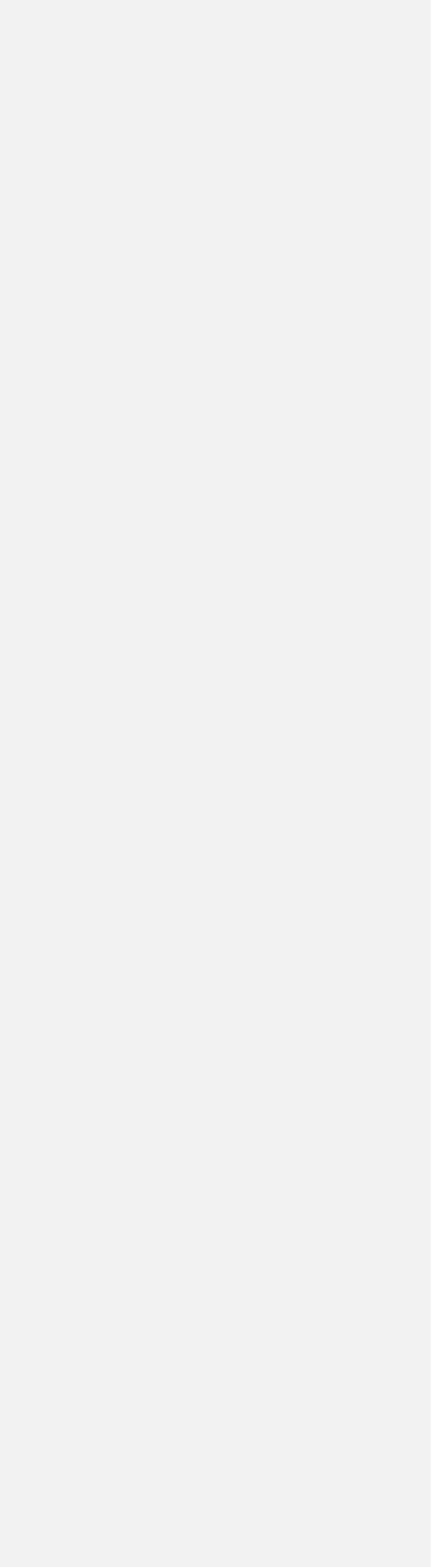
APN 817-09-039, -040, -041

EXISTING CONDITIONS MAP

NOT FOR CONSTRUCTION

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DRAWN:	GK
JOB No.:	2690.01
SHEET	C1.0

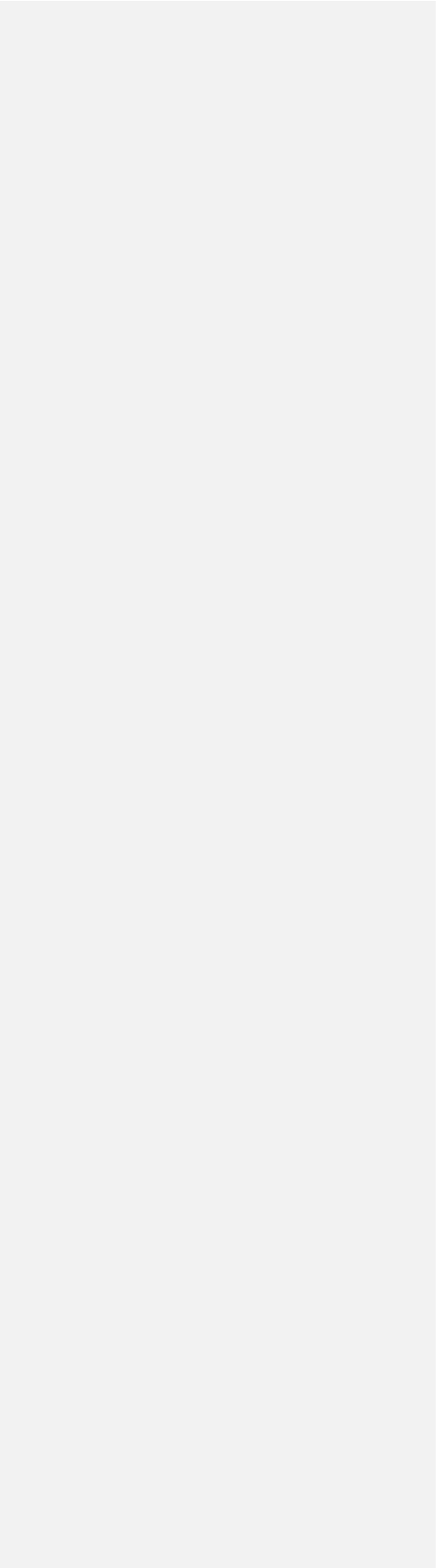
Figure 4



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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4-r8 P████████ D██████████ M██████ P███



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

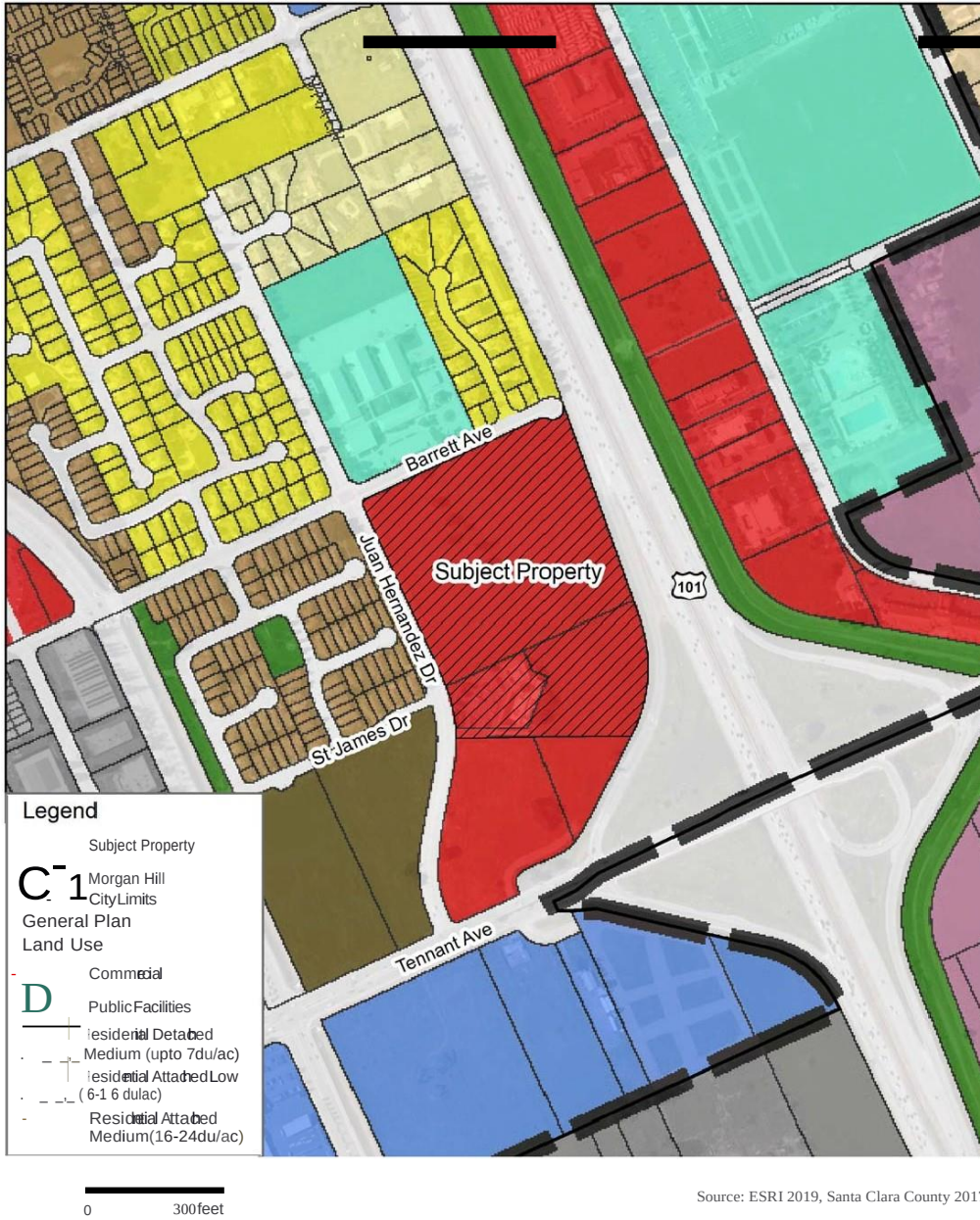


Figure 5
Existing City General Plan Land Use Map

4-20 Planned Development Master Plan

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Lillian Commons/Morgan Hill Medical Campus

Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

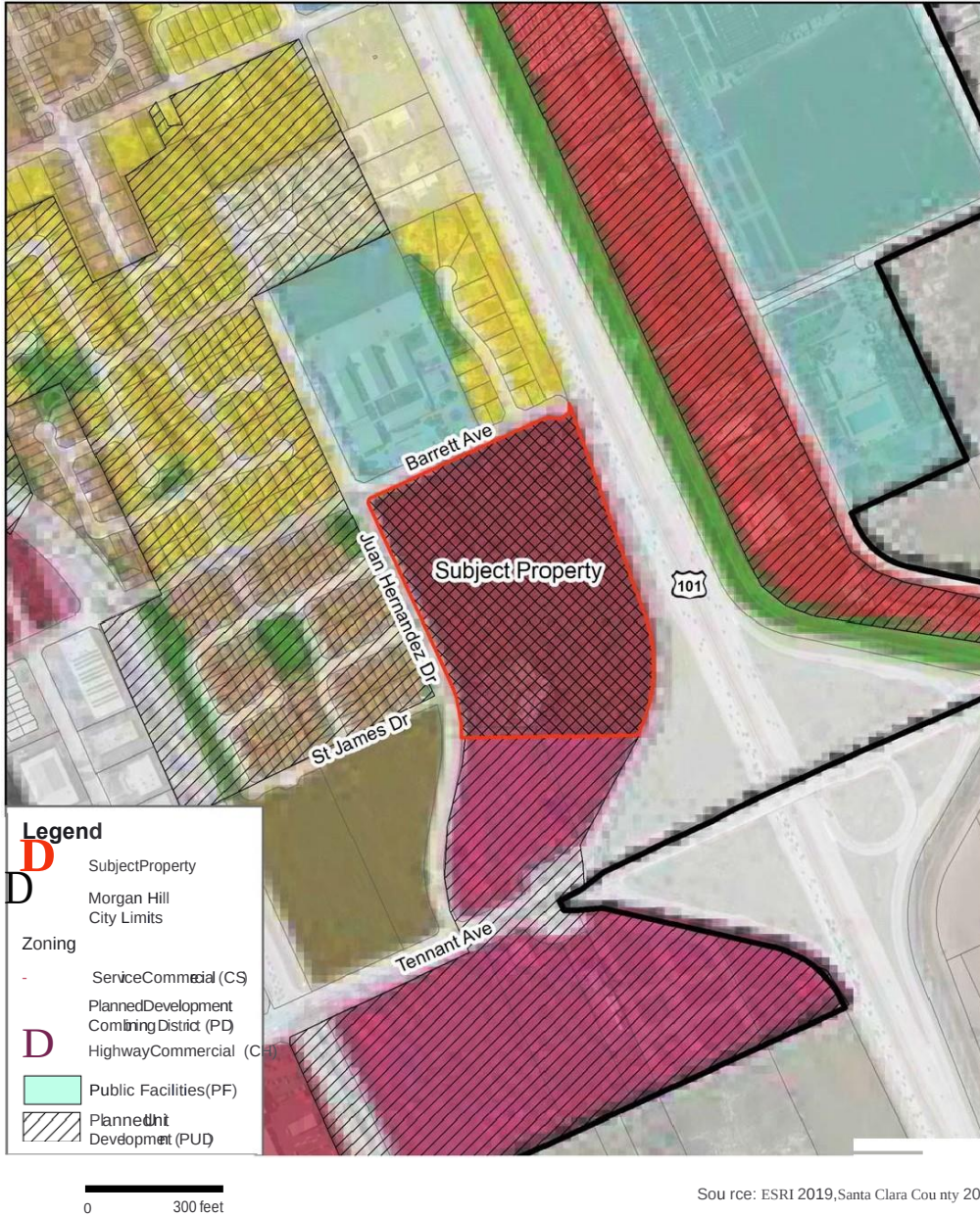


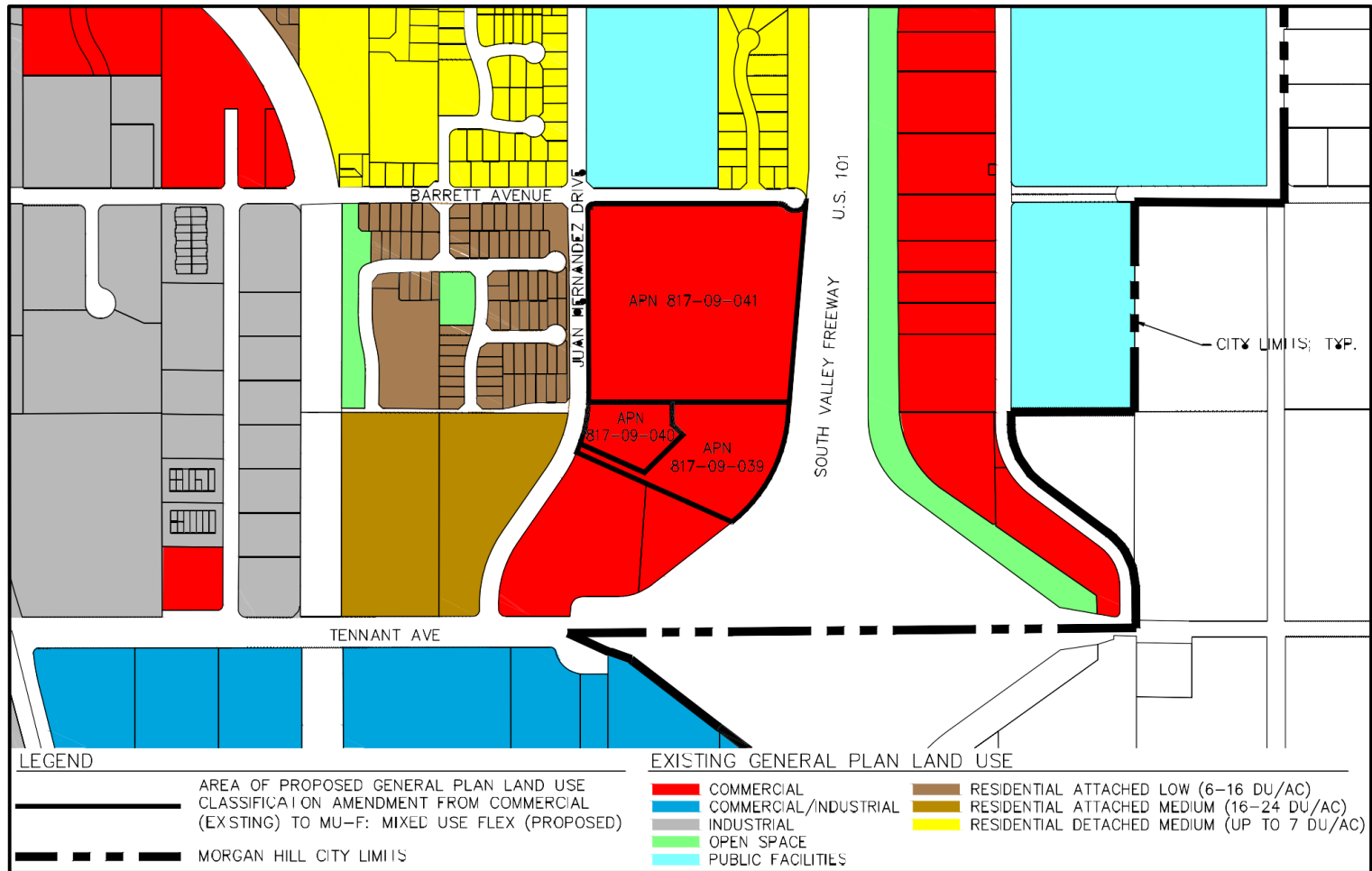
Figure 6

Existing City Zoning Map

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Lillian Commons/Morgan Hill Medical Campus

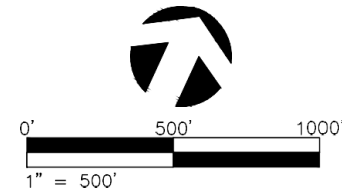
Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



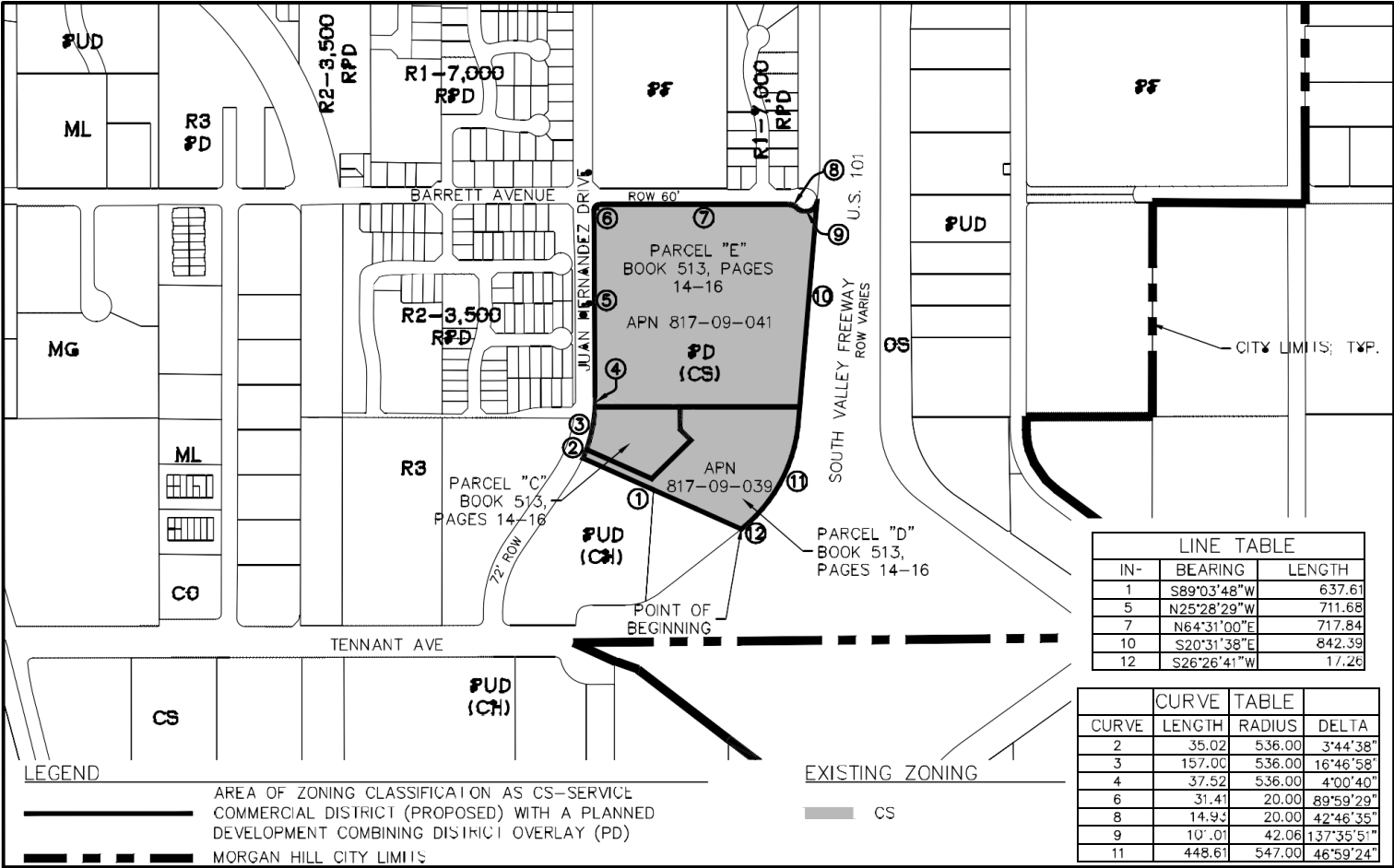
PREPARED BY:
WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940
(831) 649-5225

OCTOBER 17, 2019

**FIGURE 7 - PROPOSED GENERAL
PLAN AMENDMENT TO THE CITY
OF MORGAN HILL ENTITLED
0 JUAN HERNANDEZ DRIVE,
MORGAN HILL, CA**

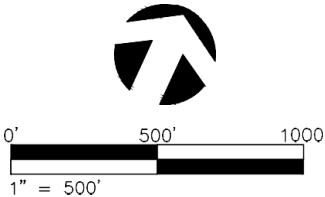


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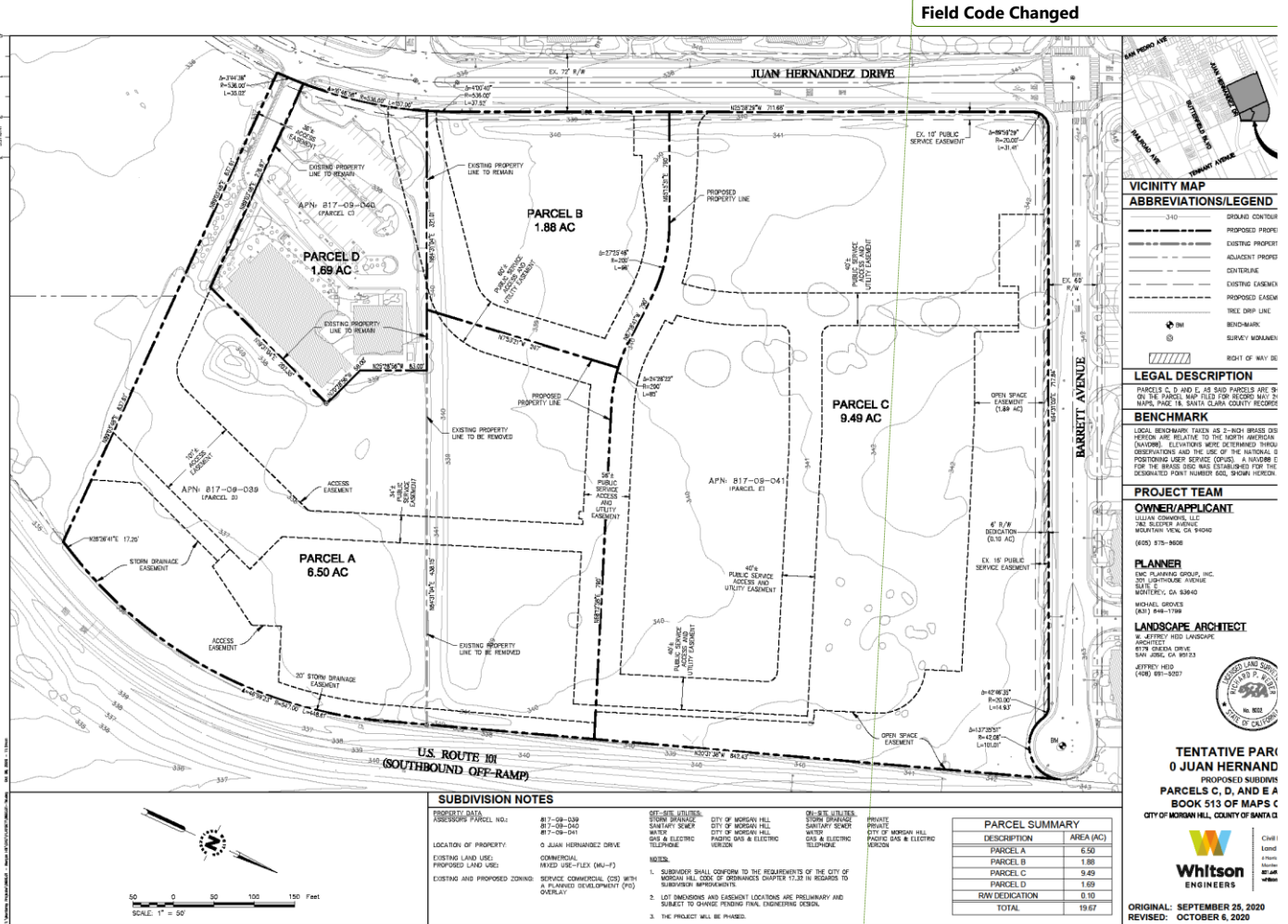


PREPARED BY:
WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940
(831) 649-5225

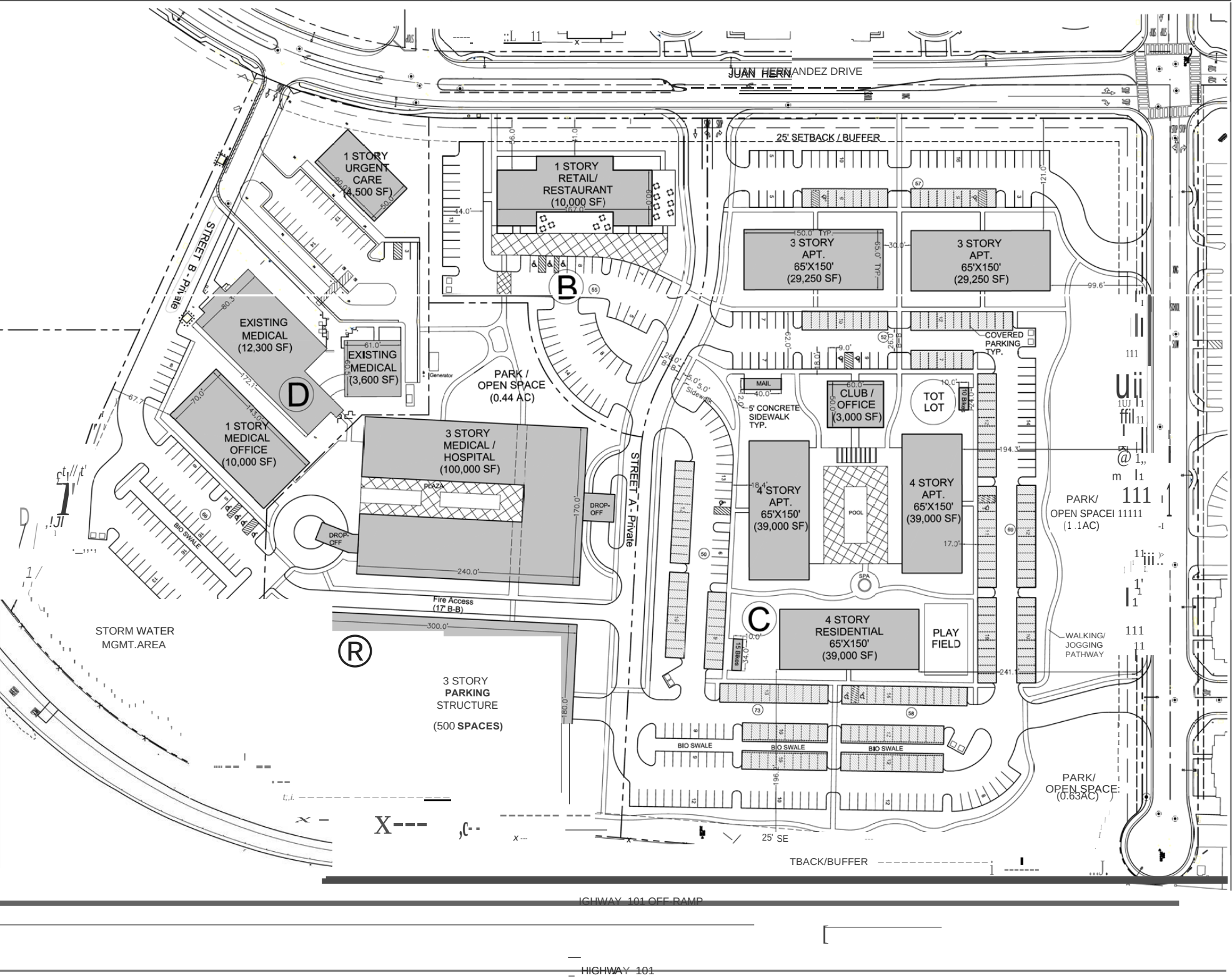
OCTOBER 17, 2019



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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA-19.67 AC, 856,782 SF
Structure Size:
Parcel A . Proposed Medical Office / Hospital • 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park
Parcel B • Proposed Commercial/Restaurant • 1.78 AC
10,000 SF, 55 Pkg. Spaces
Parcel C • Proposed Residential Apartments • 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/Recreation
Parcel D • Proposed Urgent Care/ Existing Medical • 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces
Right-of-way Dedication - 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 1,161 spaces/ Provided 1,010 spaces*
Required: Medical Office/ Hospital @ 1/200 = 652 spaces
Proposed: Medical Office/ Hospital @ 1/219 = 596 spaces
Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant 55 spaces
Required: Apartments @ 1.5/ 1 bdm land 2.0/2 bdm = 375 spaces
Guest Parking at 1/3 DU = 68 spaces Total = 443 (203 covered)
Proposed: Apartments 359 spaces
* Shared parking proposed per Municipal Code Section 18.72.D.50
Lot Coverage:
Building = 212,319 SF (25% NLA)
Parking/ Driveways = 227,804 SF
Landscape/Storm Water Mgmt. = 335,045 SF
Hardscape = 81,614 SF
Floor Area Ratio: 351,786 SF (0.42%)

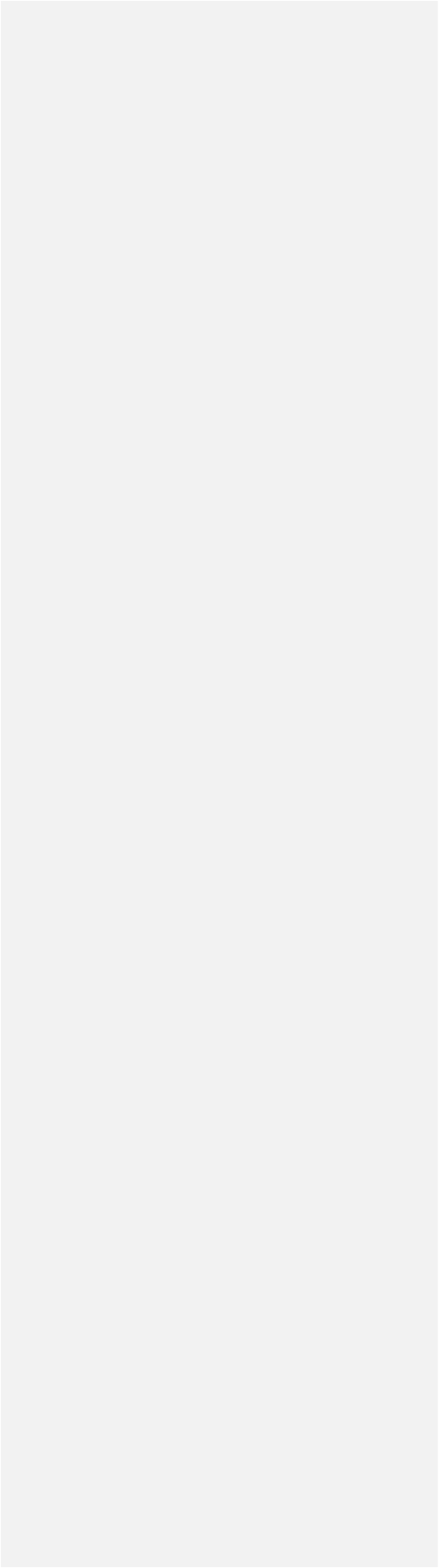
LEGEND:
- - - Site Boundary
(White Encircled) Structures on Site
C J Structures on Site
C J Parking Carports

0 50 100'

Figure 10
SITE PLAN

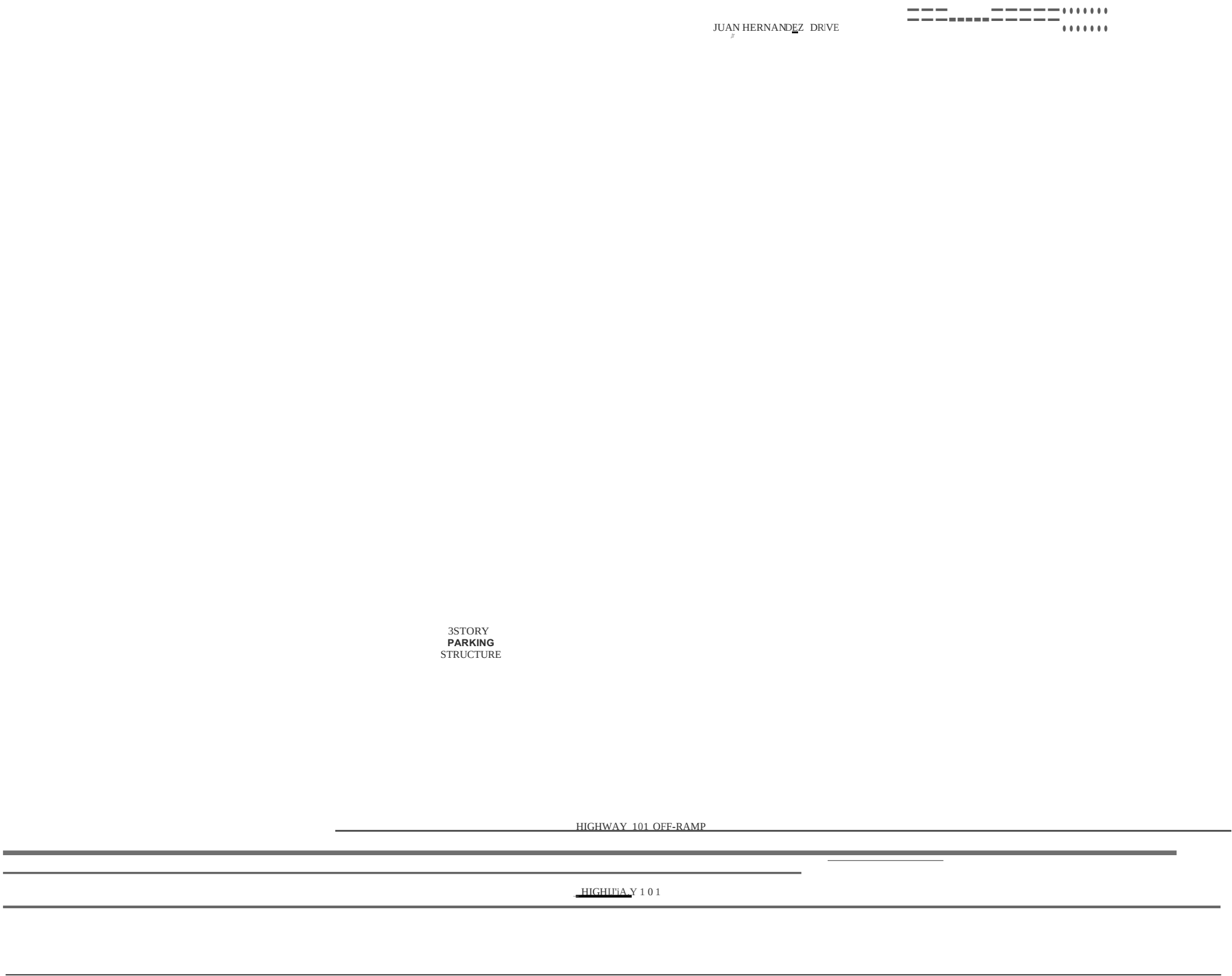
PD Master Plan/ General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019

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Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Parcel A - Proposed Medical Office / Hospital- 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park
Parcel B - Proposed Commercial/Restaurant - 1.78 AC
10,000 SF, 55 Pkg. Spaces
Parcel C - Proposed Residential Apartments - 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/ Recreation
Parcel D - Proposed Urgent Care/ Existing Medical - 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces
Right-of-way Dedication- 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 1,161 spaces/ Provided 1,010 spaces
Required: Medical Office/ Hospital@ 1/200=652spaces
Proposed: Medical Office / Hospital@ 1/219 = 596spaces
Required: Retail/Restaurant@ 1/250 and 1/100 =70spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant155 spaces
Required: Apartments@ 1 Single bedroom and 2.0/2 bedroom= 375spaces
Guest Parking, 1/3 OU= 68spaces Total= 443(203 covered)
Proposed: Apartments 359spaces
•Shanxi parking proposed per Municipal CodeSection 18.72.050
Floor Area Ratio: 351,786 SF (0.42%)

LEGEND:
Structures on Site Storm Water Management
Park/Recreation/OpenSpace
Sidewalks/Pat hways
Landscaping
(See Landscape Plan for Details)

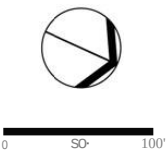
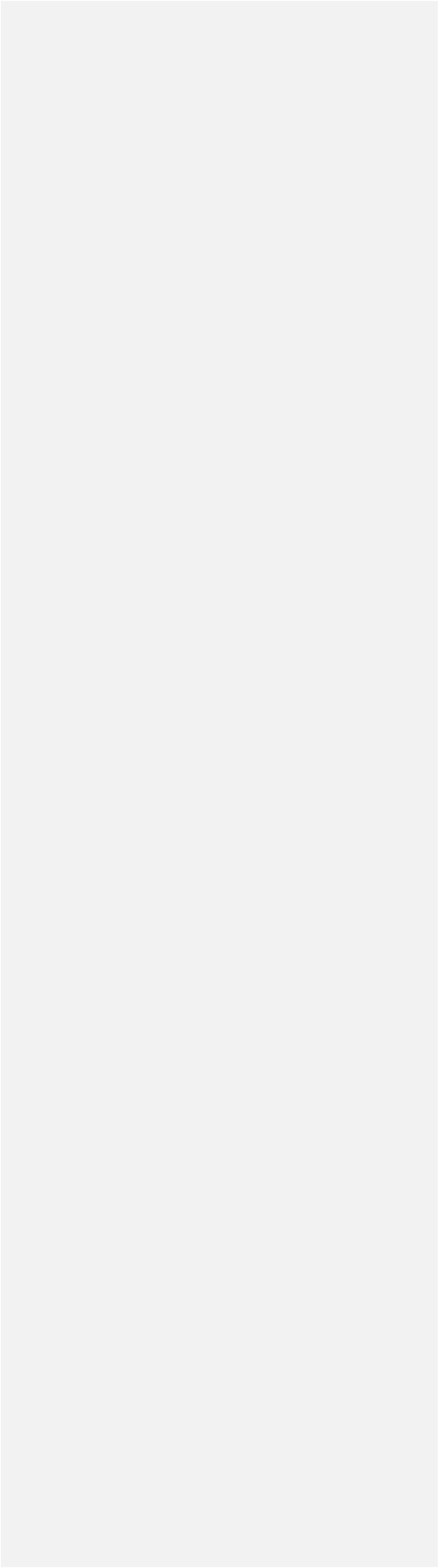


Figure 12
ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019

EMCP LANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com



Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Parcel A - Proposed Medical Office / Hospital - 6.50 AC
100,000 - 130,00 SF, 566 Pkg. Spaces
Parcel B - Proposed Commercial/Restaurant - 1.88 AC
10,000 SF, 50 Pkg. Spaces
Parcel C - Proposed Residential - 9.49 AC
150 Dwelling Units Maximum
1.98 AC Park/Recreation
School Drop-off/Pick-up Lot
Parcel D - Proposed Urgent Care/ Existing Medical - 1.69 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
31 Pkg. Spaces
Right-of-way Dedication - 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 790 spaces/ Provided 895 spaces*
Required: Medical Office / Hospital @ 1/200 & other = 452 spaces
Proposed: Medical Office / Hospital @ 1/200 & other = 397 spaces
Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant 50 spaces
Required: SF Residential (2 covered per DU + guest pkg.) 268 spaces
Proposed: SF Residential (2 covered per DU + guest pkg.) 268 spaces
*Shared parking proposed between Parcels per Municipal Code Section 18.72.050

Floor Area Ratio: 417,696 SF (0.5% max.)

- LEGEND:**
- Buildings
 - Buffers / Open Space
 - Sidewalks/Pathways
 - Landscaping (See Landscape Plan for Details)
 - Park / Recreation

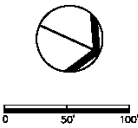


Figure 12
ILLUTRATIVE SITE PLAN

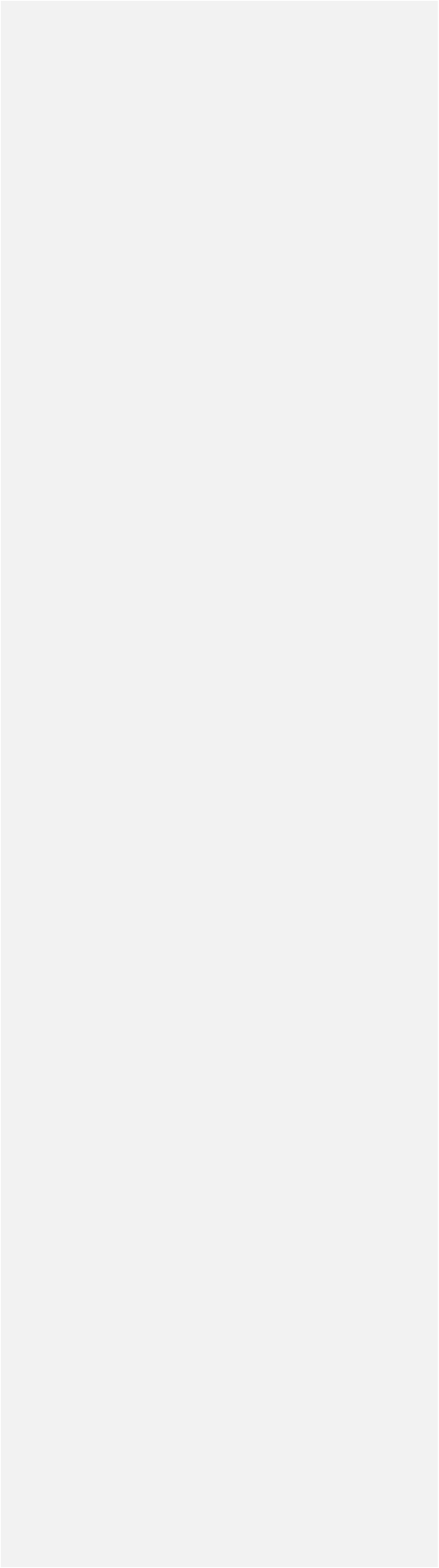
PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019
Revised October 6, 2020

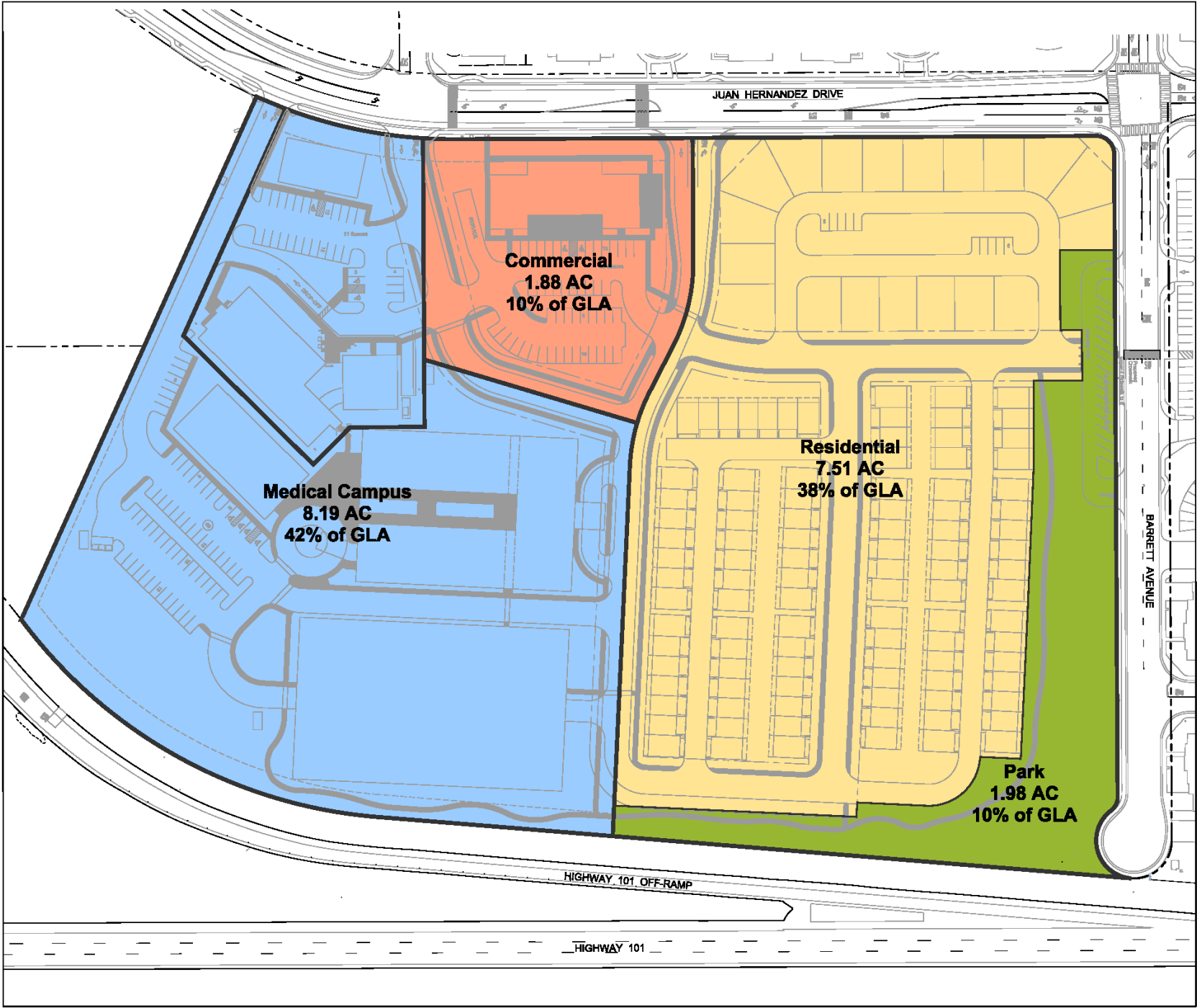


EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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Monterey, CA 831.649.1799 www.emcplanning.com

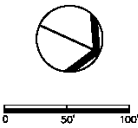


Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA - 19.67 AC, 856,782 SF
Mix Use Parcels:
Medical Campus - 8.19 AC, 42% of GLA
Commercial - 1.88 AC, 10% of GLA
Residential - 7.51 AC, 38% of GLA
Park - 1.98 AC, 10% of GLA
Right-of-way Dedication - 0.10 AC



LAND USE BUBBLE DIAGRAM

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 6, 2020

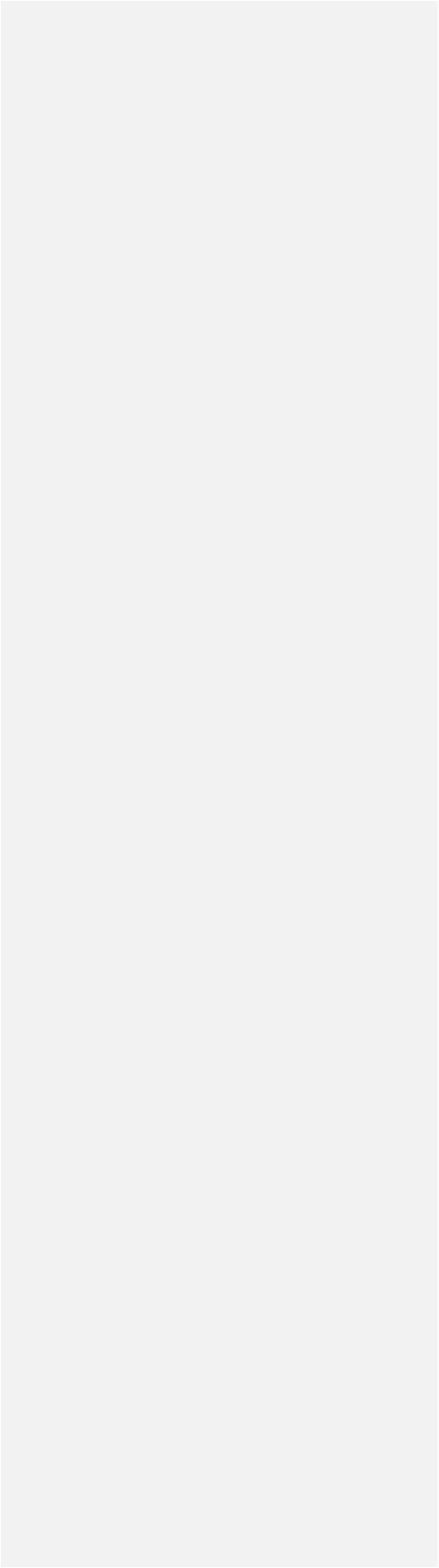


EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

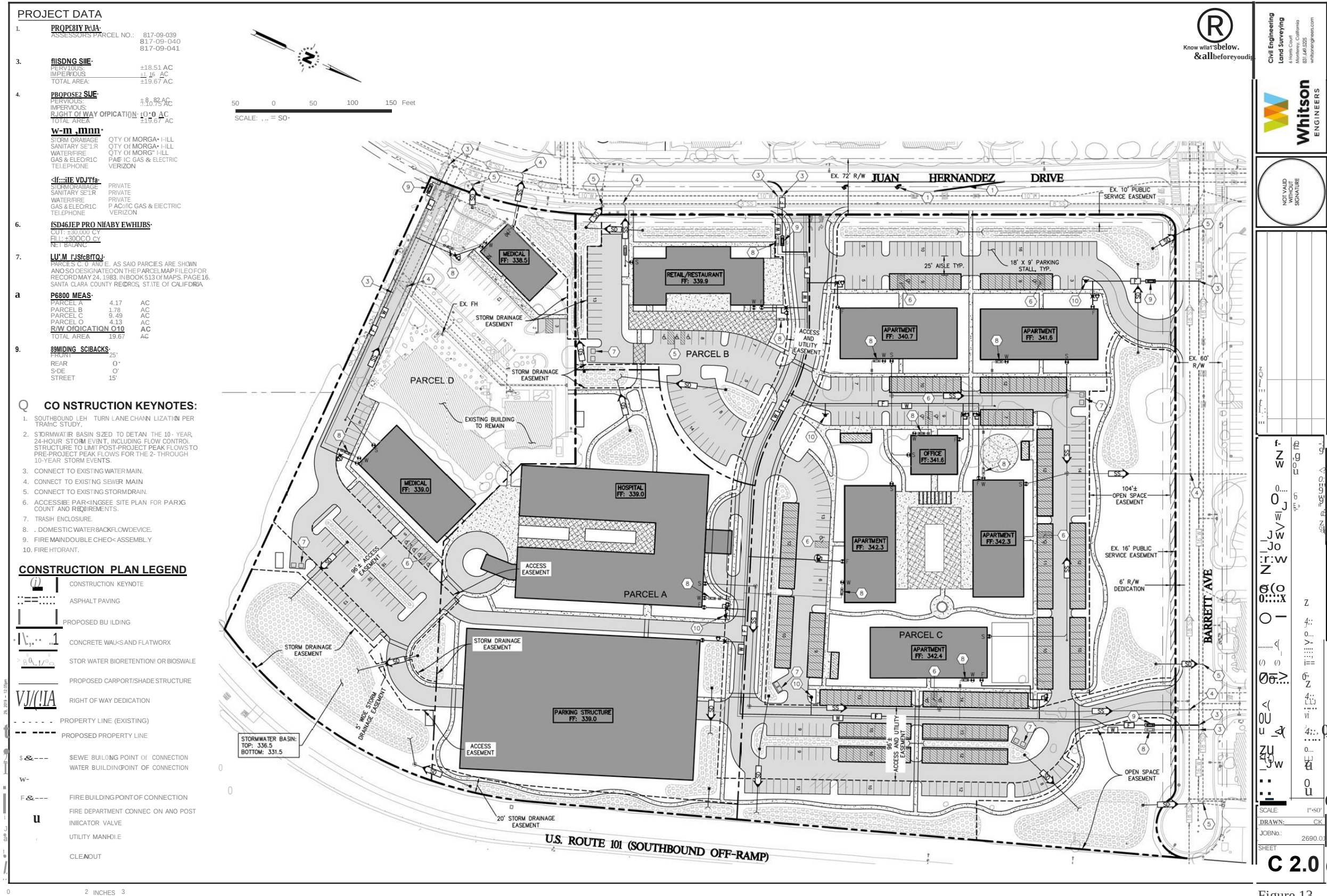
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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4-38 P██████████D██████████████████M██████████P██████



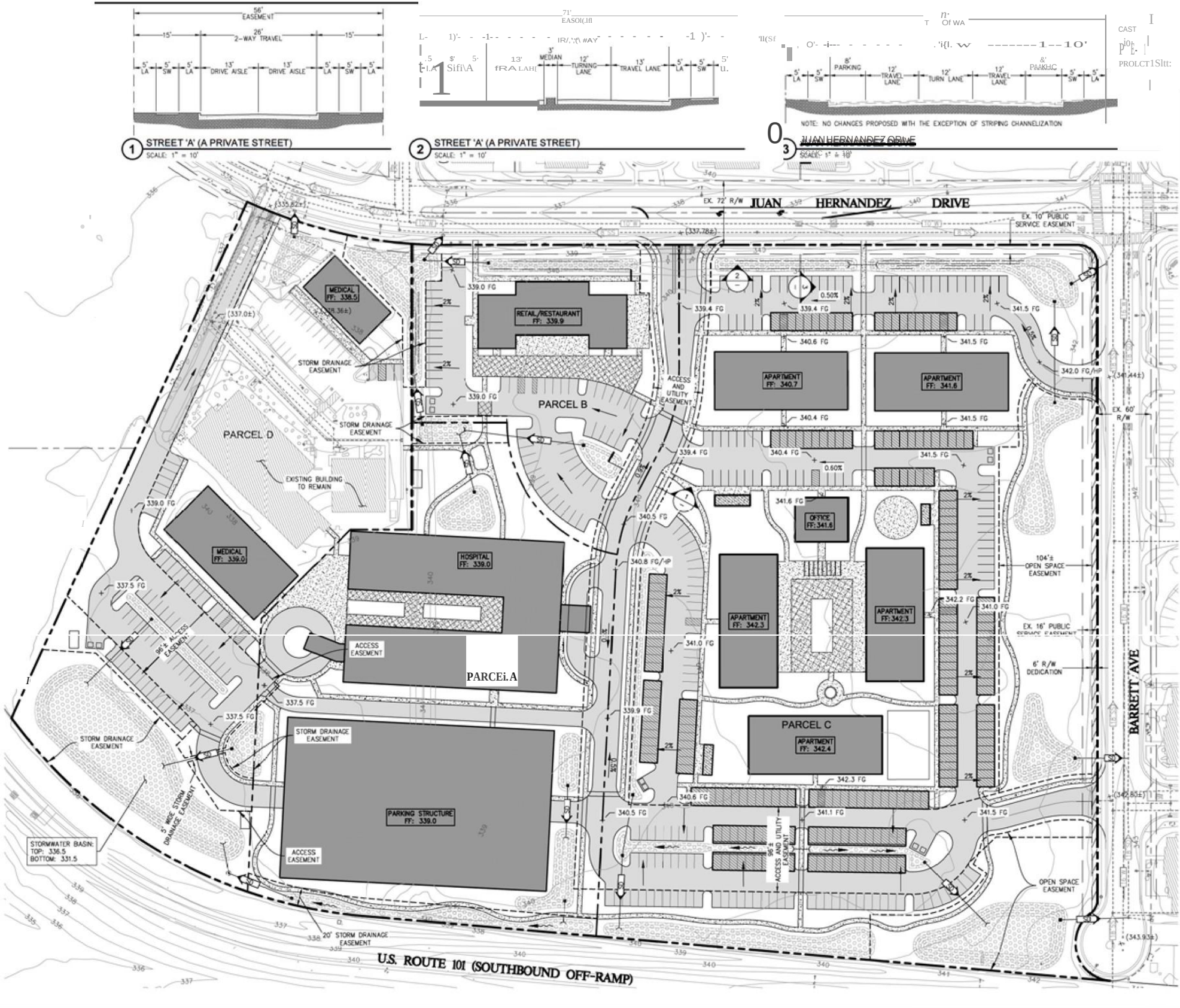
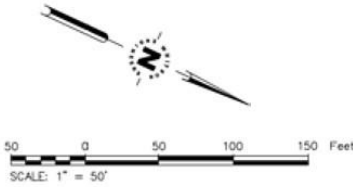
Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian



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PROJECT DATA

PROJECT: LILLIAN COMMONS / MORGAN HILL MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
DRAWN BY: JUAN HERNANDEZ
DATE: 01/11/2024



1 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'

2 STREET 'A' (A PRIVATE STREET)
SCALE: 1" = 10'

3 JUAN HERNANDEZ DRIVE
SCALE: 1" = 10'

Civil Engineering
Land Surveying
Whitson
ENGINEERS

NOT VALID
WITHOUT
SIGNATURE

SUBMITTAL / REVISION

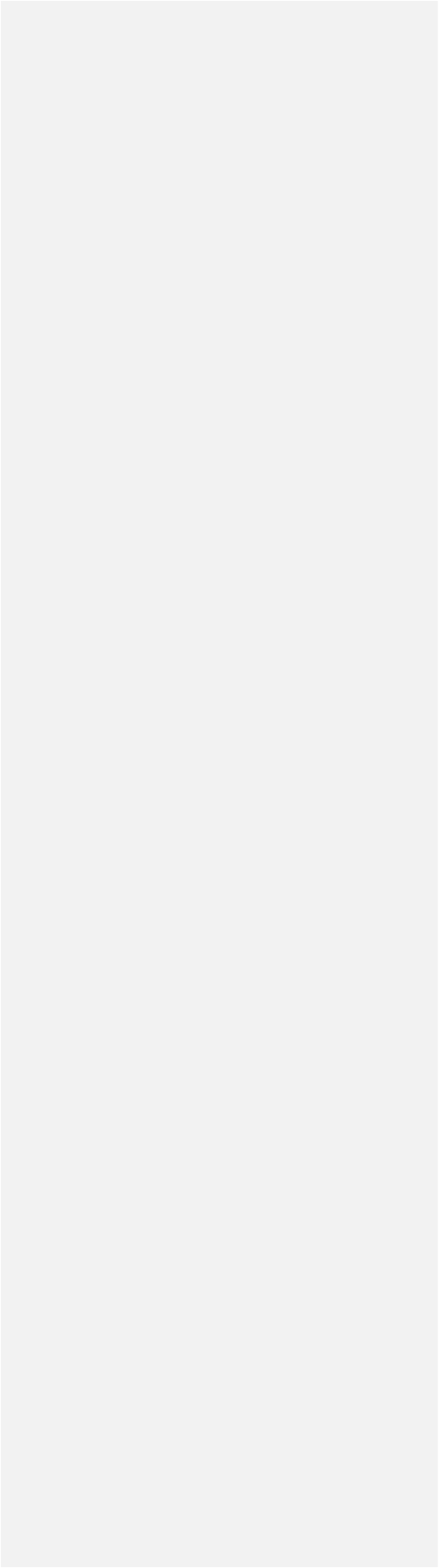
LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California
CONCEPTUAL GRADING PLAN
APN 817-09-039-040-041

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET
C2.1

NOT FOR CONSTRUCTION

Figure 14

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Attachment: Supplement 1 - 2318 Lillian Commons Exhibit A - As amended for adoption [Revision 1] (2921 : Adopt Ordinance 2318 Lillian

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5.0 LAND USES

Table 1, PD Master Plan Allowed and Conditional Uses, presents uses allowed by the PD Master Plan. The table identifies the use as a permitted (P) or conditionally permitted (C) land use. Uses in bold are new uses added to the permitted uses in the CS zoning district as part of this PD Master Plan. Some uses permitted in the CS district were eliminated from the list. The MU-F General Plan designation permits the property to be developed in a mixed use fashion allowing residential and hospital uses not currently allowed within the 2035 General Plan Commercial land use designation or the CS zoning district.

The conceptual Site Plan portrays five types of uses on the property; however, a revised site plan, or the future reuse or re-purposing of buildings after they are constructed and initially occupied, could change or add to those uses. Table 1, PD Master Plan Allowed and Conditional Uses, provides a comprehensive list of allowed and conditional land uses that could be approved within the PD Master Plan.

Table 1-1 Parcel C PD Master Plan Allowed and Conditional Uses

Use	Planned Development
Hospitals	P
Medical Offices and Clinics	P
Mixed Use Residential	P

Use	Planned Development
Banks and Financial Institutions	P
Business Support Services	P
College and Trade Schools	C
Convenience Market	C
Commercial Recreation, Indoor <15,000 square feet	P
Community Assembly	C
Cultural Institutions	P
Day Care Center	C
Drive-Through and Drive-in Facilities	C

Use	Planned Development
Emergency Shelters	C
Farmers Markets	C
General Retail	P
Hospitals	P
Hotel and Motels	C
Instructional Services	P
Medical Offices and Clinics	P
Parking Lots and Structures	P
Parks and Recreational Facilities	P
Personal Services	P
Professional Offices	P
Residential Care Facilities	C
Residential Care Facilities, Small	C
Restaurant- Fast Food, Sit Down	C
School, Public and Private	C
Social Services	C
Accessory Uses	(per Section 18.44)
Temporary Uses	(per Section 18.92.150)

- Non-medical uses must be in conjunction with a Hospital or other medical uses.

6.0

DEVELOPMENT STANDARDS

Development standards such as heights, setbacks, and building coverage within the planned development combining district are established in the PD Master Plan. Those standards may deviate from development standards in the Service Commercial base zoning district except that the maximum permitted floor area ratio and residential density may not exceed maximums established in the 2035 General Plan for the commercial land use designation. The floor area ratio for the Commercial land use designation in the 2035 General Plan is 0.6. The general plan amendment to Mixed Use Flex changes the floor area ratio to 0.5, which is reflected in the PD Master Plan. Standards in bold have been revised from those of the CS zoning district as part of this PD Master Plan. [Table 2, PD Master Plan Development Standards](#), presents the development standards.

Table 2 PD Master Plan Development Standards

Development Aspect	Paramete
Minimum Lot Size	10,000 square feet
Minimum Lot Dimensions	100-foot width; 100-foot depth
Maximum building coverage	50%
Minimum setbacks (front, rear, side, street) [1]	25, 0 , 0, 15 feet (respectively)
Maximum height (exceptions 18.56.020)	Residential/Office – 3 stories or 35 feet Hospital – 4 stories or 55 feet
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
On-Site Parking	Per Section 18.72 [2]
Retail	1 space per 250 square feet of net floor area
Restaurant (sit down)	1 space per 100 square feet of net floor area
Medical Office	1 space per 200 square feet of net floor area
Residential (multi-family)	1 bedroom unit – 1 covered 2 bedroom unit – 1 covered and 1 uncovered per unit
Guest Parking	1 per 3 units (shared with Medical Office use)
Electrical Vehicle Parking	1 per 25 to 49 automobile spaces, 2 per 50 to 100 automobile spaces, plus 1 per 50 ratio over 100 automobile spaces
Non-Residential Bicycle Parking	10% of automobile spaces; long term (enclosed): 5% of automobile spaces
Residential Bicycle Parking	10% of automobile spaces; long-term (enclosed), 1 per 5 units

NOTE:

[1] Outdoor seating, courtyards, and other publicly-accessible spaces **may occupy** the front setback. Residential porches and similar entry features may project **ten** feet into the front setback.

[2] Unless otherwise modified in this table.

PD Master Plan Development Standards for Single Family Residential

Development Aspect	Paramete
Minimum Lot Size (Single Family Residential)	1,000 square feet
Minimum Lot Dimensions	22-foot width; 45-foot depth
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Minimum Setbacks (front, rear, interior side, street side)	5 or N/A, 5 or N/A, 0 [1] or 3, 5 feet (respectively)
Maximum Height	3 stories or 35 feet [2]
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
Open Space	Per Section 18.40-4 based on lot size
Parking	Per Section 18.72 [3]
Residential (Single Family)	2 spaces - 1 covered space for each housing unit
Guest Parking	1 per housing unit [4] (shared with Medical Office use)

NOTE:

[1] A setback of zero feet is acceptable on one side yard; provided, that the sum of both side yard setbacks is at least eight feet

[2] Roof elements with minimum 5:12 roof pitch may exceed the building plate height by up to eight feet.

[3] Unless otherwise modified in this table.

[4] These guest spaces may include a combination of driveway parking, alley parking, on-street parking in front of the residence, and designated guest parking spaces.

7.0

CONSISTENCY WITH 2035 GENERAL PLAN

7.1 General Plan Land Use Designations

2035 General Plan- Commercial. The Commercial designation is primarily located along arterial roadways west of US Highway 101 and along the eastern freeway frontage. This designation is intended to allow a wide range of retail businesses, administrative and executive office uses, and professional services, either in stand-alone buildings or as part of shopping centers. The largest concentrations of this designation are found along Monterey Road and at the freeway interchanges, where retail stores are emphasized. The Service Commercial overlay along Monterey Road, north of Wright Avenue, allows auto-related uses, except for sales. The Commercial designation allows a maximum FAR of 0.6 and Mixed Use Flex designation allows a maximum FAR of 0.5

The General Plan goals and policies for Commercial with a Planned Development Combining District overlay are described below. In general, the 2035 General Plan encourages neighborhood-scale shopping near residential neighborhoods to foster walking and biking and to avoid car trips.

2035 General Plan - Mixed Use Flex. The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of a Residential or Mixed-Use project within the Mixed Use Flex designation, a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

Because the PD Master Plan includes a mix of uses on the property including retail, medical office, medical hospital, multi-family apartments⁵, and a park element as part of the Planned Development Combining District, Mixed Use in addition to Commercial 2035 General Plan goals and policies have been analyzed.

⁵ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

7.2 General Plan Goals and Policies

Applicable 2035 General Plan Goals, Policies, and Implementation Measures are presented in Table 3 through Table 9 below, along with an assessment of PD Master Plan consistency.

City and Neighborhood Form

Table 3 General Plan 2035 - City and Neighborhood Form Goals and Policies

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Residential Neighborhoods-GOAL CNF-10 A variety of housing types and densities available to all residents.	Consistent: The PD Master Plan allows for a variety of housing types. The conceptual Site Plan shows multifamily residential which will provide the community with new housing types including one and two bedroom apartments. ⁶
Policy CNF-10.3 Adequate Supply of Multi-Family Housing. Provide for an adequate supply of multi-family housing, located convenient to shopping, services, and transportation routes.	The PD Master Plan will assist the City in achieving an adequate housing supply as the PD Master Plan allows for 150 residential units. The conceptual Site Plan provides for a mix of residential, commercial, and medical uses that will allow for the placement of housing convenient to the shops, services, and offices, and adjacent to major transportation routes.
Policy CNF-10.6 Density Near Infrastructure. Encourage higher residential densities at locations where convenient access and adequate infrastructure is readily available.	Consistent: The property is adjacent to Juan Hernandez Road and Barrett Avenue in an area with existing utilities. A survey was completed by Whitson Engineers that determined there was adequate infrastructure available around the project site to support the uses
New Subdivisions-GOAL CNF-11 High quality, aesthetically pleasing, livable, sustainable, well-planned residential neighborhoods, well-connected to neighborhood services.	Consistent: The PD Master Plan's conceptual Site Plan provides a well-planned, aesthetically pleasing, livable, sustainable and well-connected residential neighborhood with integrated commercial/retail and medical offices.

⁶ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Policy CNF-11.5 Outside Connections. Require new subdivisions to provide multiple connections to the surrounding community. Methods to achieve this may include: ▪ Providing multiple points of entry into the project for motorists, bicyclists and pedestrians. ▪ Extending the existing street pattern at the edges of the subdivision into the site. Extended streets should match the type and scale of streets to which they connect. ▪ Installing landscaping and street improvements at the edge of subdivisions that appear as common amenities shared with adjacent neighborhoods.	Consistent: As shown in the PD Master Plan conceptual Site Plan, development within the property will be designed to be compatible with the surrounding neighborhood. Multiple points of pedestrian ingress/egress are provided along Barrett Avenue and Juan Hernandez Drive, with connections to existing sidewalks. Two points of ingress/egress for vehicles and bicycles are provided along Barrett Avenue, and two along Juan Hernandez Drive. A private drive is provided along the southern portion of the property that could provide connectivity to the adjacent vacant parcel to the south when it is developed in the future. The conceptual Site Plan provides for connectivity to this adjacent vacant parcel to facilitate connectivity in anticipation of its eventual development. Residential and open space/park uses will be adjacent to existing residential uses and
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General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
- Minimizing the use of gates, fences, and walls that separate the subdivision from the surrounding community. - Planning for future connections to adjacent undeveloped property.	Barrett Elementary School, and connectivity within the property will be provided via several pedestrian paths. The open space area abuts Barrett Avenue, which is adjacent to Barrett Elementary School, and will be made accessible to the school. The northern most open space/park area will be dedicated by easement for public use, including use by the Barrett Elementary School, to be used as a common amenity.
Policy CNF-11.10 Open Space. Require new subdivisions to feature integrated common open spaces, parks, and community facilities that serve as social and design focal points. Open spaces should be a close walking distance from all residents and should be large enough to be useful for residents.	The conceptual Site Plan includes approximately three acres of passive park/open space. Approximately 1.7 acres of the open space will be available to the elementary school for its use and benefit. The remainder of open space, including walking trails, serves the residential, commercial and office components of the plan, as well as neighboring residents. The open space and park areas are within walking distance of all of these uses and connected by pedestrian paths.
Policy CNF-12.1 Neighborhood Center Design. Allow neighborhood centers within future residential neighborhoods. Neighborhood centers are envisioned as nodes or focal points that offer neighborhood-serving services and amenities within a reasonable walking distance from adjoining residential areas. These centers should be designed to increase the accessibility of goods and services within existing residential neighborhoods, particularly for the benefit of senior citizens and those with limited mobility, and to offer opportunities for socialization.	Consistent: The PD Master Plan includes neighborhood serving uses and amenities including retail, restaurant, and medical office/hospital uses to serve the proposed and existing neighborhood. These uses include public gathering areas and pedestrian access. These services will be within walking distance to the existing and proposed neighborhoods and will increase the accessibility of services for the existing neighborhood, particularly for the benefit of senior citizens by providing close walkable medical offices.
Policy CNF-12.4 Neighborhood Center Requirements. Require future neighborhood centers to meet the following requirements: - The design of neighborhood center should provide a sense of place, promote casual interaction, and enhance overall well-being. - The design of neighborhood center should complement the residential character of its immediate surroundings, including site design, access, building style, building materials, signage, lighting, and landscaping.	Consistent: The PD Master Plan conceptual Site Plan includes pedestrian pathways that connect the open space, residential, retail, and medical components of the plan. The PD Master Plan includes a small retail center and open space/park areas that, along with the pedestrian access ways, will provide gathering areas and a sense of place, thereby promoting casual interaction and overall wellbeing. The project will be required to undergo design review with the City of Morgan Hill to ensure that the design complements the residential character of the adjacent neighborhood.

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Mixed Use Flex-GOAL CNF-13 Mixed use flex developments that include a variety of uses and forms to foster a dynamic urban environment. Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private	Consistent: The PD Master Plan allows for a variety of uses including retail, residential, and medical uses. The combination of uses within the property provides for walkability to services for residents and employees.
Commercial and Office- GOAL CNF-15 Sufficient, sustainable, and concentrated commercial and office uses. Policy CNF-15.3 Retail Uses at Major Intersections. Encourage retail sales use at major intersections as the focus	Consistent: The PD Master Plan provides for clustered commercial, medical, and retail uses near a major intersection at the south side of Morgan Hill.
Policy CNF-15.5 Office Development. Encourage new regional and local-serving office development at appropriate locations.	Consistent: The PD Master Plan allows for medical offices / hospital uses to create a campus of medical offices to serve the community and region.
Commercial / Industrial-GOAL CNF-18 Integrated job-generating centers that offer workers and businesses a range of services to meet their daily needs. Policy CNF-18.1 Vibrant Job Centers. Encourage land with a Commercial/Industrial designation to develop with job-generating uses with amenities that support workers and businesses, such as restaurants, lodging, fitness centers, and hair	Consistent: The PD Master Plan allows for concentrated and integrated retail, medical offices and hospital uses that will provide jobs for the City and the surrounding neighborhood. The medical office/hospital is expected to produce approximately 472 jobs. The PD Master Plan also allows for amenities such as restaurants, and personal services to serve the neighborhood and the surrounding community.

Housing

Table 4 General Plan 2035 - Housing Goals and Policies

General Plan Housing Goals and Policies	Consistency
Goal HE-4 A range of housing types for all age groups, served by transit, recreational amenities, shopping, and health and personal services, that allows residents to age in	Consistent: The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office / hospital and retail uses. Residents of the neighborhood would live within walking distance of health and personal services that would allow for them to age in place.
Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.	The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office / hospital, retail uses, open space/park uses, and Barrett Elementary School. The nearest Valley Transportation Authority bus route is located more than one mile from the property, but the applicant is open to the establishment of service at the property.

Economic Development

Table 5 General Plan 2035 - Economic Development Goals and Policies

General Plan Economic Development Goals and Policies	Consistency Analysis
Policy ED-7.4 Compatible Uses in Retail Centers. Encourage the evolution of retail centers into mixed-use activity nodes by supporting integration of uses that provide necessary or useful services or amenities that will benefit nearby residential areas and commercial establishments. Such uses may include but shall not be limited to: a. Health services and fitness facilities. b. Childcare. c. Housing, including affordable and senior housing. d. Religious facilities. e. Education/training facilities. f. Parks/community facilities/public gathering places.	Consistent: The PD Master Plan provides a mix of retail and medical uses convenient to the proposed and existing adjacent neighborhood. The medical and retail uses will provide health and retail services and amenities to the existing and proposed neighborhood. The PD Master Plan also includes public plaza and gathering locations.
GOAL ED-8 Office and industrial areas that provide high-quality work locations for existing and new businesses. Policy ED-8.1 Office and Industrial Development. Support the development of office and industrial facilities to meet local demand, compete for regional growth opportunities, and create high-quality jobs that match with local housing opportunities.	Consistent: The PD Master Plan allows for medical and retail uses to meet local demand and create high quality jobs. The PD Master Plan also allows for residential uses thereby providing local housing opportunities adjacent to places of employment.

Healthy Community

Table 6 General Plan 2035 - Healthy Community Goals and Policies

General Plan Healthy Community Goals and	Consistency Analysis
Parks, Recreation, and Trails- GOAL HC-3 Usable, complete, well-maintained, safe, and high-quality activities and amenities, including active and passive parks and recreational facilities, community gardens, and trails that are accessible to all ages, functional abilities, and socio-economic groups.	Consistent: As shown in the conceptual Site Plan, the PD Master Plan includes over three acres of passive park areas, open space buffer areas, and a tot lot connected by meandering pedestrian pathways. The passive park and open space on the property will allow for multiple activities for all socio-economic groups, functional ability, and ages.
Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.	Consistent: The PD Master Plan identifies open space areas that will be available to residents and patrons of the medical and retail facilities.

General Plan Healthy Community Goals and	Consistency Analysis
Access to Health Care- GOAL HC-7 Access for all residents to health care facilities and other important community health amenities. Policy HC-7.2 Professional Education. Encourage increased education and professional development resources to support students and employees in the health care field.	Consistent: The PD Master Plan provides for 130,400 square feet of medical facilities and important health amenities for residents. It is expected that a wide variety of medical practices will be provided within a campus setting that could encourage increased professional development resources to support students/interns in the health care field.

Transportation

Table 7 General Plan 2035- Transportation Goals and Policies

General Plan Transportation Goals and Policies	Consistency Analysis
GOAL TR-3 A coordinated, continuous network of streets and roads. Policy TR-3.16 Private Development Access along Arterials. Require development that occurs along arterial streets to obtain access through a local street or major entrance and not through curb cuts directly onto the arterial street	Consistent: The property is not accessed directly from an arterial. Tennant Avenue and Butterfield Boulevard are the nearest arterials to the property. The property is accessed from Juan Hernandez Drive and Barrett Avenue, which connect to these arterials.
Policy TR-3.17 Planned Development Access near Highway 101. Require Planned Developments (PDs) for commercial, office, or industrial uses at the intersections of Highway 101 and arterial streets to take access from a public street intersecting with the arterial street at a minimum distance of 600 feet from the freeway on and off ramps, unless the City Engineer finds that direct access to the arterial street or closer access will meet safety standards, or that mitigating actions will be taken to ensure safe access and minimum interference with traffic flows.	Consistent: Access to the property will be from Juan Hernandez Drive and Barrett Avenue. Juan Hernandez Drive is an existing City street that intersects Tennant Avenue at a safe distance from the off ramp of US Highway 101. The nearest property driveway is more than 700 feet north of Tennant Avenue.
Parking-GOAL TR-5 Adequate off-street parking. Policy TE-5.1 Adequate Parking Supply. Ensure that all developments provide adequate and convenient parking...	Consistent: The conceptual Site Plan provides for a 500-space parking structure and 96 additional spaces for the existing and proposed medical uses, 55 spaces for the retail use, and 359 spaces for residential use, which totals 1,010 on-site parking spaces. Based on the parking demand study, the parking supply for the entire project is proposed to total 1,010 spaces, as indicated in the study. The total gross parking requirement for the entire project is 965 spaces using the more conservative approach. There will be an overall surplus of about 45 spaces using City gross parking requirements with selected ITE peak parking rates. The project therefore will provide an adequate total parking supply to meet the overall project demand. Parking is conveniently located within walking distance to the various uses, and can be easily facilitated through a shared parking arrangement.

Policy TR-5.3 Parking Lot Connection. Require cross-connection of parking lots, where feasible and practical, at the time of design review for all commercial and industrial developments.	Consistent: As shown in the PD Master Plan conceptual Site Plan, parking lots are cross-connected where practical.
Bikeways-GOAL TR-8 A useable and comprehensive bikeway system that safely connects neighborhoods with workplaces and community destinations. Policy TR-8.12 Bicycle Parking. Bicycle parking and other supportive facilities shall be provided at all schools, parks, recreation facilities, commercial centers, civic buildings (including the library), transit centers, and workplaces based on the	Consistent: Existing bike lanes on Juan Hernandez Drive will serve the development providing a safe bikeway system to get to and from the property. Bicycle parking will be provided at each use on the property to encourage residents, employees, and patrons to use alternative means of transportation. On-site bicycle parking will adhere to the Bikeways Master Plan guidelines, and zoning code requirements.
Pedestrian Network- GOAL TR-9 Expanded pedestrian opportunities. Policy TR9.7 Concurrent Implementation. Where feasible, implement the trails and pedestrian system concurrent with adjacent developments.	Consistent: As shown in the conceptual Site Plan, sidewalks and pathways will be provided throughout the property to encourage walking on the campus. Sidewalks connect to those located on adjacent streets to provide connectivity.
Policy TR 10.3 and TR-10.4 Flexible Work Hours. Encourage employers to provide a flexible set of working hours to ease traffic congestion. Carpooling. Support a Countywide car/vanpool matching program.	Consistent: The applicant will provide educational materials to end uses or future developers to encourage employers to provide flexible work hours, carpooling options, and other alternative transportation methods as may be available. Bay Area employers with 50 or more full-time employees within the Bay Area Air Quality Management District geographic boundaries are required to register and offer commuter benefits to their employees in order to comply with Air District Regulation

Natural Resources and Environment

Table 8 General Plan 2035 - Natural Resources and Environment Goals and Policies

General Plan Natural Resources and Environment Goals and Policies	Consistency Analysis
Water Quality and Conservation - GOAL NRE-7 Conservation of water resources. Policy NRE-7.1 Water Standards for Private Development. Promote water conservation and efficient water use in all private development projects. Require development to exceed State standards for the use of water.	Consistent: Water saving measures will be implemented on the development project in the way of "green" design features. Very low flow toilets, efficient landscaping, and water capture and reuse will be used to conserve water.

Policy NRE-7.3 Water Efficiency and Landscaping. Promote water conservation and efficient water use in all public and private landscaping plans.	Consistent: Drought tolerant and area-suitable landscape materials will be utilized on the development project to promote water conservation.
Energy Efficiency-GOAL NRE-16 Conservation of energy resources. Policy NRE-16.1 Energy Standards for New Development. New development, including public buildings, should be designed to exceed State standards for the use of energy.	Consistent: New development will be designed consistent with energy standards that meet and exceed the City and State standards for use of energy.
Policy NRE-16.7 Renewable Energy. Encourage new and existing development to incorporate renewable energy generating features, like solar panels and solar hot water heaters.	Consistent: Future development of the property will adhere to new State climate change regulations, which include requirements to provide solar energy and otherwise reduce electrical use. Design approval of development is required, during which the merits of the project site plan and design will be considered, including

Safety, Services, and Infrastructure

Table 9 General Plan 2035- Safety, Services, and Infrastructure Goals and Policies

General Plan Safety, Services and Infrastructure Goals and Policies	Consistency Analysis
Noise GOAL SSI-8 Prevention of noise from interfering with human activities or causing health problems. Policy SSI-8.1 Exterior Noise Level Standards. Require new development projects to be designed and constructed to meet acceptable exterior noise level standards (see Table SSI-1), as follows: - Apply a maximum exterior noise level of 60 dBA Ldn in residential areas where outdoor use is a major consideration (e.g., backyards in single-family housing developments and recreation areas in multi-family housing projects). Where the City determines that providing an Ldn of 60 dBA or lower cannot be achieved after the application of reasonable and feasible mitigation, an Ldn of 65 dBA may be permitted. - Indoor noise levels should not exceed an Ldn of 45 dBA in new residential housing units.	Consistent: The conceptual Site Plan includes a 25 foot buffer from the US Highway 101 off-ramp and places the parking and parking garage closest to the freeway to further buffer the medical and residential uses. Residentially occupied buildings are located a minimum of 250 feet from the US Highway 101s through lanes. A noise analysis was completed for the project that determined all exterior and interior noise levels would be met with implementation of the recommendations contained therein. Mitigation measures will be implemented when the buildings are constructed to ensure the acceptable noise levels are met.

Noise levels in new residential development exposed to an exterior Ldn 60 dBA or greater should be limited to a maximum instantaneous noise level (e.g., trucks on busy streets, train warning whistles) in bedrooms of 50 dBA. Maximum instantaneous noise levels in all other habitable rooms should not exceed 55 dBA. The maximum outdoor noise level for new residences near the railroad shall be 70 dBA Ldn, recognizing that train noise is characterized by relatively few loud events.	
Policy SSI-8.4 Office Noise Level Standards. Interior noise levels in office buildings should be maintained at 45 dBA Leq (hourly average) or less, rather than 45 dBA Ldn (daily average).	Consistent: Mitigation measures including noise reduction measures and emergency generator noise suppressors will be implemented when the buildings are constructed to ensure the acceptable noise levels are met. A noise analysis is provided as part of the CEQA documentation.
Policy SSI-8.9 Site Planning and Design. Require attention to site planning and design techniques other than sound walls to reduce noise impacts, including: a) installing earth berms; b) increasing the distance between the noise source and the receiver; c) using non-sensitive structures such as parking lots, utility areas, and garages to shield noise sensitive areas; d) orienting buildings to shield outdoor spaces from the noise source; and e) minimizing the noise at its source.	Consistent: Building location was taken into account in the conceptual Site Plan to locate sensitive uses a minimum of 250 feet from the through lanes of US Highway 101. Building placement and strategically placed landscaping will help to minimize noise at its source. Additionally, the noise analysis recommends an 8 foot sound wall along Highway 101 to reduce noise impacts to the residential component of the project.

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8.0

PD MASTER PLAN AND ZONING FINDINGS

8.1 PD Master Plan Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.30.050.H.7 (Findings).

General Plan and Zoning Consistency

- a. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.*

Finding

The PD Master Plan incorporates an amendment of the 2035 General Plan. The 2035 General Plan designation of Mixed Use Flex with a seven dwelling unit per acre minimum and 24 dwelling unit per acre maximum will allow the residential uses proposed within the PD Master Plan and the hospital use, not currently an allowed use on the property. Section 7 outlines in greater detail how the PD Master Plan is consistent with the goals and policies of the 2035 General Plan. As allowed by Municipal Code Section 18.30.050, the PD Master Plan identifies several changes to the development standards that apply in the CS district; these changes include increased building heights and modifications to parking standards for shared parking arrangements. The floor area ratio is reduced from 0.6 to 0.5. The Planning Commission will have say on two aspects of future development, to ensure consistency with zoning regulations. Design approval is required for all development, during which the merits of the site plan and architectural design will be considered. Some uses may require a conditional use permit, and those will require a hearing to determine suitability. During these reviews, consistency with zoning code requirements will be analyzed as they specifically relate to the development project. The PD Master Plan is not located within a specific plan or area plan.

Superior to Development Under Existing Zoning

- b. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.*

Finding

The PD Master Plan allows a mix of compatible uses, including a much-needed residential component to provide sustainability to the remainder of the uses, and a retail and medical office / hospital component to provide work opportunities to the neighborhood and community. The urgent care/ pharmacy would provide a convenient location for the surrounding neighborhood and patrons to the school to utilize the services it will provide. The affordable multi-family residential uses will allow tenants to age in place, and will provide a near-by down-sizing option for empty nesters in the adjacent single family houses. The passive park with a walking/jogging trail system, located along Barrett Avenue and US Highway 101, will allow for enjoyment by the retail and medical office employees and visitors, as well as by the apartment residents⁷ and residents of the surrounding neighborhood. The high-density residential use will allow elementary school-aged children to walk to Barrett Elementary School. The retail area will provide convenience services to both the medical/office uses and residents.

Substantial Public Benefit

- c. *The proposed project will provide a substantial public benefit as defined in Paragraph 8 (Substantial Public Benefit Defined) below. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.*

Substantial Public Benefit Defined. When used in this section, “substantial public benefit” means a project feature not otherwise required by the zoning code or any other provision of local, state, or federal law that substantially exceeds the city’s minimum development standards and significantly advances goals of the general plan. A project must include one or more substantial public benefits to be rezoned as a planned development. The public benefit provided shall be of sufficient value as determined by city council to justify deviation from the standards of the zoning district that currently apply to the property. Examples of substantial public benefits include but are not limited to:

- a. **Housing that is affordable to lower-income households.**
- b. **Public plazas, courtyards, open space, and other public gathering places that provide opportunities for people to informally meet and gather.**
- c. **New or improved pedestrian and bicycle pathways that enhance circulation within the property and connectivity to the surrounding neighborhood.**
- d. **Green building and sustainable development features that substantially exceed the city’s minimum requirements.**
- e. *Preservation, restoration, or rehabilitation of a historic resource.*
- f. *Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.*
- g. **Publicly accessible parks and open space beyond the minimum required by the city or other public agency.**

⁷ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

- h. *Habitat restoration and or protection of natural resources beyond the minimum required by the city or other public agency.*

Finding

The items shown in bold above are items for which the PD Master Plan exceeds the City's minimum development standards.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. The residential units are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. The PD Master Plan proponent agrees to enter into a contract with the City to ensure the continued affordability of all affordable rental units for 55 years or a longer period of time if required by an applicable construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program. Rents for the lower income density bonus units will be set at an affordable rent as defined in Section 50053 of the Health and Safety Code.

Single Family for-sale units will comply with the City of Morgan Hill Municipal Code Section 18.48.070, and the city shall ensure that the initial occupant of all affordable for-sale units are households of low-, very low-, or moderate-income, as applicable, that the units are offered at an affordable housing cost as defined in Health and Safety Code Section 50052.5, and that affordability covenants and restrictions continue for 55 years.

Under Municipal Code Section 18.156, residential units are subject to Residential Development Control System (RDCS), and require an application for Residential Building Allotment for any units proposed. SB-330 (2019 – Nancy Skinner) was recently signed by the Governor and eliminates this program that is designed to meter new housing development over time.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public benefit. The two park areas encompass approximately 2.20 acres of land. This acreage does not include the walking trail within other open areas of the property. This area can be used by residents, employees, and the general public as they visit the uses on the project site. The tenants on the property may also use the passive park as an amenity for people to informally meet and gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the park to allow walking opportunities and exercise for seniors and youth. Walkways will connect from the park to all other uses on the property and to the surrounding local streets to provide full connectivity. This will encourage visitors to walk, bike, and use other forms of transportation to reduce greenhouse gas emissions and promote a healthy community. The pathways will provide a connection between the high-density residential uses and Barrett Elementary School, and will connect all uses to the retail commercial area.

Because the development is a Commercial subdivision, the applicant is technically not required to dedicate open space per Title 17, Section 17.28.150. However the proponents, because they are submitting for a PD Master Plan, would like to dedicate a portion of the property as park area, available to the public and to the adjacent Barrett Elementary School. The minimum required open space for this project, if it were a multi-family subdivision, would be to provide recreation amenities in the amount

of .0088 acres per dwelling unit, at 200 dwelling units this would equal 1.76 acres of land. The park area and open space adjacent to Barrett Avenue is approximately 1.73 acres and would be dedicated with an easement, and be available to the general public. Additional public open space is provided where the pathway continues along US Highway 101. Additional open space and amenities are provided for private use of the multi-family residences (approximately 0.70 acres) and as a break area for the employees (approximately 0.44 acres); these would remain in private ownership.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features such as LED smart lighting, solar power, very low flow toilets, and building materials to encourage healthy indoor air quality.

Residential market-rate and affordable housing rental units are proposed to provide a sustainable land use pattern that reduces the number and length of vehicle trips. This higher density residential and mixed use development is within walking distance to Barrett Elementary School, and will also provide for convenient services within walking distance for the on-site employees and residents.

Bicycle parking and pathways are provided to promote alternative modes of transportation. Landscaping will be designed to meet and exceed the state standards for water conservation, including low water use trees and shrubs, and plantings to provide shade to reduce the need for excessive building cooling.

Community Benefits from the Project

Healthcare Facilities. The PD Master Plan would provide much needed medical facilities to serve the community. The Urgent Care/Pharmacy would reduce trips traveled to receive routine medical care. The Cancer Center would provide services to meet the growing need for this service in the area.

Retail Component. Providing an appropriately sized retail/restaurant building would provide onsite workers the opportunity to have breakfast or lunch within walking distance from their place of employment, avoiding automobile travel.

Creates Jobs for Morgan Hill. The hospital, urgent care/pharmacy, medical office and retail uses proposed will provide varied work opportunities for the people living in Morgan Hill and the surrounding area.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public health benefit. The two park areas encompass approximately 2.20 acres of land. It is expected the Restaurants will also have outdoor dining areas, providing places to gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the parks to allow walking opportunities and exercise for all ages. Walkways will connect from the park and to all other uses on the property and to the sidewalks on the surrounding streets, providing full connectivity.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. As proposed in the Conceptual Site Plan, the residential units

are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. If the project is designed with Single Family for-sale units, affordable housing will be provided per the City code.

School Drop-off. The project will help to alleviate the parking and drop-off issues associated with Barrett Avenue Elementary School. Cross walks will be installed on both adjoining streets to enhance walkability to and from the project. Parking to serve the school and public is expected to be provided in the park adjacent to Barrett Avenue.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features.

Landscape the Site. The development will provide abundant landscaping throughout to create a green and aesthetic feel, as well as screen development from the traffic on US Highway 101, Juan Hernandez Drive and Barrett Avenue.

Restore Habitat. The project tree and landscape planting will enhance wildlife on the project site as well as provide a visually pleasing atmosphere for the surrounding area. Flowering plants and trees are proposed to accomplish this restoration. Adequate Property Size

Adequate Property Size

d. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

Finding

With approximately 19.67 acres of land, there is adequate land area to provide the uses proposed in the PD Master Plan. The medical office / hospital uses proposed are intentionally located adjacent to the existing medical office to promote a walkable medical campus. The retail uses, including public services, are proposed along the active local street to ensure visibility and ease of access by the surrounding residential uses and provide easy access by the residents and employees on the property. Residential uses, providing affordable housing, are located on the property to provide adequate separation from the highway and close proximity to the passive park and Barrett Elementary School.

The PD Master Plan under a Mixed Use Flex general plan designation, which includes multi-family residential uses, retail commercial and restaurant, medical office/hospital uses, and open space parks, will provide a dynamic environment of compact living. This will allow residents and employees to meet daily needs and lessen the need for a private automobile.

Adequate Infrastructure

e. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

Finding

The PD Master Plan, which abuts the US Highway 101 off-ramp, is surrounded on two sides by local streets and has a driveway connection just south of the existing medical offices, used for access to the medical campus and additional driveways are proposed for site access. Juan Hernandez Drive and Barrett Avenue are existing local streets with the capacity to handle the development of this property. Circulation to the property from within Morgan Hill is provided by Tennant Avenue and Butterfield Boulevard. Public utilities exist in the surrounding streets and can serve the proposed development.

Compatible with Surroundings

- f. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.*

Finding

The PD Master Plan deviates from the approved commercial zoning existing on the property by the addition of hospital and multi-family residential uses. With the incorporated general plan amendment to Mixed Use Flex, and the mixed use development envisioned in the conceptual Site Plan, suitable transitions between the existing uses will be provided. There are no uses included in the conceptual Site Plan that would have an adverse effect on the surrounding residential and school uses. The existing residential uses adjacent to Juan Hernandez Drive and Barrett Avenue, and Barrett Elementary School will benefit from the retail and restaurant uses that the PD Master Plan provides. The park and open space provided on the property will benefit the adjacent Barrett Elementary School and the adjacent residences. The high density residential use will provide a suitable buffer between the adjacent single family residences and school, and the walkable medical campus. The uses proposed will not cause odors, health risks, or safety issues to the surrounding sensitive uses. Adequate measures will be taken during the construction phase to protect the surrounding property from noise, vibration, dust, and construction traffic.

Zoning Map Findings

- g. Findings required for the concurrent approval of a zoning map amendment can be made.*

Finding

The project site is in a Services Commercial zoning district with a PD combining overlay so the finding can be made that it is consistent with the zoning map. Amending the 2035 General Plan use to allow the residential and hospital use will not alter the zoning map.

8.2 Zoning Amendment Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.114.060 - Findings for Approval.

A. Findings for all Zoning Code and Zoning Map Amendments.

General Plan Consistency

1. *The proposed amendment is consistent with the general plan and any applicable specific plan as provided by Government Code Section 65860.*

Finding

With the general plan amendment that is incorporated into the PD Master Plan, the zoning map amendment is consistent with the 2035 General Plan. The general plan land use diagram amendment from Commercial to Mixed Use Flex allows specific residential uses to be included in the CS district with the PD overlay.

Public Interest, Health, Safety, Convenience, Welfare

2. *The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.*

Finding

The multi-family residential uses would be beneficial to the public interest, health, safety, convenience, and welfare of the city. The multi-family residential uses would provide more opportunities for residents to work near the medical offices, retail uses, and medical/hospital facility on the property, all of which provide job opportunities for the onsite and surrounding residential uses. The residential uses, including 15 percent affordable units, would also allow seniors the opportunity to age in place, consistent with 2025 General Plan policy. Providing residential uses in close proximity to the commercial and office uses would also reduce the greenhouse gas emissions if the residents were employees or were patrons of the proposed uses, and would enable school-aged children to walk to school. The multi-family residential housing added on this property, when capped at 150 units, would not create an overload on the local street system. Additionally, where the housing is positioned on the property allows for a step down from the existing residential and public facility use to the denser office and commercial uses. The hospital use would also be beneficial to the public interest, health, safety, convenience, and welfare of the city. The hospital would provide much needed medical service to the community and a variety of job opportunities.

Internal Consistency

- B. *Additional Finding for Zoning Code Text Amendments. The proposed amendment is internally consistent with other applicable provisions of the zoning code.*

Finding

No changes to the existing zoning code text will be made. The PD Master Plan continues to rely on Zoning Code development standards for the most part. Several deviations from established standards are specifically outlined in the PD Master Plan, consistent with the regulations for establishing PD districts and PD Master Plans. There would be no internal inconsistencies as a result of the PD Master Plan.

Physically Suitable Site

- C. *Additional Finding for Zoning Map Amendments. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.*

Finding

The 19.67 acre parcel is suitable in design, location, shape and size to accommodate the uses allowed by the PD Master Plan. The multi-family residential use would be appropriate next to the passive park located on the property along Barrett Avenue and would serve as a buffer from the more intense uses of office/commercial on the southern end of the property. With the amendment to the 2035 General Plan changing the land use designation from Commercial to Mixed Use Flex, the PD Master Plan is consistent with the general plan and zoning code. All of the uses in the PD Master Plan will contribute to the health, safety, and welfare of persons living or working on the property and surrounding properties, and to the community at large. The PD Master Plan promote community health and social interaction within the neighborhood by providing retail stores, a restaurant, plazas, and open spaces as gathering places. The pathways provide places for healthful exercise.

9.0

LEGAL DESCRIPTIONS***Legal Description – APN 817-09-039 and 817-09-041***

Real property in the City of Morgan Hill, County of Santa Clara, State of California, described as follows:

All of parcels “D” and “E”, as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California on May 24, 1983 in Book 513 of Maps, on Pages 14, 15, and 16, more particularly described as follows:

Beginning at the most southerly corner of said parcel “D”, as shown on said Parcel Map; thence

- 1) South 89°03’ 48” West, 637.61’, thence
- 2) Along a non-tangent circular curve, concave west, the center of which bears South 89°03’ 47” West, with a radius 536.00’, through a central angle 3° 44’ 38”, an arc length of 35.02 feet; thence
- 3) North 89° 03’ 48” East, 276.87 feet; thence
- 4) North 19° 31’ 04” East, 203.35 feet; thence
- 5) North 70° 28’ 56” West, 58.00 feet; thence
- 6) North 25° 28’ 56” West, 83.00 feet; thence
- 7) South 64° 31’ 04” West, 321.00 feet; thence
- 8) Along a non-tangent circular curve, concave southwest, the center of which bears South 68° 32’ 11” West, with a radius 536.00’, through a central angle 4° 00’ 40”, and arc length of 37.52 feet; thence
- 9) North 25° 28’ 29” West, 711.68 feet; thence
- 10) Along a tangent circular curve, concave east, with a radius 20.00 feet, through a central angle 89° 59’ 29”, and arc length of 31.41 feet; thence
- 11) North 64° 31’ 00” East, 717.84 feet; thence
- 12) Along a non-tangent circular curve, concave south, the center of which bears South 15° 32’ 49” East, with a radius 20.00 feet, through a central angle 42° 46’ 35”, an arc length 14.93 feet; thence

- 13) Along a tangent reverse circular curve, concave northwest, with a radius 42.06 feet, through a central angle $137^{\circ} 35' 51''$, an arc length 101.01 feet; thence
- 14) South $20^{\circ} 31' 38''$ East, 842.39 feet; thence
- 15) Along a non-tangent circular curve, concave west, the center of which bears South $69^{\circ} 29' 06''$ West, with a radius 547.00 feet, through a central angle $46^{\circ} 59' 24''$, an arc length 448.61 feet; thence
- 16) South $26^{\circ} 26' 41''$ West, 17.26 feet, more or less to the Point of Beginning

End of Description

All of parcels "C", as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California

Legal Description – APN 817-09-040

The land referred to herein below is situated in the City of Morgan Hill, County of Santa Clara, State of California and is described as follows:

Parcel One:

Parcel C, as shown on Parcel Map recorded in Book 513 of Maps, at Pages 14, 15, 16, Santa Clara County Records, and being a portion of Lot 25 and lot 52 of "Catherine Dune Ranch Map No. 7", as shown on Map thereof, recorded in Book "L" of Maps, at page 26, Santa Clara County Records.

Parcel two:

An easement for ingress and egress over, under, on and across a strip of land 35.00 feet wide, described as follows:

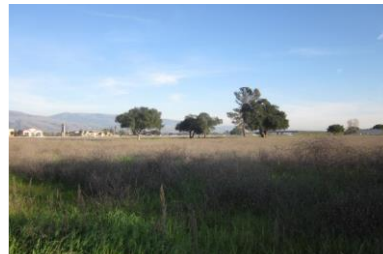
Beginning at an iron pipe distant thereon South 25 degrees 57' 55" East 126.93 feet from the Southerly corner common to Lots 24 and 25, as shown on said Map and running thence North 89 degrees 03' 48" East 276.87 feet, South 00 degrees 56 deg. 12" East 35.00 feet, and South 89 degrees 03' 48" West 272.72 feet; thence along a curve to the left from a tangent bearing of North 00 degrees 56' 12" West, having a radius of 536.00 feet and a Central Angle of 3 degrees 44' 48", a distance of 35.03 feet to the Point of Beginning.

**PD Master Plan Zoning Amendment / General Plan Amendment/
Application for Development Permit**

Lillian Commons/Morgan Hill Medical Campus A Mixed Use Development

Lillian Commons, LLC-Applicant

Introduced November 4, 2020



**Prepared by
EMC Planning Group**

**PD MASTER PLAN ZONING
AMENDMENT / GENERAL PLAN
AMENDMENT /
APPLICATION FOR DEVELOPMENT PERMIT**

Lillian Commons/ Morgan Hill Medical Campus A Mixed Use Development

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March 13, 2020

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INTRODUCTION

This Planned Development (PD) Master Plan has been prepared pursuant to the requirements of the City of Morgan Hill Municipal Code, and submittal requirements of the Community Development Department. This PD Master Plan also incorporates the requirements for a General Plan Amendment; the property has been concurrently re-designated from Commercial to Mixed Use Flex.

The PD Master Plan covers an area of approximately 19.7 acres east of Juan Hernandez Drive and north of Tennant Avenue. Refer to PD Master Plan section 4.5 for maps illustrating the plan boundary.

The PD Master Plan presents the following required information:

- Planning objectives;
- Community benefits;
- Land uses and approvals;
- Development standard deviations requested;
- Circulation plan;
- Locations of public facilities and open space;
- Diagrams showing various aspects of planned development;
- Development phasing; and
- Ongoing obligations

The PD Master Plan provides an overlay to the base Commercial Services (CS) zoning district. The purpose of the CS zoning district is to provide an area for commercial services that may be inappropriate in neighborhood or pedestrian-oriented shopping areas, and which generally require automotive access for customer convenience, servicing of vehicles or equipment, loading or unloading, or parking of commercial service vehicles.

The purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in the City of Morgan Hill. Permitted land uses may deviate from the land use regulations of the applicable base zoning district, in this case Service Commercial, provided the PD combining district allows only those land uses permitted in the applicable general plan land use designation.

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PLANNING OBJECTIVES

The PD Master Plan is designed to achieve the following planning objectives:

- Build off existing medical offices to provide a complete medical services center within the City.
- Provide a small commercial component with retail/restaurant uses to serve the employees and visitors to the medical office/hospital uses as well as the surrounding community.
- Provide housing for the medical office/ hospital uses that would be affordable to the employees of these uses.
- Provide high-density housing in proximity to a school, commercial services, and employment opportunities.

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3.0

COMMUNITY BENEFITS AND GENERAL PLAN AMENDMENT JUSTIFICATION

3.1 Planned Development Community Benefits

The PD Master Plan will provide the following community benefits to the City of Morgan Hill:

- Provide the City with a well-rounded medical center featuring medical offices, urgent care/ pharmacy, and hospital beds.
- Provide the City with additional high-density housing to help the City achieve its Regional Housing Needs Allocation for lower income housing, and construct affordable housing units.
- Provide the neighborhood and City with open space, courtyards, and plazas that provide opportunities for people to informally meet and gather.
- Provide the neighborhood and City with pedestrian and bicycle pathways that enhance circulation within the property and connect to the surrounding neighborhood.
- Locate housing in proximity to parks, a school, retail, and employment opportunities to reduce vehicle miles traveled and greenhouse gas emissions.
- Provide the City with green buildings and sustainable development features. These will include photovoltaic renewable energy and meeting or exceeding Title 24 standards by three to five percent.
- Provide accessible parks and open space beyond the minimum required by the City. Park land will be dedicated to the City and the project will provide a walking/ jogging trail around the perimeter of the property to facilitate healthy living.

3.2 General Plan Amendment Justification

The PD Master Plan incorporates an amendment to the 2035 General Plan designation for the property to Mixed Use Flex (MU-F). The general plan amendment is necessary to permit the residential and hospital uses. Under the PD zoning, only those uses allowed in the property's general plan land use designation may be permitted by the PD zoning, and the general plan amendment to Mixed Use Flex accomplishes that purpose.

The 2035 General Plan defines the Mixed Use Flex district as follows:

The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of Residential or Mixed-Use projects within the Mixed Use Flex designation a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

This definition suits the development planned in the PD Master Plan, as the PD Master Plan conceptual Site Plan incorporates housing near the medical office/hospital uses that is intended to be affordable to the employees of these uses. In addition, the conceptual Site Plan incorporates a small commercial component within a 10,000 square foot building, with retail/restaurant uses to serve the employees and visitors to the hospital as well as the surrounding residential community. The conceptual Site Plan shows how the medical office/hospital, commercial, and high-density residential uses will be arranged and connect with one another.

Best Interest of the Community

Why is the proposed amendment in the best interest of the community?

The residential uses are located within the property to provide a transition in intensity between the existing medical uses, Barrett Avenue Elementary School, and the single family residential uses abutting Juan Hernandez Drive to the west. The commercial, medical office/ hospital uses will be located adjacent to the existing medical offices, providing a campus feel on the property. The structured parking will provide adequate parking to accommodate the medical uses and provide overflow parking for the compatible high-density residential uses on the project site.

The mix of uses will provide convenient retail uses and services adjacent to both the high density residential uses and the medical office/hospital. The medical office/hospital will be located close to a freeway access, and just off two thoroughfares (Tennant Avenue and Butterfield Boulevard) providing convenient access to Morgan Hill residents and those from elsewhere in the region.

Public Need

Is there currently a public need for this amendment?

The Commercial uses outlined in the 2035 General Plan, though appropriate for this property, do not include the “third leg” which provides a sustainable living solution for commercial and institutional employees. Housing, and especially affordable housing, are a critical public need throughout the State, and especially in the Bay Area. Apartments¹ are an affordable housing option for service workers and would provide employees the opportunity to eliminate their commute to work. The one and two bedroom apartments², with 15 percent affordable, would allow younger adults, families, and seniors to live and work in a sustainable manner. Additionally the proposed amendment to the 2035 General Plan for this property would go a long way toward meeting several General Plan policies, as listed below, and addressed in Section 7.0, 2035 General Plan Consistency.

Housing- Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.

Healthy Community- Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.

City & Neighborhood Form- Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private automobile.

The proposed hospital would also provide for the public needs, adding a much-needed medical services to the City of Morgan Hill. The hospital will also provide a variety of jobs for the city and surrounding population.

¹ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

² All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

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PROPERTY AND DEVELOPMENT DESCRIPTIONS

4.1 Property Description

Location

The property within the PD Master Plan is located in the City of Morgan Hill, California, on Juan Hernandez Drive between Tennant Avenue and Barrett Avenue, adjacent to South Valley Freeway (US Highway 101-Salinas Valley Freeway). [Figure 1, Regional Location Map](#), shows the property location in a regional setting. All figures discussed in this section are presented in Section 4.5. Regional access to the property is provided by US Highway 101, and local access to the property is provided by Tennant Avenue from the south and Barrett Avenue from the north. Ingress and egress to the project site will be primarily from Juan Hernandez Drive, along the western property boundary.

The approximately 19.67-acre property consists of two adjoining undeveloped parcels of land (13.94-acres and 4.04-acres) and one developed parcel (1.69-acres). [Figure 2, Location Map](#), illustrates the location of the property with the parcels delineated. [Figure 3, Assessor's Parcel Map](#), presents the parcel map for the property and the Assessor's Parcels Numbers (APNs) 817-09-041 (13.94-acres), 817-09-039 (4.04-acres) and 817-09-040 (1.69-acres). Legal descriptions are presented in Section 9.0.

Property Characteristics

The undeveloped land is relatively flat, with several trees located on the northern parcel. Most of the property is vacant and has been farmed in the distant past. Two medical office buildings and related site improvements (driveway, parking, landscaping, and utilities) exist on the southern portion of the property as illustrated on [Figure 4, Existing Conditions Map](#).

Existing Land Use Designation and Zoning

The property is designated Commercial in the 2035 General Plan as illustrated in [Figure 5, Existing City General Plan Land Use Diagram](#), and is located in the Service Commercial zoning district with a Planned Development Combining District Overlay (PD) as illustrated in [Figure 6, Existing City Zoning Map](#).

Property Data

Project Location

City of Morgan Hill, CA (East of Juan Hernandez Drive, south of Barrett Avenue and west of US Highway 101 or Salinas Valley Freeway).

Street Address

0 and 16130 Juan Hernandez Drive, Morgan Hill, CA

Existing Assessor's Parcel Numbers

817-09-039, and 817-09-040, and 817-09-041

Acreage

Gross Property Acreage: 4.04, 1.69, and 13.94 (19.67 acres)

Net Property Acreage: 4.03, 1.66, and 13.49 (19.18- acres)

Zoning

Services Commercial District (CS) with Planned Development Combining District (PD) overlay

General Plan Designation

Mixed Use Flex (amended from Commercial)

4.2 PD Master Plan Description

General Plan Amendment

Incorporated into the PD Master Plan is an amendment to the 2035 General Plan land use diagram to change the designation for the property from Commercial to Mixed Use Flex (MU-F). [Figure 7, General Plan Amendment](#) indicated the existing and proposed land use designation.

Zoning Map Amendment

Concurrent with approval of the PD Master Plan, the property will be re-zoned by ordinance to reflect the application of the Planned Development combining district with a base CS district, and incorporation of this PD Master Plan for the property as illustrated in [Figure 8, Zoning Plat](#).

Parcel Map

A parcel map will divide the property's three existing parcels into four parcels to facilitate development or sale. The two vacant parcels would be subdivided into three parcels (A-C). The existing medical office site (Parcel D), would be reconfigured and included as part of the overall PD Master Plan. [Figure 9, Tentative](#)

[Parcel Map](#), prepared by the project engineer indicates how the property will be subdivided. The three existing lots will be re-organized into four parcels. Parcel A, 4.17 acres, Parcel B, 1.78 acres, Parcel C, 9.49 acres, Parcel D, 4.13 acres, and 0.10 acres will be dedicated as right-of-way along Barrett Avenue.

Development

Development anticipated within the PD Master Plan would be in the range of 350,000 – 417,696 square feet of residential, commercial, office, and/or institutional uses, including up to 150 multi-family dwelling units. All land uses permitted in the PD Master Plan are presented in Section 5.0.

[Figure 10, Site Plan](#) is presented in Section 4.5. The conceptual Site Plan includes five uses. The square footage of each use is that provided on the conceptual Site Plan, and could slightly increase or decrease.

- 4,500 square foot urgent care/pharmacy facility on the existing medical site;
- 10,000 square foot medical office as cancer center;
- 100,000 square foot medical office and hospital with a parking deck (multi-story with 54,000 square-foot footprint);
- 10,000 square foot commercial retail/restaurant building; and
- 150-unit multifamily residential development.

All uses will share common driveway access to Juan Hernandez Drive and Barrett Avenue. The conceptual Site Plan illustrates the overall development concept, including the proposed land uses, building placement, circulation patterns, parking, and open space. The descriptions in this section are based on the conceptual Site Plan.

Parcel A

The proposed medical/hospital facility will occupy one building in Parcel A. Two pick-up/drop-off areas are located adjacent to the proposed buildings to assist patients. Development of Parcel A includes a 500-space parking structure that will be shared by the adjacent uses along with access and utility infrastructure. A small park is also located on Parcel A for visitors and employees.

Parcel B

This parcel will be developed with approximately 10,000 square feet of commercial/retail uses, including a 5,000 square-foot sit down restaurant, a 55-space surface parking lot, and access and utility infrastructure. The remaining 5,000 square feet will be available for other personal service or retail uses. The mix of uses within this building will be market driven and could fluctuate over the life of the building.

Parcel C

Parcel C will be developed with 150 multifamily residential units. Additional vehicle parking will be available through a shared parking agreement with the developer of Parcel A.. Parcel C may also be developed with Single Family attached and detached for-sale dwelling units or other medical office uses.

Parcel D

Parcel D includes two existing medical buildings totaling 15,900 square feet and parking. The existing medical buildings will remain and a new one story 4,500 square foot urgent care/pharmacy medical facility will be constructed on this parcel, located in what is now occupied by a portion of the parking lot, leaving 30 surface parking spaces to remain for the existing medical facility and urgent care/pharmacy. A 10,000 square foot medical office – cancer center and a 66-space surface parking lot will be developed on this reconfigured parcel. Parking for the existing medical building displaced by the proposed urgent care/pharmacy facility will be replaced adjacent to the proposed medical office – cancer center and through a shared parking agreement with the remainder of the medical facility that will be developed on the new Parcel A.

Parkland/Open Space

The PD Master Plan includes the provision of approximately 2.9 acres of parks and open space. Amenities on Parcel C include a swimming pool, hot tub, lounging patio, and tot lot/play area, open play fields, and jogging/walking trail connections to adjacent sidewalk systems. Recreational parkland amenities in Parcel A include passive recreational opportunities with a landscaped area and park benches located between the medical/hospital facility and the commercial uses on Parcel B. Trail connections are provided throughout the property including new pedestrian access to the existing medical campus (Parcel D).

Site Access/Circulation

Access to the project site will be provided by four driveways: the existing driveway to the medical office would be retained and extended to provide secondary access to the medical/hospital facility and cancer center. An additional driveway, approximately 460 feet north of the existing driveway, will provide the primary access to Parcels A-C through the middle of the property. Two additional driveways will provide secondary access to the multifamily residential development from Barrett Avenue. The accessways for all project components are interconnected within the property. All new accessways will be designed to meet City of Morgan Hill design and performance standards for streets, driveways, curb, gutter and sidewalks. The conceptual Site Plan provides a layout of the circulation system for the project.

Juan Hernandez Drive is a two lane street with striping at Barrett Avenue to allow for turn lanes. The street is wide enough to provide on street parking but individual spaces are not marked. Barrett Avenue is a two lane street primarily providing access to Barrett Elementary School. Two left turn lanes from Juan Hernandez Drive into the property are proposed.

Sidewalks will be extended into the property from the existing sidewalks along Juan Hernandez Drive and Barrett Avenue. Connection will be made to the existing sidewalks on Juan Hernandez Drive and Barrett Avenue. Within the project boundary, sidewalks will be provided on all internal driveways to meet Americans with Disabilities (ADA) standards. Bicycle traffic shares the paved area or uses the sidewalk. Pathways and sidewalks designated for bicycle use will meet Caltrans design standards for bikeways. The passive park with a jogging/walking trail for pedestrians, will serve as a passage way from Barrett Avenue to the south side of the property. Additionally, all the uses proposed in the development project will have pedestrian connections to the park.

Parking

Parking will be located on each parcel and a shared parking agreement will be implemented per Municipal Code Section 18.72.050, on-site parking alternative-Section F, to meet the parking needs of the development. Parking below standards for some uses will be met by implementing a shared parking agreement between the newly created parcels within the property. Additionally, the mix of land uses will result in walking trips that will reduce parking demands for some uses.

Signage and Lighting

A detailed signage and lighting plans will be submitted during the Design Review phase of the project review. Signage and lighting will comply with the City of Morgan Hill Municipal Code, Sections 18.88 and 18.72.060G. We anticipate signage will be located at the intersection of Juan Hernandez Drive and the main access drive into the property, currently labeled as Street A on the conceptual Site Plan. Additional internal signage locations have not been determined at this time.

Storm Water Infrastructure

All drainage systems will be designed to comply with City and Regional Water Quality Control Board requirements for storm water management. Bio swales will be dispersed throughout the development, including a 25-foot wide landscape buffer along the east property line and a storm water basin, located in the southeast corner of the property. All drainage improvements will be designed and landscaped to meet City and State design criteria and performance standards. Where necessary, fencing around the ponds will consist of black chain link or decorative fencing and landscaping to shield views from US Highway 101 and onsite patrons.

Other Utilities

Sewer, water, and wastewater infrastructure will be designed and constructed in conformance with City standards. Ownership and maintenance will generally correspond to location within public or private property. Where utilities cross private property, easements will be established as necessary to provide access. Other utility infrastructure (gas, electric, communications, etc.) will be designed and constructed in conformance with State or utility standards. Ownership of these utilities will remain with the utility, with easements established as necessary to provide access.

Phasing

The proposed project would likely be constructed in phases starting with development of Parcel C, followed by development of Parcels B and D, and closing with the development of Parcel A. The hospital use will require approvals by the Office of Statewide Health Planning and Development (OSHPD) and the Division of the State Architect, some approvals could take as long as seven years, which is why it is expected to be the final element of the project to be developed. Full occupancy of all uses is assumed to occur in the year 2025-2027. Market factors could result in a changed phasing sequence.

Conceptual Development Plans

Figure 10, *Conceptual Site Plan*, illustrates the overall development concept, including the proposed land uses, buildings, circulation patterns, parking, and open space and common areas. This plan documents the percentage of site area that will be dedicated for all types of open space.

Figure 11, *Pedestrian Circulation/Open Space Plan*, illustrates the connectivity of the project, how it relates to the surrounding pedestrian network, and open space proposed on the project site.

Figure 12, *Illustrative Site Plan*, is a conceptual color rendering of how all the elements come together on the property.

Figure 13, *Conceptual Site and Utility Plan*, provides locations of sewer, water and fire connection on the site plan and also shows the proposed storm water management areas.

Figure 14, *Conceptual Grading Plan*, provides conceptual contour grading, drainage and flood control facilities, easement, property lines, rights-of-ways, and existing features beyond the site boundaries. Structures, building footprint and floor elevations are also depicted on the conceptual Grading Plan.

Full Size Plans, Illustrative Building Elevations, provided under separate cover, illustrate the building elevations and provide perspective renderings for each building. The building architecture and design are inspired by a distinctly modern and geometric aesthetic, using classical materials for a timeless appearance. The elevations are crafted of warm wood, grey stone and contrasting light stucco. The transparent glazing panes will provide ample daylight and animate the buildings, flooding the interior spaces with natural light and the orthogonal volumes and surfaces complement each other. The parking deck form is reduced in mass by using landscape screens facing US Highway 101.

Full Size Plans, The Conceptual Landscape Plans, provided under separate cover, identify landscaped areas throughout the PD Master Plan and explain the main landscape concepts to be achieved for the project. The conceptual Landscape Plans identify the major types of plant material to be used including street trees, parking lot trees, shrubbery to be used to screen the parking lots, and buffer plantings.

Conceptual Site Development Data

The PD Master Plan's conceptual Site Plan (see Figure 10) is used to provide the numbers that were used to prepare the project description and CEQA documentation. Additional dwelling units or floor area may be achieved on the property. The PD Master Plan allows a range of 350,000 – 417,696 square

feet of commercial, office, and/or institutional floor space and a maximum of 150 multi-family or single family dwelling units. It is expected the conceptual Site Plan will be modified prior to Design Review. Modification will be kept to a limit acceptable to not trigger additional CEQA impacts or mitigation measures. If the conceptual Site Plan changes exceed this limit, additional CEQA documentation may be necessary.

Medical Office/Cancer Center

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot maximum)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 2 EV spaces, and 5 bicycle spaces

Medical/Hospital

Building Coverage: 33,333 square feet

Floor Area: 100,000 square feet

Building Height: Three story (52-foot maximum including rooftop equipment)

Parking: 500 shared spaces within deck, including 9 ADA spaces, 10 EV spaces, and 25 bicycle spaces

Decked Parking

Building Coverage: 54,000 square feet

Building Height: Three story (32-foot)

Retail/Restaurant

Building Coverage: 10,000 square feet

Floor Area: 10,000 square feet

Building Height: One story (25-foot)

Parking: 55 spaces, including 3 ADA spaces, 2 EV spaces, and 5 uncovered bicycle spaces

Multi-Family Housing

Building Coverage: 51,750 square feet (apartments and clubhouse/leasing office)³

Floor Area: 175,500 square feet – apartments; 3,000 square feet – club house⁴

Building Height: Varies by building: Three story (35-foot maximum)

³ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

⁴ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Dwelling Units: 150 Units

Parking: 359 spaces, including 8 ADA spaces, 200 covered spaces, and 7 EV spaces

Bicycle Parking: 36 covered bicycle spaces, 40 uncovered bicycle spaces

Urgent Care and Pharmacy

Building Coverage: 4,500 square feet

Floor Area: 4,500 square feet

Building Height: One story (25-foot)

Parking: 96 shared spaces, including 30 existing spaces, 2 ADA spaces, 3 uncovered bicycle spaces

Existing Medical Buildings

Building Coverage: 15,900 square feet (12,300 square feet and 3,600 square feet)

Floor Area: 15,900 square feet

Building Height: One story

Parking: 96 shared spaces, including 30 existing spaces, 4 ADA spaces, 2 EV spaces and 4 uncovered bicycle spaces.

Park

Open Space / Passive Park Acreage: +/- 2.2 acres

Recreation exclusive for Multi-Family: +/- 0.70 acres

Additional open space is provided on site in landscaped buffers including walking/jogging trails.

Total Building Coverage

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Allowed: 417,696 square feet (50% of net land area)

Proposed: Not to exceed 50% (conceptual Site Plan indicates 212,319 square feet (25% of net land area)

Floor Area Ratio (FAR)

(Net Property Land Area: 835,391 square feet / 19.18 acres)

Maximum FAR (per MU-F 0.5): 417,696 square feet

Proposed FAR: (0.42-0.5) 350,000 to 417,696 square feet (conceptual Site Plan indicates 351,786 square feet)

Total Square Feet

(Within buildings/carports on conceptual Site Plan)

Retail/Restaurant: 10,000 square feet

Medical Offices (4): 30,400 square feet

Medical/Hospital: 100,000 square feet

Residential: 178,500 square feet (includes club house/leasing office at 3,000 square feet)

Covered Residential Parking: 32,886 square feet – expected to be carports

Total: 351,786 square feet – (does not include the commercial parking structure)

Total Parking

Proposed Vehicle Parking: 1,010 spaces total (96 compact spaces at bio swales)

Covered Vehicle Parking: 700 spaces (500 spaces within parking structure)

Bicycle Parking: 118 (36 covered spaces, 82 uncovered spaces)

ADA Parking: 28 spaces

Electric Vehicle (EV): 23 spaces

4.3 Implementing Approvals

After the actions noted above are complete (General Plan Amendment, Zoning Map Amendment, and Parcel Map), the following implementing actions will remain to be taken by the City prior to construction. These approvals will most likely be separate actions for each parcel within the PD Master Plan.

Final Maps. After the tentative parcel map is approved, final maps will be filed. It is anticipated that a separate final map may be filed for each parcel, along with a corresponding improvement plan.

Design Review Permits. Prior to construction, each structure will be required to obtain a design review permit. Each design review permit will be approved by resolution by the Planning Commission.

Conditional Use Permits. Some uses that are allowed within the PD Master Plan will require a conditional use permit. Each conditional use permit will be approved by resolution by the Planning Commission.

4.4 Conditions Prior to Residential Construction

Prior to the issuance of building permits for residential construction on Parcel C, the Development Services Director shall confirm that Developer Lillian Commons L.L.C. has satisfied one of the following criteria:

- (1) Obtained building permits for and commenced construction of:
 - a. expansion of the parking lot on Parcel D from 45 spots to at least 60 spots, in order to support medical campus needs; and

b. Street A or B (as designated on the Conceptual Site Plan), with utility infrastructure suitable for a medical campus or hospital.

-OR-

(2) Developer and healthcare provider have filed application with OSHPD, paid application fee and submitted construction documents and specifications to a warm shell standard.

4.44.5 Ownership and Ongoing Obligations

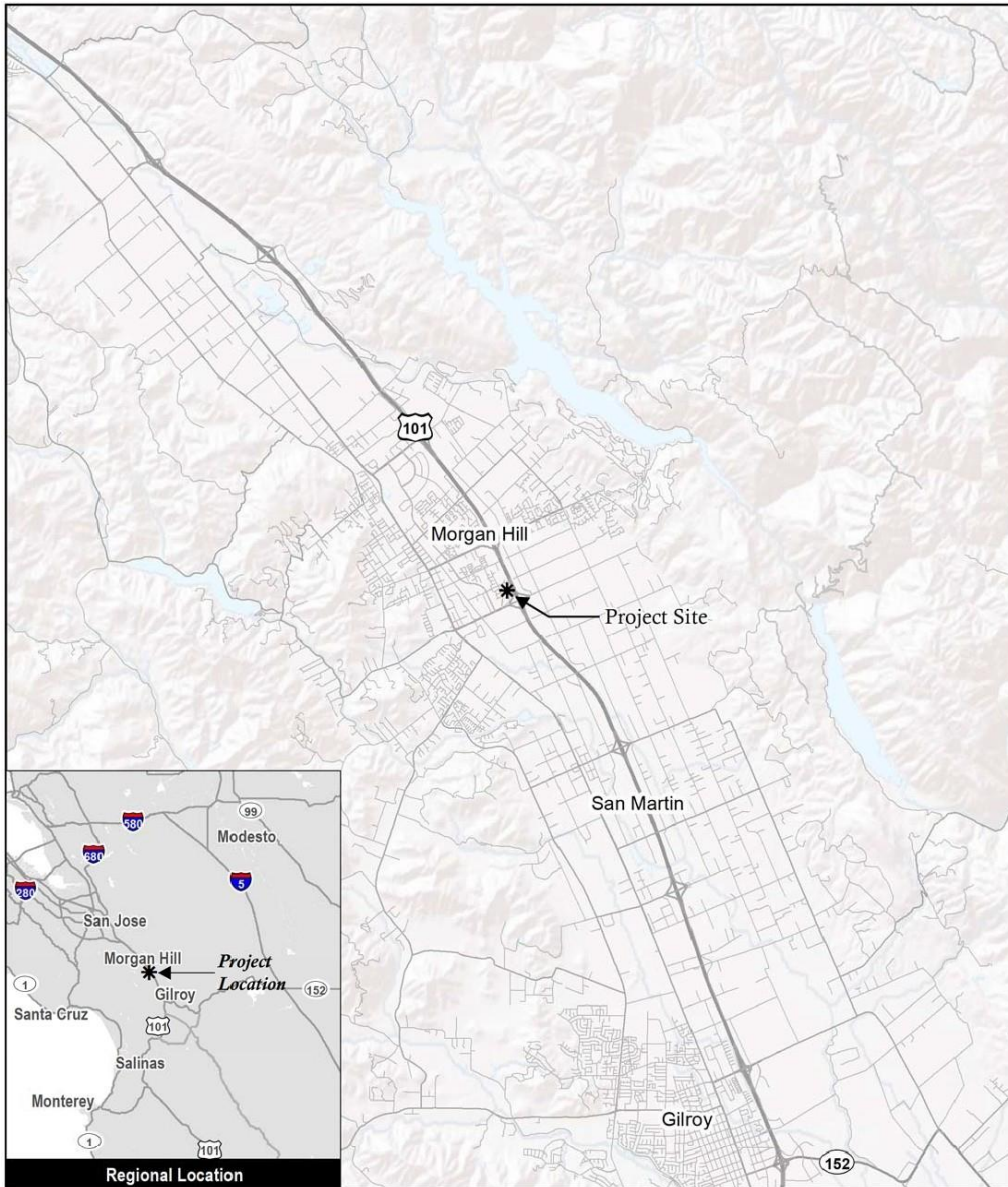
The PD Master Plan, General Plan Amendment, and subdivision proponent seeks to obtain City approval of the General Plan Amendment, PD Master Plan and subdivision entitlements. The applicant/proponent intends to develop Parcel D with the Medical Center (e.g. urgent care/pharmacy, cancer center, medical offices, etc.). The medical /hospital parcel, retail/restaurant parcel, and residential parcel will most likely be sold to end users or to specialized developers.

Park land will be set aside within an easement upon filing of the final parcel map(s). Infrastructure will be constructed by future developers. Dedication and long-term maintenance financing of circulation, water, wastewater, and storm water infrastructure will be determined when development applications are processed.

A memorandum of agreement (MOA) or development agreement (DA) will be drafted by the applicant and distributed to the developers of each lot to allow for an orderly manner in which to provide capital improvements and maintenance of the infrastructure and common areas located throughout the property. It is expected that a shared parking agreement will be prepared as part of the MOA/DA to allow shared parking among the end users of the PD Master Plan development.

4.54.6 Maps and Diagrams

Maps and Diagrams are presented on the following pages.



0 10 20 30 Miles

Source: ES RJ 20 19

Figure 1

Regional Location Map

Lillian Commons/Morgan Hill Medical Campus

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0 300feet

c:j Subject Property

11 Morgan Hill
City Limits

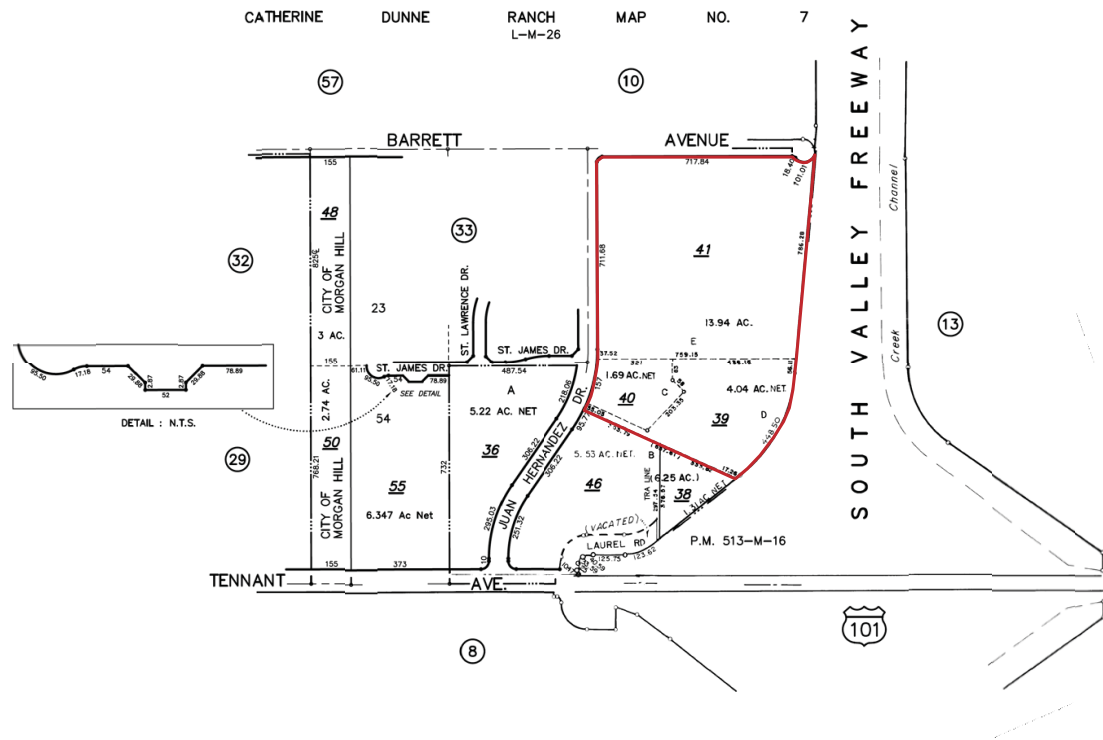
Source: ESRI 2019, Santa Clara County GIS 2018

Figure 2

Vicinity Map

Lillian Commons/Morgan Hill Medical Campus

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Subject Property

Source: Office of the Assessor, County of Santa Clara 2019

E M C

Figure 3
Assessor's Parcel Map

Lillian Commons/Morgan Hill Medical Campus

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SURVEY NOTES

1. THIS MAP REPRESENTS AN AERIAL TOPOGRAPHIC SURVEY PERFORMED BY WHITSON ENGINEERS ON JUNE 26, 2019. MAPING SCALE IS 20" PER INCH WITH CONTOURS AT ONE FOOT INTERVALS.
2. THIS MAP PORTRAYS THE SITE AT THE TIME OF THE SURVEY AND DOES NOT SHOW SOILS OR GEOLOGY INFORMATION, UNDERGROUND CONDITIONS, EASEMENTS, ZONING OR REGULATORY INFORMATION OR ANY OTHER ITEMS NOT SPECIFICALLY REQUESTED BY THE CLIENT.
3. BOUNDARY LOCATIONS SHOWN HEREON WERE DETERMINED BY RECORD DATA AND FIELD SURVEY. THIS TOPOGRAPHY DOES NOT CONSTITUTE A BOUNDARY SURVEY. THERE MAY BE EASEMENTS OR OTHER RIGHTS, RECORD OR UNRECORDED, AFFECTING THE SUBJECT PROPERTY WHICH ARE NOT SHOWN HEREON.
4. DISTANCES AND DIMENSIONS SHOWN ARE EXPRESSIONS IN FEET AND DECIMALS THEREOF, UNLESS OTHERWISE NOTED.
5. LOCATING OF UNDERGROUND UTILITIES WAS NOT WITHIN THE SCOPE OF THE TOPOGRAPHIC SURVEY. WITH THE EXCEPTION OF OBSERVED FACILITIES, SIZE AND LOCATION OF UNDERGROUND UTILITIES ARE SHOWN BASED ON AS-BUILT DOCUMENTS PROVIDED BY THE CITY OF MORGAN HILL.

BENCHMARK

LOCAL BENCHMARK TAKEN AS 2-INCH BRASS DISC. ELEVATIONS SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN VERTICAL DATUM OF 1988 (NAVD88). ELEVATIONS WERE DETERMINED THROUGH STATIC GPS OBSERVATIONS AND THE USE OF THE NATIONAL GEODETIC SURVEY'S ONLINE POSITIONING USER SERVICE (OPUS). A NA 1988 ELEVATION OF 343.77 FEET FOR THE BRASS DISC WAS ESTABLISHED FOR THE LOCAL SITE BENCHMARK DESIGNATED POINT NUMBER 600. SHOWN HEREON.

LEGEND

- | | |
|--|-------------------------|
| | SUBJECT PROPERTY LINE |
| | ADJACENT PROPERTY LINE |
| | CENTERLINE |
| | SANITARY SEWER LINE |
| | WATER LINE |
| | STORM DRAIN |
| | EXISTING CONTOUR |
| | UTILITY MANHOLE |
| | STORM DRAIN CATCH BASIN |
| | FIRE HYDRANT |
| | WATER VALVE |
| | SURVEY MONUMENT (FOUND) |

ABBREVIATIONS

- | | |
|--------|-------------------|
| AC | ACRE |
| BL | BACK OF LAWN |
| CB | CATCH BASIN |
| CH-LNK | CHAINLINK |
| CONC | CONCRETE |
| EP | EXISTING PAVEMENT |
| FL | FINISH LINE |
| GR | GRATE |
| HP | HIGH POINT |
| INV | INVERT |
| JP | JOINT POLE |

- | | |
|----|----------------|
| SO | LOW POINT |
| IP | MANHOLE |
| MH | OVERHEAD |
| OH | PROPERTY LINE |
| ST | STORM DRAIN |
| SS | SANITARY SEWER |
| TC | TOP OF CURB |
| TS | TRAFFIC SIGNAL |
| WM | WATER METER |
| WM | WATER METER |

EXISTING SPOT ELEVATION

WHITSON ENGINEERS

PROJECT TEAM

CIVIL ENGINEER / SURVEYOR
ARCHITECT

EVOCO ARCHITECTURE
160 SOUTH LINDEN AVENUE, SUITE 210
SOUTH SAN FRANCISCO, CA 94080

(415) 312-0454

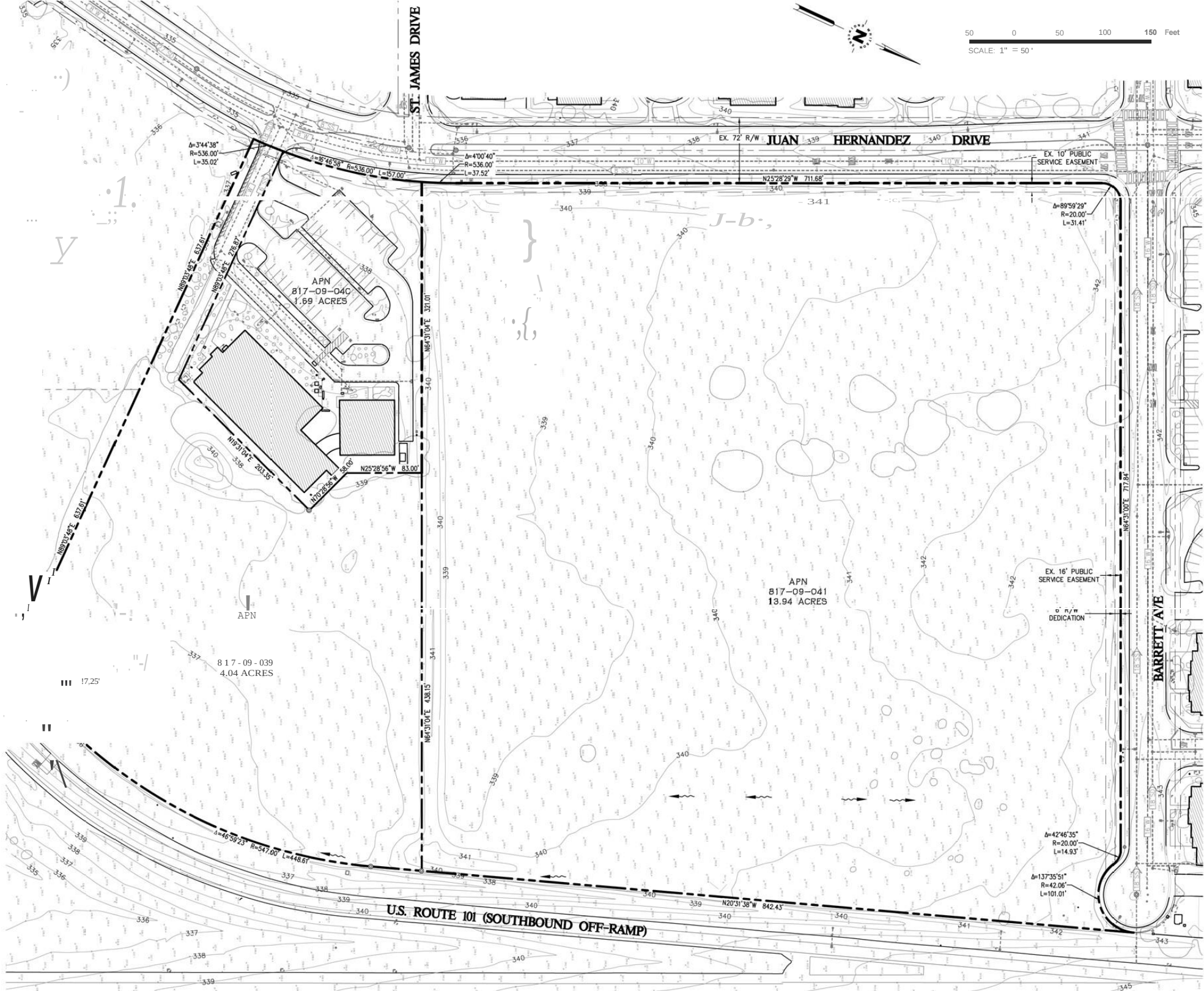
LANDSCAPE ARCHITECT

W. JEFFREY HED LANDSCAPE ARCHITECT
6179 ONEIDA DRIVE
SAN JOSE, CA 95123

(408) 691-5207

SHEET INDEX

- | | |
|------|----------------------------------|
| C1.0 | EXISTING CONDITIONS MAP |
| C2.0 | CONCEPTUAL SITE AND UTILITY PLAN |
| C2.1 | CONCEPTUAL GRADING PLAN |



NOT VALID
WITHOUT
SIGNATURE

SUBMITAL / REVISION

LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California
APN 817-09-039, -040, -041

EXISTING CONDITIONS MAP
NOT FOR CONSTRUCTION

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET
C1.0

Figure 4



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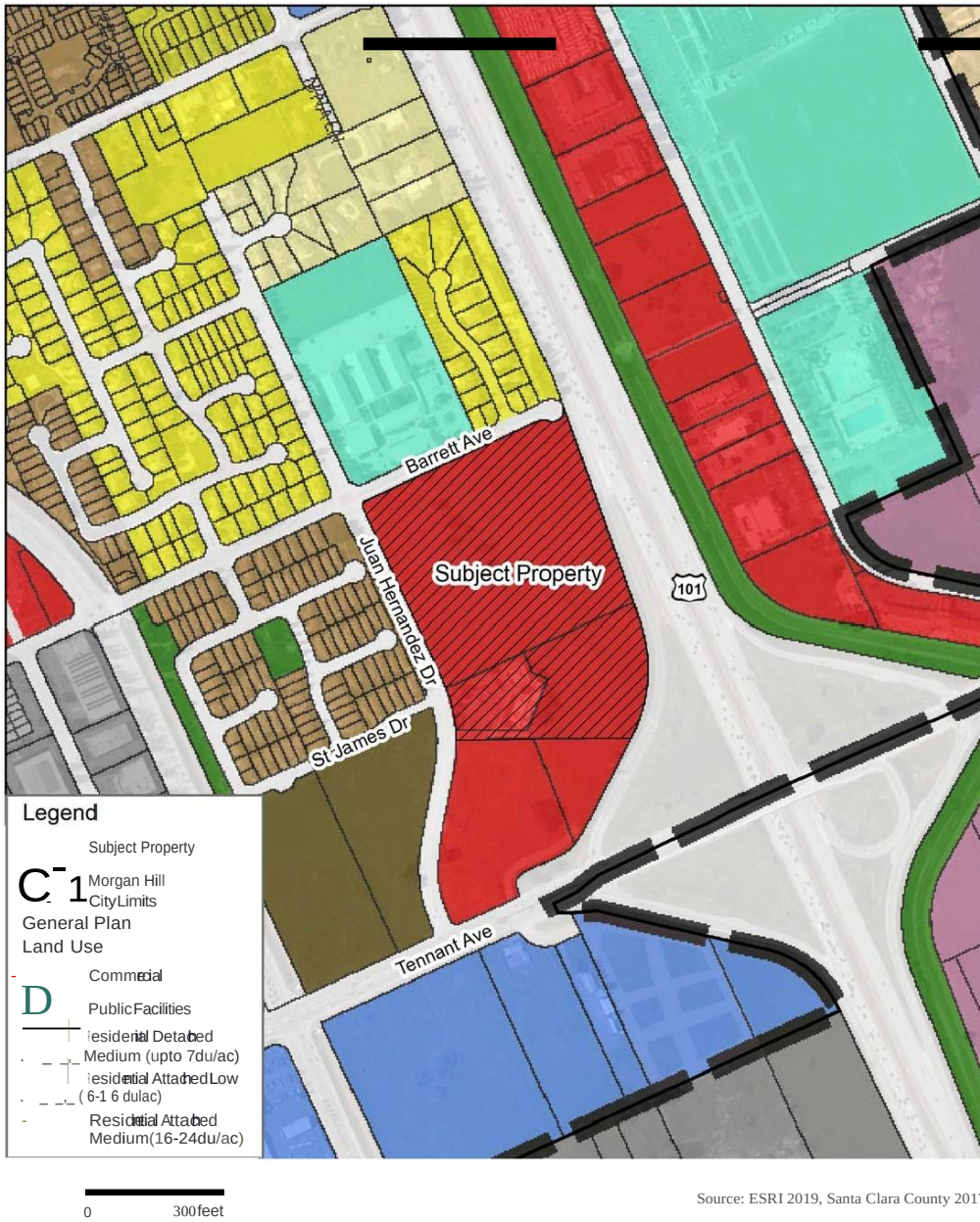


Figure 5
Existing City General Plan Land Use Map

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Lillian Commons/Morgan Hill Medical Campus

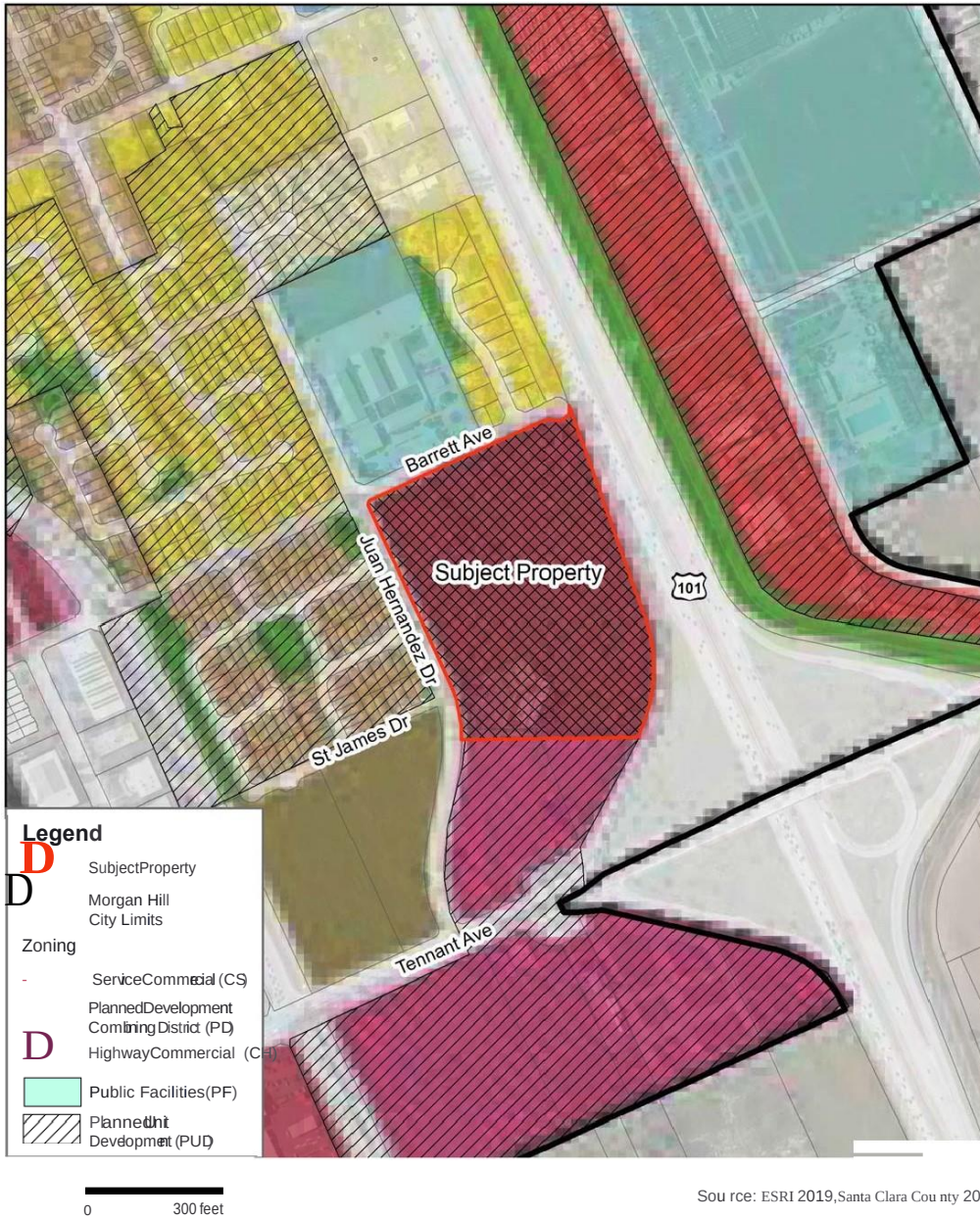
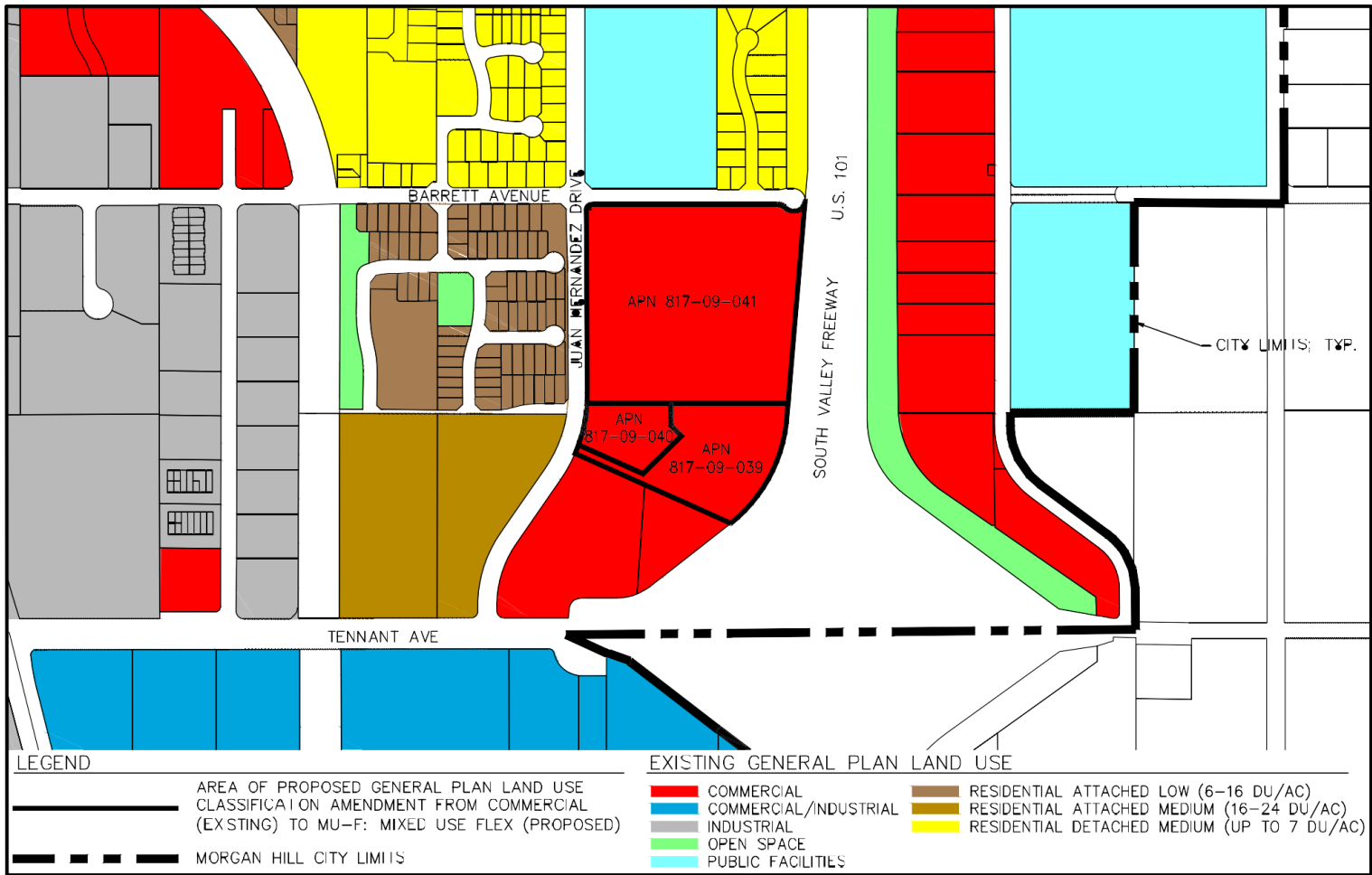


Figure 6

Existing City Zoning Map

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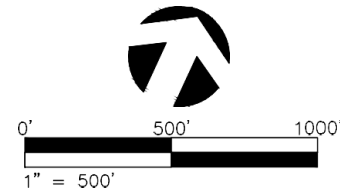
Lillian Commons/Morgan Hill Medical Campus



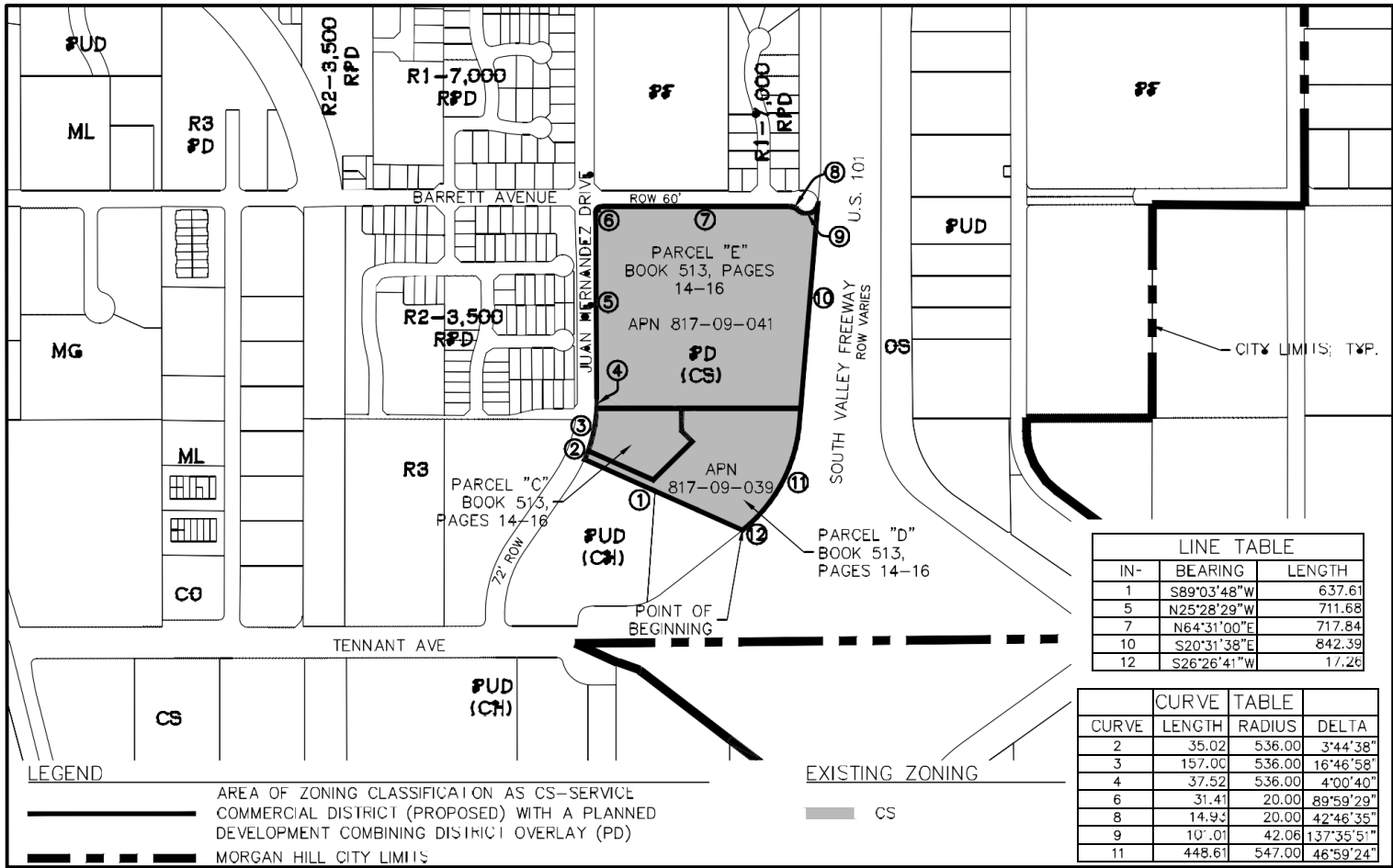
PREPARED BY:
WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940
(831) 649-5225

OCTOBER 17, 2019

**FIGURE 7 - PROPOSED GENERAL
PLAN AMENDMENT TO THE CITY
OF MORGAN HILL ENTITLED
0 JUAN HERNANDEZ DRIVE,
MORGAN HILL, CA**



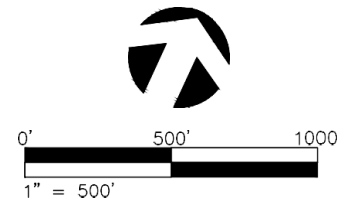
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**FIGURE 8 - MAP SHOWING
ZONING LANDS OF
0 JUAN HERNANDEZ DRIVE,
MORGAN HILL, BEING A PART
OF ORDINANCE No. _____,
NEW SERIES**

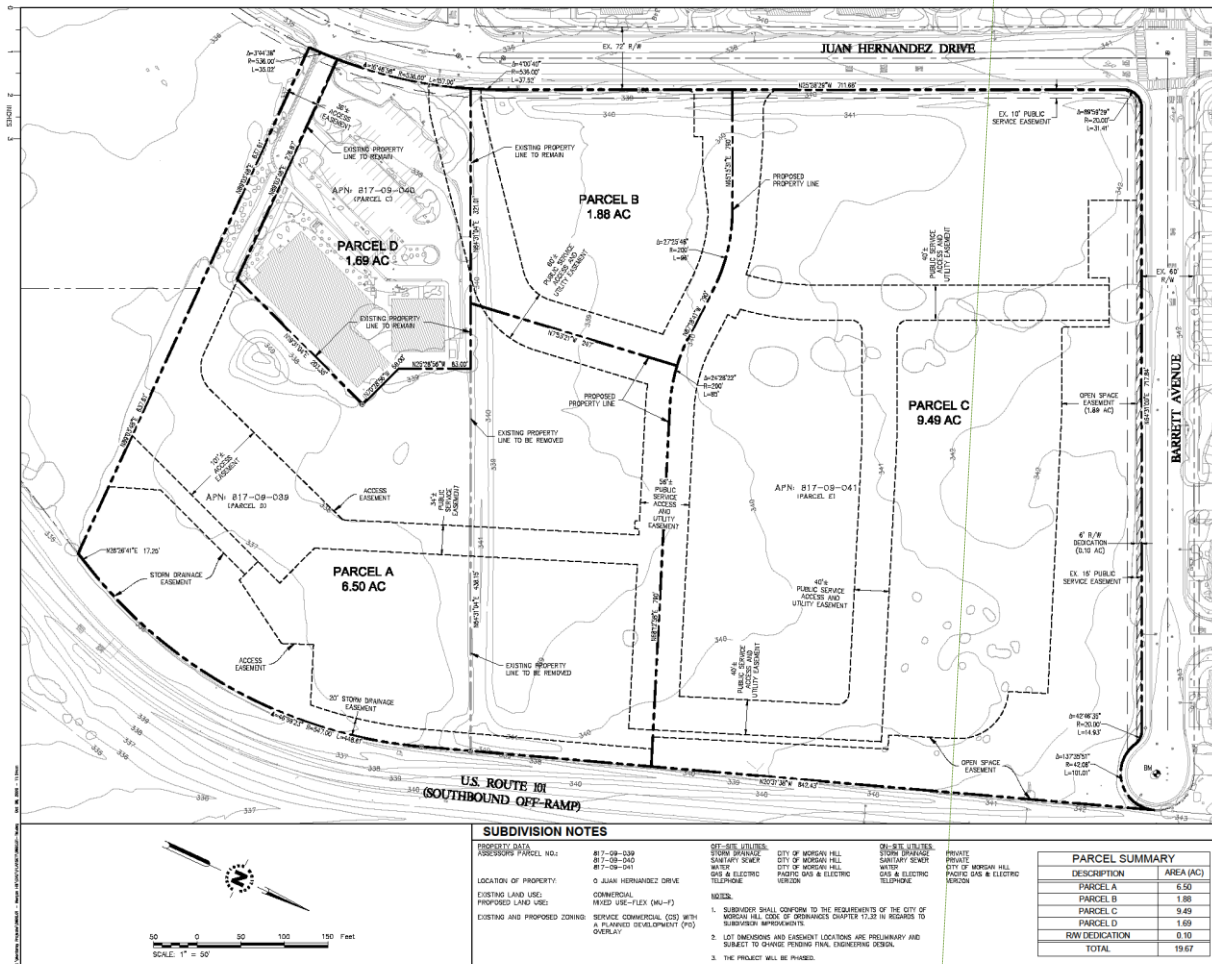
PREPARED BY:
WHITSON ENGINEERS
6 HARRIS COURT
MONTEREY, CA 93940
(831) 649-5225

OCTOBER 17, 2019

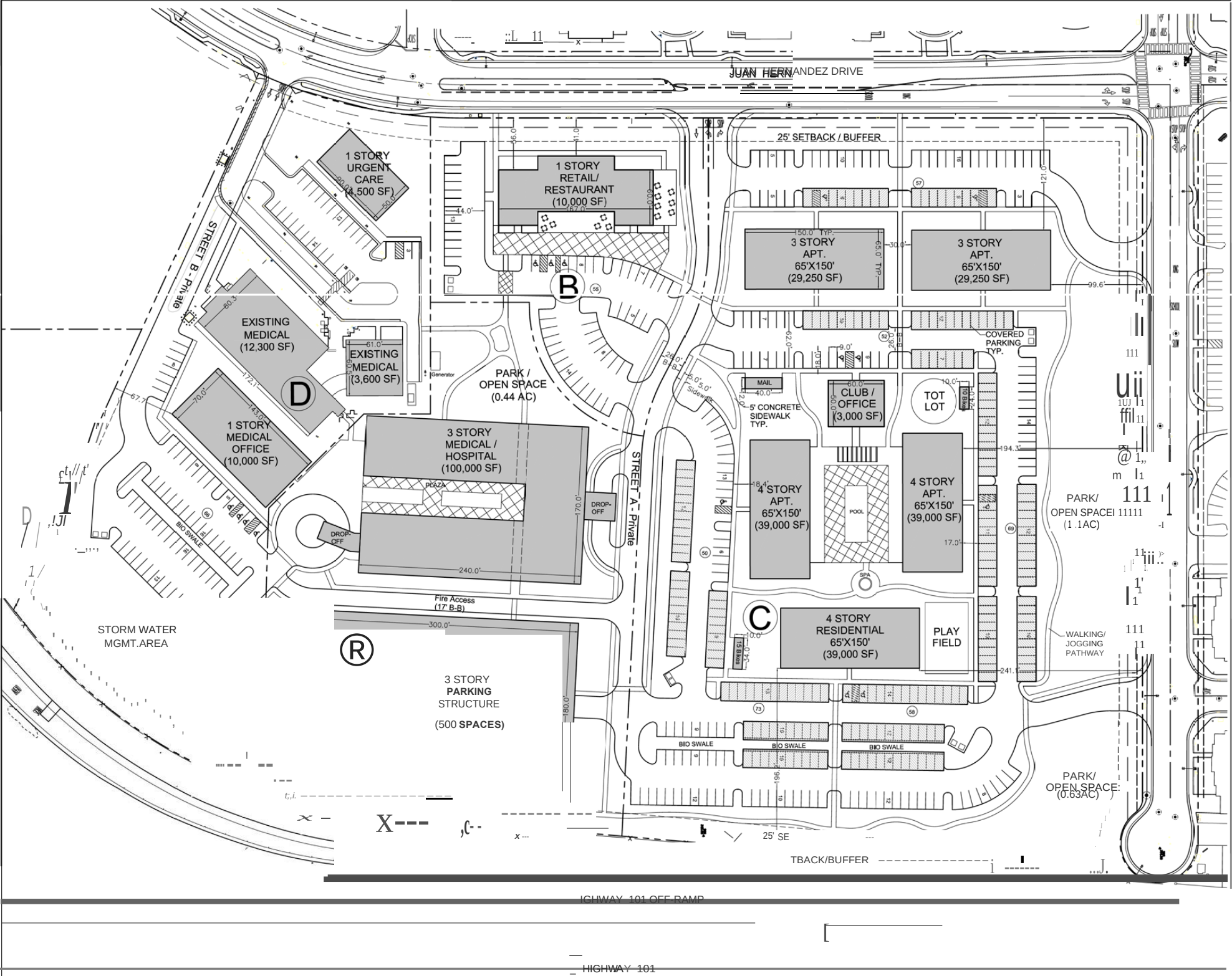


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Field Code Changed



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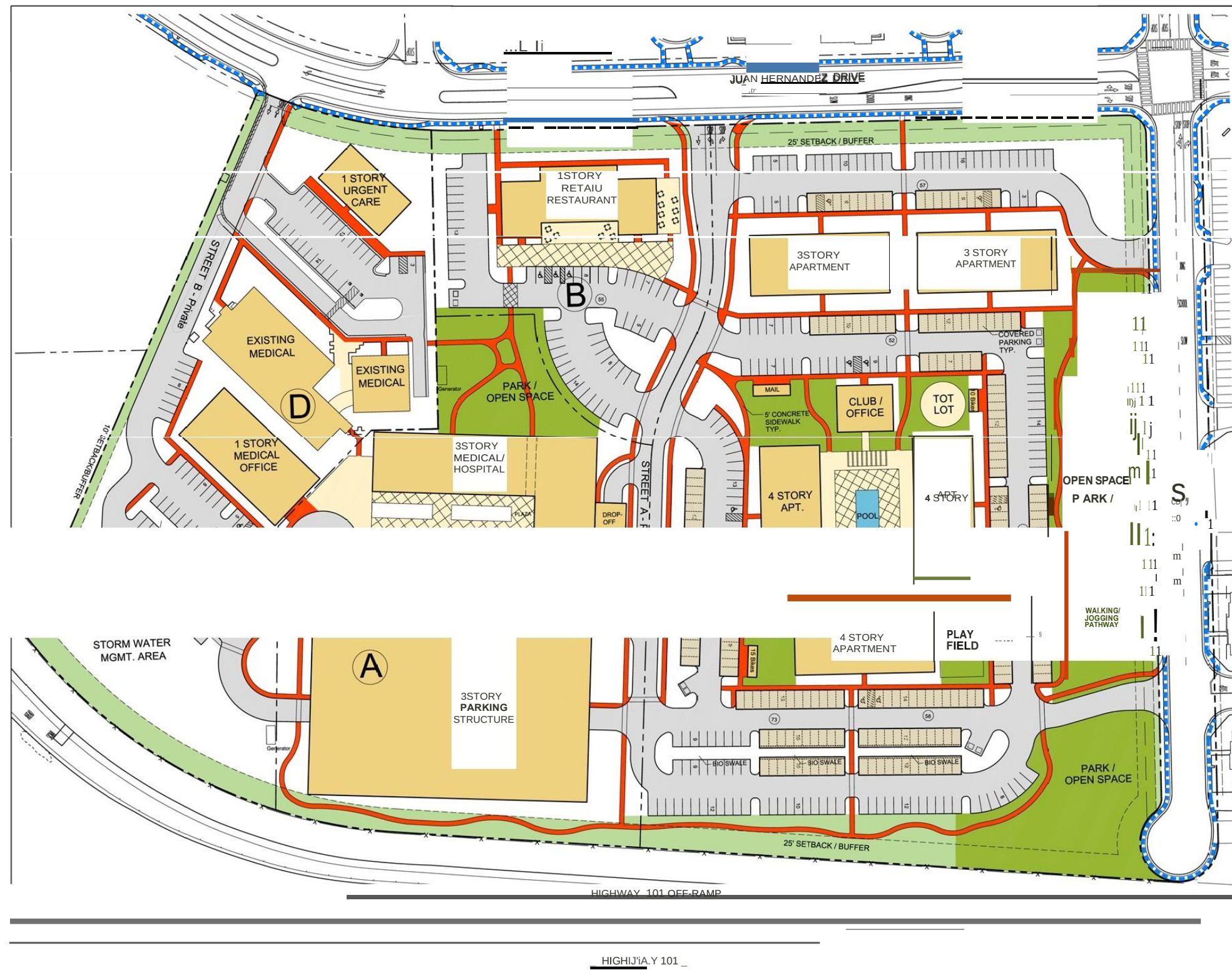
Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA-19.67 AC, 856,782 SF
Structure Size:
Parcel A . Proposed Medical Office / Hospital • 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park
Parcel B • Proposed Commercial/Restaurant • 1.78 AC
10,000 SF, 55 Pkg. Spaces
Parcel C • Proposed Residential Apartments • 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/Recreation
Parcel D • Proposed Urgent Care/ Existing Medical • 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces
Right-of-way Dedication - 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 1,161 spaces/ Provided 1,010 spaces*
Required: Medical Office/ Hospital @ 1/200 = 652 spaces
Proposed: Medical Office/ Hospital @ 1/219 = 596 spaces
Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant 55 spaces
Required: Apartments @ 1.5/ 1 bdm land 2.0/2 bdm = 375 spaces
Guest Parking at 1/3 DU = 68 spaces Total = 443 (203 covered)
Proposed: Apartments 359 spaces
* Shared parking proposed per Municipal Code Section 18.72.D.50
Lot Coverage:
Building = 212,319 SF (25% NLA)
Parking/ Driveways = 227,804 SF
Landscape/Storm Water Mgmt. = 335,045 SF
Hardscape = 81,614 SF
Floor Area Ratio: 351,786 SF (0.42%)
LEGEND:
- - - Site Boundary
(White Enclosure)
C Structures on Site
C Parking Carports

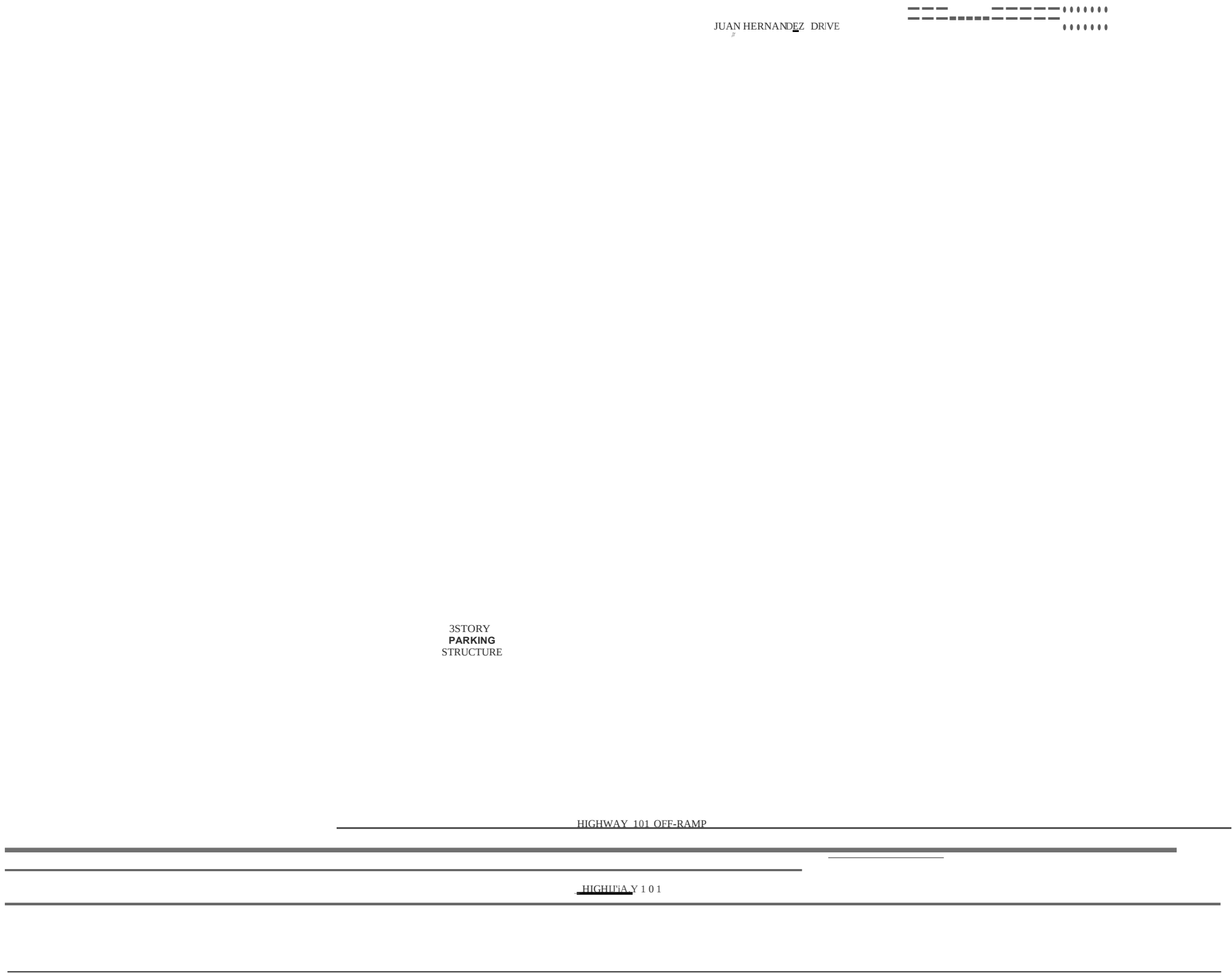
Figure 10
SITE PLAN

PD Master Plan/ General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019

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Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Parcel A - Proposed Medical Office / Hospital- 4.17 AC
100,000 SF, 500 Pkg. Spaces
0.44 AC Passive Park
Parcel B - Proposed Commercial/Restaurant - 1.78 AC
10,000 SF, 55 Pkg. Spaces
Parcel C - Proposed Residential Apartments - 9.49 AC
175,500 SF Res., 359 Pkg. Spaces
3,000 SF Leasing Office/Club House
2.42 AC Park/ Recreation
Parcel D - Proposed Urgent Care/ Existing Medical - 4.13 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
10,000 SF Proposed Medical Office,
96 Pkg. Spaces
Right-of-way Dedication- 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 1,161 spaces/ Provided 1,010 spaces
Required: Medical Office/ Hospital@ 1/200=652spaces
Proposed: Medical Office / Hospital@ 1/219 = 596spaces
Required: Retail/Restaurant@ 1/250 and 1/100 =70spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant155 spaces
Required: Apartments@ 1.51 bdrm and 2.0/2 bdrm = 375spaces
Guest Parking, 1/3 OU= 68spaces Total= 443(203 covered)
Proposed: Apartments 359spaces
Shanxi parking proposed per Municipal Code Section 18.72.050
Floor Area Ratio: 351,786 SF (0.42%)

LEGEND:
Structures on Site Storm Water Management
Park/Recreation/Open Space
Sidewalks/Pat hways
Landscaping
(See Landscape Plan for Details)

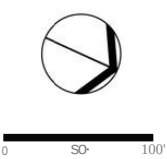


Figure 12
ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 30, 2019

EMCP LANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com



Lillian Commons / Morgan Hill Medical Campus

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA -19.67 AC, 856,782 SF
Parcel A - Proposed Medical Office / Hospital - 6.50 AC
100,000 - 130,00 SF, 566 Pkg. Spaces
Parcel B - Proposed Commercial/Restaurant - 1.88 AC
10,000 SF, 50 Pkg. Spaces
Parcel C - Proposed Residential - 9.49 AC
150 Dwelling Units Maximum
1.98 AC Park/Recreation
School Drop-off/Pick-up Lot
Parcel D - Proposed Urgent Care/ Existing Medical - 1.69 AC
15,900 SF Ex. Medical
4,500 SF Proposed Urgent Care
31 Pkg. Spaces
Right-of-way Dedication - 0.10 AC
Zoning: Service Commercial - CS w/ PD Overlay
Existing General Plan Designation: Commercial
Proposed General Plan Amendment: Mixed Use Flex
Parking: Total Required 790 spaces/ Provided 895 spaces*
Required: Medical Office / Hospital @ 1/200 & other = 452 spaces
Proposed: Medical Office / Hospital @ 1/200 & other = 397 spaces
Required: Retail/Restaurant @ 1/250 and 1/100 = 70 spaces
(Assumes 5,000 Retail and 5,000 Restaurant)
Proposed: Retail/Restaurant 50 spaces
Required: SF Residential (2 covered per DU + guest pkg.) 268 spaces
Proposed: SF Residential (2 covered per DU + guest pkg.) 268 spaces
*Shared parking proposed between Parcels per Municipal Code Section 18.72.050

Floor Area Ratio: 417,696 SF (0.5% max.)

LEGEND:
Buildings
Buffers / Open Space
Sidewalks/Pathways
Park / Recreation
Landscaping
(See Landscape Plan for Details)

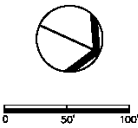


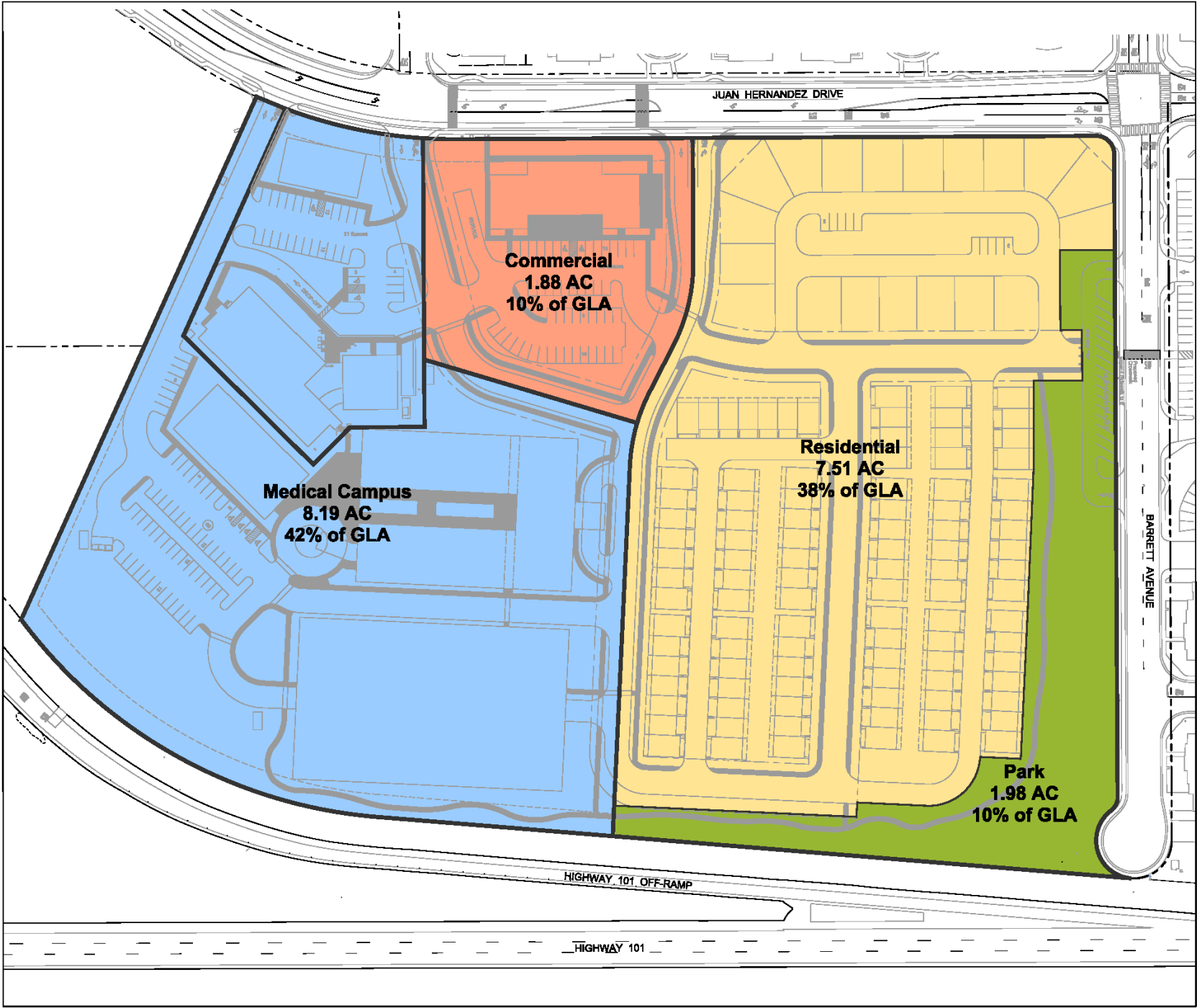
Figure 12
ILLUTRATIVE SITE PLAN

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA

October 30, 2019
Revised October 6, 2020

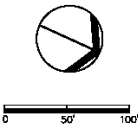


EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com



**Lillian Commons /
Morgan Hill
Medical Campus**

SITE DATA:
APN: 817-09-039, 040 and 041
Site Area: GLA - 19.67 AC, 856,782 SF
Mix Use Parcels:
Medical Campus - 8.19 AC, 42% of GLA
Commercial - 1.88 AC, 10% of GLA
Residential - 7.51 AC, 38% of GLA
Park - 1.98 AC, 10% of GLA
Right-of-way Dedication - 0.10 AC



LAND USE BUBBLE DIAGRAM

PD Master Plan / General Plan Amendment /
Application for Development Permit
Morgan Hill, CA
October 6, 2020



EMC PLANNING GROUP INC.
A LAND USE PLANNING & DESIGN FIRM
Monterey, CA 831.649.1799 www.emcplanning.com

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1. PROPERTY DATA:
ASSESSORS PARCEL NO.: 817-09-039
817-09-040
817-09-041

3. FLDSNG SITE:

PERVIOUS:	±18.51 AC
IMPERVIOUS	±1.16 AC
TOTAL AREA:	±19.67 AC

4. PBPOSE2 SUE + 8.82 AC
 PERVIOUS: +10.75 AC
 IMPVIOUS: +0.0 AC
RJGT OF WAY OFICATION +10.67 AC
 TOTAL AREA

W-m ,mnn
STORM ORANGE
SANITARY SE1:R
WATER/FIRE
GAS & ELECTRIC
TELEPHONE

~~SECRET~~
STORMORRAGE
SANITARY SE1R
WATER/FIRE
GAS & ELECTRIC
TELEPHONE
PRIVATE
PRIVATE
PRIVATE
PACIFIC GAS & ELECTRIC
VERIZON

6. fSD46JEP PRO NifABY EWHIJBS-
CUT: $\pm 30,000$ CY
FILL: ± 300 CO CY
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RECORD MAY 24, 1983. IN BOOK 513 OF MAPS, PAGE 16.
SANTA CLARA COUNTY RECORDS, STATE OF CALIFORNIA

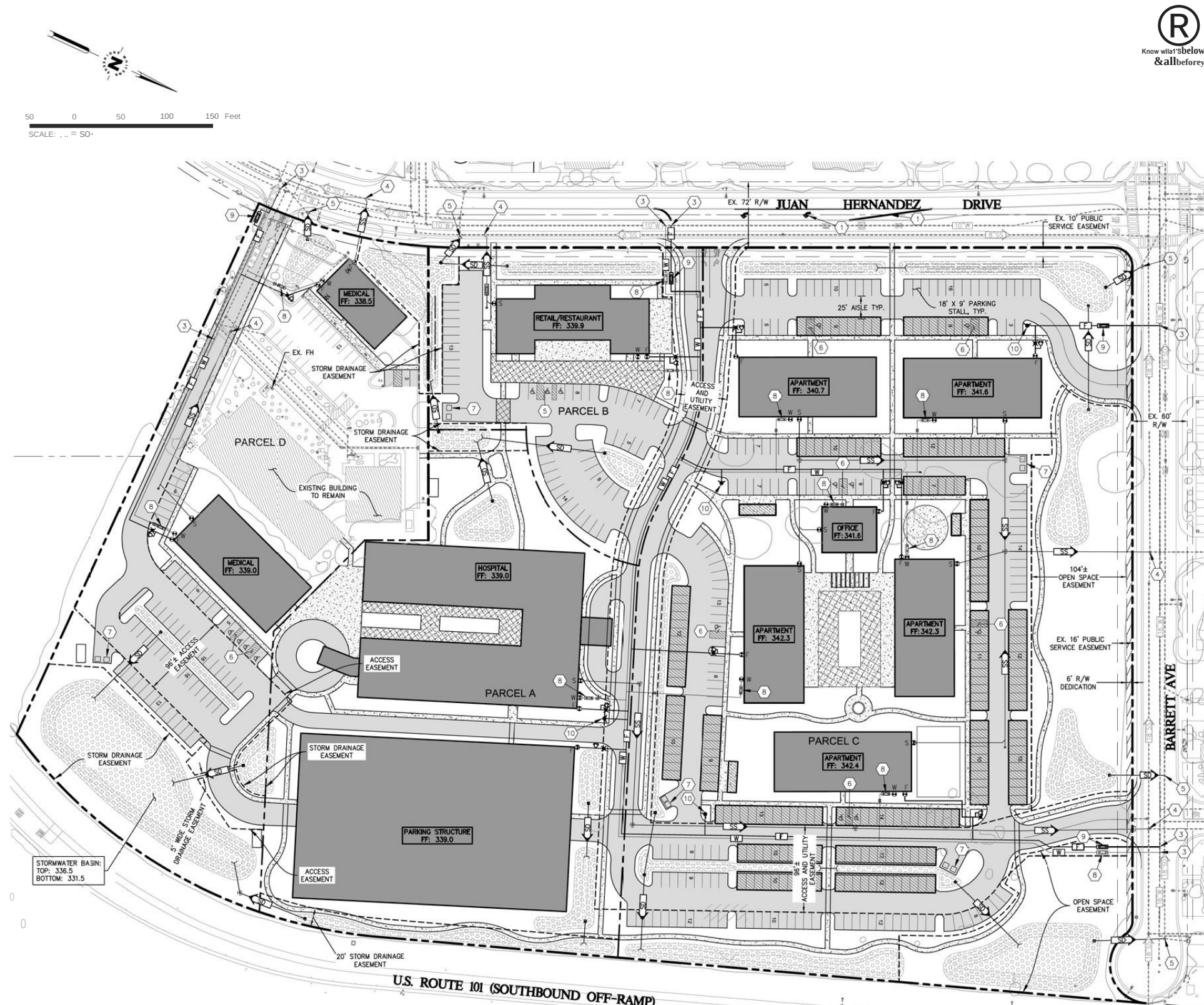
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P6800 MEAS.		
PARCEL A	4.17	AC
PARCEL B	1.78	AC
PARCEL C	9.49	AC
PARCEL O	4.13	AC
R/W OF CIGATION O10		AC
TOTAL AREA	19.67	AC

9. 89MIDING SCIBACKS
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REAR
S-DE
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1. SOUTHBEND LEH TURN LANE CHANNELIZATION PER TRAFFIC STUDY.
2. STORMWATER BASIN SIZED TO DETAIN THE 10- YEAR, 24-HOUR STORM EVENT, INCLUDING FLOW CONTROL STRUCTURE TO LIMIT POST-PROJECT PEAK FLOWS TO PRE-PROJECT PEAK FLOWS FOR THE 2- THROUGH 10- YEAR STORM EVENTS.
3. CONNECT TO EXISTING WATER MAIN.
4. CONNECT TO EXISTING SEWER MAIN
5. CONNECT TO EXISTING STORM DRAIN.
6. ACCESSIBLE PARKING SEE SITE PLAN FOR PARK LOT AND REQUIREMENTS.
7. TRASH ENCLOSURE.
8. DOMESTIC WATER BACKFLOW DEVICE.
9. FIRE MAIN DOUBLE CHECK ASSEMBLY
10. FIRE HYDRANT.

	CONSTRUCTION KEYNOTE
	ASPHALT PAVING
	PROPOSED BUILDING
	CONCRETE WALL/SAND FLATWORK
	STORM WATER BIORETENTION OR BIOSWALE
	PROPOSED CARPORT/SHADE STRUCTURE
	RIGHT OF WAY DEDICATION
	PROPERTY LINE (EXISTING)
	PROPOSED PROPERTY LINE
	FIRE BUILDING POINT OF CONNECTION
	WATER BUILDING POINT OF CONNECTION
	FIRE DEPARTMENT CONNECTION
	UTILITY VALVE
	UTILITY MANHOLE
	CLEANOUT



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Know what's below
& all before you



Whitson

**Civil Engineering
Land Surveying**
6 Harris Court
Monterey, California
(831) 449-5225

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WITHOUT
SIGNATURE

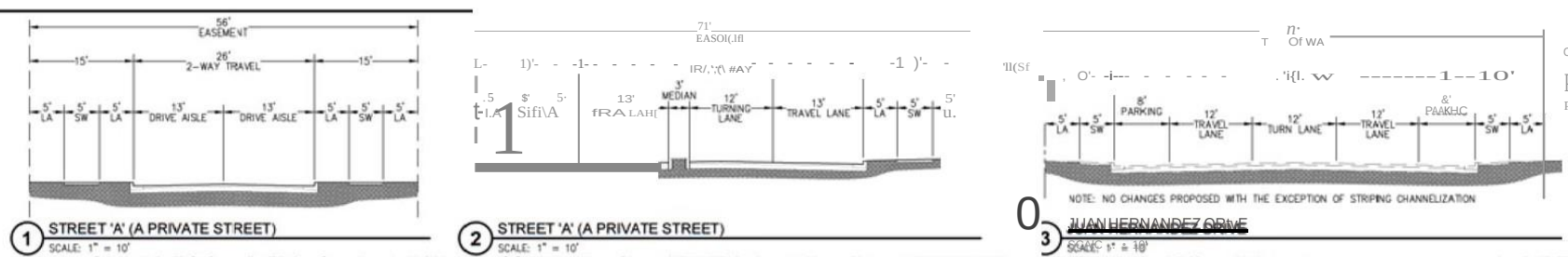
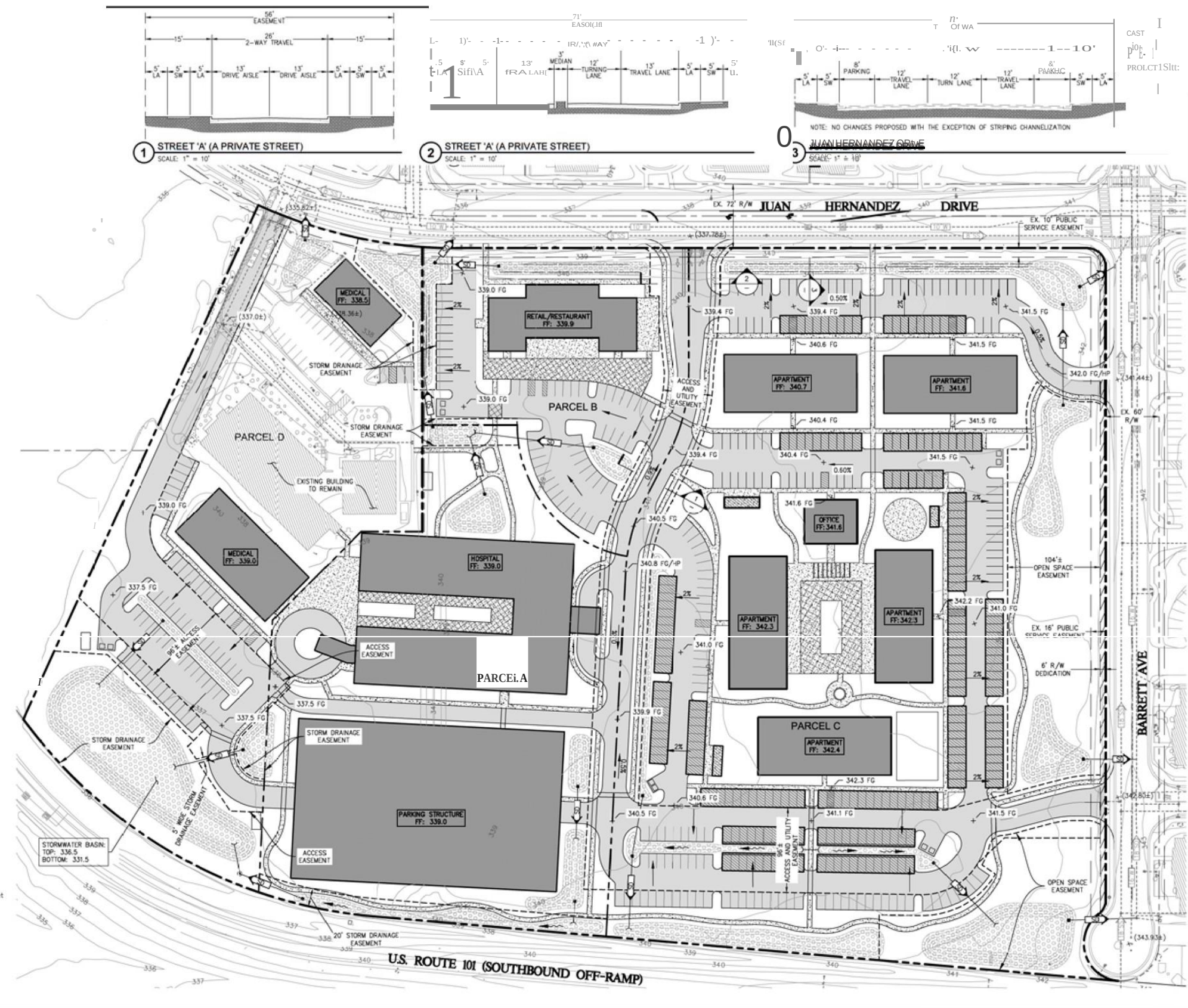
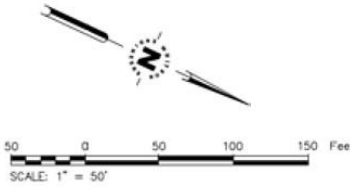
C 2.0

Figure 13

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PROJECT DATA

PROJECT NAME: LILLIAN COMMONS / MORGAN HILL MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
PROJECT LOCATION: MORGAN HILL, CALIFORNIA
PROJECT NUMBER: 2690.01



Civil Engineering
Land Surveying
Whitson
ENGINEERS

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APN 817-09-039-040-041

LILLIAN COMMONS / MORGAN HILL
MEDICAL CAMPUS - A MIXED USE DEVELOPMENT
Morgan Hill, California

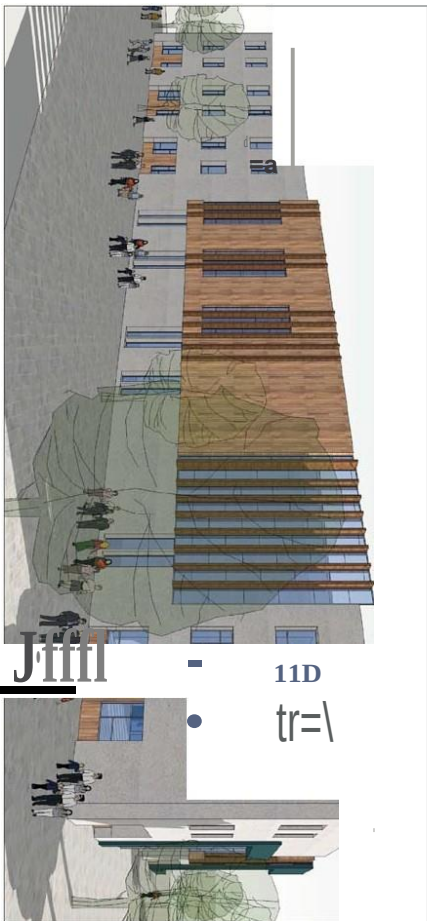
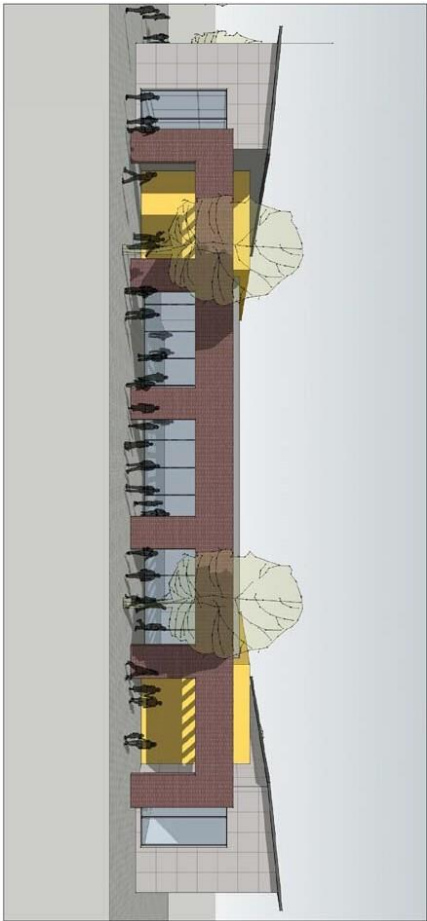
CONCEPTUAL GRADING PLAN

SCALE: 1"=50'
DRAWN: GK
JOB No.: 2690.01
SHEET: C2.1

NOT FOR CONSTRUCTION

Figure 14

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SECTION

SECTION

EVOCO ARCHITECTURE INTERIORS

163010

EVOCO ARCHITECTURE INTERIORS

EVOCO ARCHITECTURE INTERIORS

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163010

EVOCO ARCHITECTURE INTERIORS

LILLIAN COMMONS/ MORGAN HILL
MEDICAL CAMPUS
0 AND 16130 JUAN HERNANDEZ DRIVE
MORGAN HILL, CA 95037

EVOCO ARCHITECTURE INTERIORS

163010

EVOCO ARCHITECTURE INTERIORS

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EVOCO ARCHITECTURE INTERIORS

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5.0 LAND USES

Table 1, PD Master Plan Allowed and Conditional Uses, presents uses allowed by the PD Master Plan. The table identifies the use as a permitted (P) or conditionally permitted (C) land use. Uses in bold are new uses added to the permitted uses in the CS zoning district as part of this PD Master Plan. Some uses permitted in the CS district were eliminated from the list. The MU-F General Plan designation permits the property to be developed in a mixed use fashion allowing residential and hospital uses not currently allowed within the 2035 General Plan Commercial land use designation or the CS zoning district.

The conceptual Site Plan portrays five types of uses on the property; however, a revised site plan, or the future reuse or re-purposing of buildings after they are constructed and initially occupied, could change or add to those uses. Table 1, PD Master Plan Allowed and Conditional Uses, provides a comprehensive list of allowed and conditional land uses that could be approved within the PD Master Plan.

Table 1-1 Parcel C PD Master Plan Allowed and Conditional Uses

Use	Planned Development
Hospitals	P
Medical Offices and Clinics	P
Mixed Use Residential	P

Table 1-2 Parcels A, B, and D PD Master Plan Allowed and Conditional Uses*

Use	Planned Development
Banks and Financial Institutions	P
Business Support Services	P
College and Trade Schools	C
Convenience Market	C
Commercial Recreation, Indoor <15,000 square feet	P
Community Assembly	C
Cultural Institutions	P
Day Care Center	C
Drive-Through and Drive-in Facilities	C

Use	Planned Development
Emergency Shelters	C
Farmers Markets	C
General Retail	P
Hospitals	P
Hotel and Motels	C
Instructional Services	P
Medical Offices and Clinics	P
Parking Lots and Structures	P
Parks and Recreational Facilities	P
Personal Services	P
Professional Offices	P
Residential Care Facilities	C
Residential Care Facilities, Small	C
Restaurant- Fast Food, Sit Down	C
School, Public and Private	C
Social Services	C
Accessory Uses	(per Section 18.44)
Temporary Uses	(per Section 18.92.150)

- Non-medical uses must be in conjunction with a Hospital or other medical uses.

DEVELOPMENT STANDARDS

Development standards such as heights, setbacks, and building coverage within the planned development combining district are established in the PD Master Plan. Those standards may deviate from development standards in the Service Commercial base zoning district except that the maximum permitted floor area ratio and residential density may not exceed maximums established in the 2035 General Plan for the commercial land use designation. The floor area ratio for the Commercial land use designation in the 2035 General Plan is 0.6. The general plan amendment to Mixed Use Flex changes the floor area ratio to 0.5, which is reflected in the PD Master Plan. Standards in bold have been revised from those of the CS zoning district as part of this PD Master Plan. [Table 2, PD Master Plan Development Standards](#), presents the development standards.

Table 2 PD Master Plan Development Standards

Development Aspect	Paramete
Minimum Lot Size	10,000 square feet
Minimum Lot Dimensions	100-foot width; 100-foot depth
Maximum building coverage	50%
Minimum setbacks (front, rear, side, street) [1]	25, 0 , 0, 15 feet (respectively)
Maximum height (exceptions 18.56.020)	Residential/Office – 3 stories or 35 feet Hospital – 4 stories or 55 feet
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
On-Site Parking	Per Section 18.72 [2]
Retail	1 space per 250 square feet of net floor area
Restaurant (sit down)	1 space per 100 square feet of net floor area
Medical Office	1 space per 200 square feet of net floor area
Residential (multi-family)	1 bedroom unit – 1 covered 2 bedroom unit – 1 covered and 1 uncovered per unit
Guest Parking	1 per 3 units (shared with Medical Office use)
Electrical Vehicle Parking	1 per 25 to 49 automobile spaces, 2 per 50 to 100 automobile spaces, plus 1 per 50 ratio over 100 automobile spaces
Non-Residential Bicycle Parking	10% of automobile spaces; long term (enclosed): 5% of automobile spaces
Residential Bicycle Parking	10% of automobile spaces; long-term (enclosed), 1 per 5 units

NOTE:

[1] Outdoor seating, courtyards, and other publicly-accessible spaces **may occupy** the front setback. Residential porches and similar entry features may project **ten** feet into the front setback.

[2] Unless otherwise modified in this table.

PD Master Plan Development Standards for Single Family Residential

Development Aspect	Paramete
Minimum Lot Size (Single Family Residential)	1,000 square feet
Minimum Lot Dimensions	22-foot width; 45-foot depth
Floor Area Ratio	0.5 w/ Mixed Use Flex (MU-F)
Minimum Setbacks (front, rear, interior side, street side)	5 or N/A, 5 or N/A, 0 [1] or 3, 5 feet (respectively)
Maximum Height	3 stories or 35 feet [2]
Signs	Per Section 18.88
Lighting	Per Section 18.72.060.G
Landscaping	Per Section 18.64
Open Space	Per Section 18.40-4 based on lot size
Parking	Per Section 18.72 [3]
Residential (Single Family)	2 spaces - 1 covered space for each housing unit
Guest Parking	1 per housing unit [4] (shared with Medical Office use)

NOTE:

- [1] A setback of zero feet is acceptable on one side yard; provided, that the sum of both side yard setbacks is at least eight feet
- [2] Roof elements with minimum 5:12 roof pitch may exceed the building plate height by up to eight feet.
- [3] Unless otherwise modified in this table.
- [4] These guest spaces may include a combination of driveway parking, alley parking, on-street parking in front of the residence, and designated guest parking spaces.

CONSISTENCY WITH 2035 GENERAL PLAN

7.1 General Plan Land Use Designations

2035 General Plan- Commercial. The Commercial designation is primarily located along arterial roadways west of US Highway 101 and along the eastern freeway frontage. This designation is intended to allow a wide range of retail businesses, administrative and executive office uses, and professional services, either in stand-alone buildings or as part of shopping centers. The largest concentrations of this designation are found along Monterey Road and at the freeway interchanges, where retail stores are emphasized. The Service Commercial overlay along Monterey Road, north of Wright Avenue, allows auto-related uses, except for sales. The Commercial designation allows a maximum FAR of 0.6 and Mixed Use Flex designation allows a maximum FAR of 0.5

The General Plan goals and policies for Commercial with a Planned Development Combining District overlay are described below. In general, the 2035 General Plan encourages neighborhood-scale shopping near residential neighborhoods to foster walking and biking and to avoid car trips.

2035 General Plan - Mixed Use Flex. The Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). Density should transition from higher to lower at the ends of Monterey corridor. The Mixed Use Flex designation allows 7 to 24 units per acre and a maximum FAR of 0.5. Prior to development of a Residential or Mixed-Use project within the Mixed Use Flex designation, a block level master plan is required to identify how commercial uses will be incorporated within the development of the block and how individual development projects will connect with each other. Commercial development may proceed without preparation of a block level master plan consistent with the Commercial designation.

Because the PD Master Plan includes a mix of uses on the property including retail, medical office, medical hospital, multi-family apartments⁵, and a park element as part of the Planned Development Combining District, Mixed Use in addition to Commercial 2035 General Plan goals and policies have been analyzed.

⁵ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

7.2 General Plan Goals and Policies

Applicable 2035 General Plan Goals, Policies, and Implementation Measures are presented in Table 3 through Table 9 below, along with an assessment of PD Master Plan consistency.

City and Neighborhood Form

Table 3 General Plan 2035 - City and Neighborhood Form Goals and Policies

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Residential Neighborhoods-GOAL CNF-10 A variety of housing types and densities available to all residents.	Consistent: The PD Master Plan allows for a variety of housing types. The conceptual Site Plan shows multifamily residential which will provide the community with new housing types including one and two bedroom apartments. ⁶
Policy CNF-10.3 Adequate Supply of Multi-Family Housing. Provide for an adequate supply of multi-family housing, located convenient to shopping, services, and transportation routes.	The PD Master Plan will assist the City in achieving an adequate housing supply as the PD Master Plan allows for 150 residential units. The conceptual Site Plan provides for a mix of residential, commercial, and medical uses that will allow for the placement of housing convenient to the shops, services, and offices, and adjacent to major transportation routes.
Policy CNF-10.6 Density Near Infrastructure. Encourage higher residential densities at locations where convenient access and adequate infrastructure is readily available.	Consistent: The property is adjacent to Juan Hernandez Road and Barrett Avenue in an area with existing utilities. A survey was completed by Whitson Engineers that determined there was adequate infrastructure available around the project site to support the uses
New Subdivisions-GOAL CNF-11 High quality, aesthetically pleasing, livable, sustainable, well-planned residential neighborhoods, well-connected to neighborhood services.	Consistent: The PD Master Plan's conceptual Site Plan provides a well-planned, aesthetically pleasing, livable, sustainable and well-connected residential neighborhood with integrated commercial/retail and medical offices.

⁶ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

Policy CNF-11.5 Outside Connections. Require new subdivisions to provide multiple connections to the surrounding community. Methods to achieve this may include: ▪ Providing multiple points of entry into the project for motorists, bicyclists and pedestrians. ▪ Extending the existing street pattern at the edges of the subdivision into the site. Extended streets should match the type and scale of streets to which they connect. ▪ Installing landscaping and street improvements at the edge of subdivisions that appear as common amenities shared with adjacent neighborhoods.	Consistent: As shown in the PD Master Plan conceptual Site Plan, development within the property will be designed to be compatible with the surrounding neighborhood. Multiple points of pedestrian ingress/egress are provided along Barrett Avenue and Juan Hernandez Drive, with connections to existing sidewalks. Two points of ingress/egress for vehicles and bicycles are provided along Barrett Avenue, and two along Juan Hernandez Drive. A private drive is provided along the southern portion of the property that could provide connectivity to the adjacent vacant parcel to the south when it is developed in the future. The conceptual Site Plan provides for connectivity to this adjacent vacant parcel to facilitate connectivity in anticipation of its eventual development. Residential and open space/park uses will be adjacent to existing residential uses and
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General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
- Minimizing the use of gates, fences, and walls that separate the subdivision from the surrounding community. - Planning for future connections to adjacent undeveloped property.	Barrett Elementary School, and connectivity within the property will be provided via several pedestrian paths. The open space area abuts Barrett Avenue, which is adjacent to Barrett Elementary School, and will be made accessible to the school. The northern most open space/park area will be dedicated by easement for public use, including use by the Barrett Elementary School, to be used as a common amenity.
Policy CNF-11.10 Open Space. Require new subdivisions to feature integrated common open spaces, parks, and community facilities that serve as social and design focal points. Open spaces should be a close walking distance from all residents and should be large enough to be useful for residents.	The conceptual Site Plan includes approximately three acres of passive park/open space. Approximately 1.7 acres of the open space will be available to the elementary school for its use and benefit. The remainder of open space, including walking trails, serves the residential, commercial and office components of the plan, as well as neighboring residents. The open space and park areas are within walking distance of all of these uses and connected by pedestrian paths.
Policy CNF-12.1 Neighborhood Center Design. Allow neighborhood centers within future residential neighborhoods. Neighborhood centers are envisioned as nodes or focal points that offer neighborhood-serving services and amenities within a reasonable walking distance from adjoining residential areas. These centers should be designed to increase the accessibility of goods and services within existing residential neighborhoods, particularly for the benefit of senior citizens and those with limited mobility, and to offer opportunities for socialization.	Consistent: The PD Master Plan includes neighborhood serving uses and amenities including retail, restaurant, and medical office/hospital uses to serve the proposed and existing neighborhood. These uses include public gathering areas and pedestrian access. These services will be within walking distance to the existing and proposed neighborhoods and will increase the accessibility of services for the existing neighborhood, particularly for the benefit of senior citizens by providing close walkable medical offices.
Policy CNF-12.4 Neighborhood Center Requirements. Require future neighborhood centers to meet the following requirements: - The design of neighborhood center should provide a sense of place, promote casual interaction, and enhance overall well-being. - The design of neighborhood center should complement the residential character of its immediate surroundings, including site design, access, building style, building materials, signage, lighting, and landscaping.	Consistent: The PD Master Plan conceptual Site Plan includes pedestrian pathways that connect the open space, residential, retail, and medical components of the plan. The PD Master Plan includes a small retail center and open space/park areas that, along with the pedestrian access ways, will provide gathering areas and a sense of place, thereby promoting casual interaction and overall wellbeing. The project will be required to undergo design review with the City of Morgan Hill to ensure that the design complements the residential character of the adjacent neighborhood.

General Plan City and Neighborhood Form Goals and Policies	Consistency Analysis
Mixed Use Flex-GOAL CNF-13 Mixed use flex developments that include a variety of uses and forms to foster a dynamic urban environment. Policy CNF-13.1 Mixed Use Flex Development. Encourage a mix of uses, either vertically or horizontally, to allow residents and employees to meet daily needs without the use of the private	Consistent: The PD Master Plan allows for a variety of uses including retail, residential, and medical uses. The combination of uses within the property provides for walkability to services for residents and employees.
Commercial and Office- GOAL CNF-15 Sufficient, sustainable, and concentrated commercial and office uses. Policy CNF-15.3 Retail Uses at Major Intersections. Encourage retail sales use at major intersections as the focus	Consistent: The PD Master Plan provides for clustered commercial, medical, and retail uses near a major intersection at the south side of Morgan Hill.
Policy CNF-15.5 Office Development. Encourage new regional and local-serving office development at appropriate locations.	Consistent: The PD Master Plan allows for medical offices / hospital uses to create a campus of medical offices to serve the community and region.
Commercial / Industrial-GOAL CNF-18 Integrated job-generating centers that offer workers and businesses a range of services to meet their daily needs. Policy CNF-18.1 Vibrant Job Centers. Encourage land with a Commercial/Industrial designation to develop with job-generating uses with amenities that support workers and businesses, such as restaurants, lodging, fitness centers, and hair	Consistent: The PD Master Plan allows for concentrated and integrated retail, medical offices and hospital uses that will provide jobs for the City and the surrounding neighborhood. The medical office/hospital is expected to produce approximately 472 jobs. The PD Master Plan also allows for amenities such as restaurants, and personal services to serve the neighborhood and the surrounding community.

Housing

Table 4 General Plan 2035 - Housing Goals and Policies

General Plan Housing Goals and Policies	Consistency
Goal HE-4 A range of housing types for all age groups, served by transit, recreational amenities, shopping, and health and personal services, that allows residents to age in	Consistent: The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office / hospital and retail uses. Residents of the neighborhood would live within walking distance of health and personal services that would allow for them to age in place.
Policy HE-4u: Mix of Housing Near Services. Encourage a mix of housing types in each neighborhood located convenient to shopping, services, recreation, and transit routes.	The PD Master Plan allows for a range of housing types including one and two bedroom units and affordable units. The PD Master Plan allows for housing conveniently co-located with services including medical office / hospital, retail uses, open space/park uses, and Barrett Elementary School. The nearest Valley Transportation Authority bus route is located more than one mile from the property, but the applicant is open to the establishment of service at the property.

Economic Development

Table 5 General Plan 2035 - Economic Development Goals and Policies

General Plan Economic Development Goals and Policies	Consistency Analysis
Policy ED-7.4 Compatible Uses in Retail Centers. Encourage the evolution of retail centers into mixed-use activity nodes by supporting integration of uses that provide necessary or useful services or amenities that will benefit nearby residential areas and commercial establishments. Such uses may include but shall not be limited to: a. Health services and fitness facilities. b. Childcare. c. Housing, including affordable and senior housing. d. Religious facilities. e. Education/training facilities. f. Parks/community facilities/public gathering places.	Consistent: The PD Master Plan provides a mix of retail and medical uses convenient to the proposed and existing adjacent neighborhood. The medical and retail uses will provide health and retail services and amenities to the existing and proposed neighborhood. The PD Master Plan also includes public plaza and gathering locations.
GOAL ED-8 Office and industrial areas that provide high-quality work locations for existing and new businesses. Policy ED-8.1 Office and Industrial Development. Support the development of office and industrial facilities to meet local demand, compete for regional growth opportunities, and create high-quality jobs that match with local housing opportunities.	Consistent: The PD Master Plan allows for medical and retail uses to meet local demand and create high quality jobs. The PD Master Plan also allows for residential uses thereby providing local housing opportunities adjacent to places of employment.

Healthy Community

Table 6 General Plan 2035 - Healthy Community Goals and Policies

General Plan Healthy Community Goals and	Consistency Analysis
Parks, Recreation, and Trails- GOAL HC-3 Usable, complete, well-maintained, safe, and high-quality activities and amenities, including active and passive parks and recreational facilities, community gardens, and trails that are accessible to all ages, functional abilities, and socio-economic groups.	Consistent: As shown in the conceptual Site Plan, the PD Master Plan includes over three acres of passive park areas, open space buffer areas, and a tot lot connected by meandering pedestrian pathways. The passive park and open space on the property will allow for multiple activities for all socio-economic groups, functional ability, and ages.
Policy HC-3.8 Private Open Space. Encourage new development to permit public access to private open space and parks where feasible and appropriate.	Consistent: The PD Master Plan identifies open space areas that will be available to residents and patrons of the medical and retail facilities.

General Plan Healthy Community Goals and	Consistency Analysis
Access to Health Care- GOAL HC-7 Access for all residents to health care facilities and other important community health amenities. Policy HC-7.2 Professional Education. Encourage increased education and professional development resources to support students and employees in the health care field.	Consistent: The PD Master Plan provides for 130,400 square feet of medical facilities and important health amenities for residents. It is expected that a wide variety of medical practices will be provided within a campus setting that could encourage increased professional development resources to support students/interns in the health care field.

Transportation

Table 7 General Plan 2035- Transportation Goals and Policies

General Plan Transportation Goals and Policies	Consistency Analysis
GOAL TR-3 A coordinated, continuous network of streets and roads. Policy TR-3.16 Private Development Access along Arterials. Require development that occurs along arterial streets to obtain access through a local street or major entrance and not through curb cuts directly onto the arterial street	Consistent: The property is not accessed directly from an arterial. Tennant Avenue and Butterfield Boulevard are the nearest arterials to the property. The property is accessed from Juan Hernandez Drive and Barrett Avenue, which connect to these arterials.
Policy TR-3.17 Planned Development Access near Highway 101. Require Planned Developments (PDs) for commercial, office, or industrial uses at the intersections of Highway 101 and arterial streets to take access from a public street intersecting with the arterial street at a minimum distance of 600 feet from the freeway on and off ramps, unless the City Engineer finds that direct access to the arterial street or closer access will meet safety standards, or that mitigating actions will be taken to ensure safe access and minimum interference with traffic flows.	Consistent: Access to the property will be from Juan Hernandez Drive and Barrett Avenue. Juan Hernandez Drive is an existing City street that intersects Tennant Avenue at a safe distance from the off ramp of US Highway 101. The nearest property driveway is more than 700 feet north of Tennant Avenue.
Parking-GOAL TR-5 Adequate off-street parking. Policy TE-5.1 Adequate Parking Supply. Ensure that all developments provide adequate and convenient parking...	Consistent: The conceptual Site Plan provides for a 500-space parking structure and 96 additional spaces for the existing and proposed medical uses, 55 spaces for the retail use, and 359 spaces for residential use, which totals 1,010 on-site parking spaces. Based on the parking demand study, the parking supply for the entire project is proposed to total 1,010 spaces, as indicated in the study. The total gross parking requirement for the entire project is 965 spaces using the more conservative approach. There will be an overall surplus of about 45 spaces using City gross parking requirements with selected ITE peak parking rates. The project therefore will provide an adequate total parking supply to meet the overall project demand. Parking is conveniently located within walking distance to the various uses, and can be easily facilitated through a shared parking arrangement.

Policy TR-5.3 Parking Lot Connection. Require cross-connection of parking lots, where feasible and practical, at the time of design review for all commercial and industrial developments.	Consistent: As shown in the PD Master Plan conceptual Site Plan, parking lots are cross-connected where practical.
Bikeways-GOAL TR-8 A useable and comprehensive bikeway system that safely connects neighborhoods with workplaces and community destinations. Policy TR-8.12 Bicycle Parking. Bicycle parking and other supportive facilities shall be provided at all schools, parks, recreation facilities, commercial centers, civic buildings (including the library), transit centers, and workplaces based on the	Consistent: Existing bike lanes on Juan Hernandez Drive will serve the development providing a safe bikeway system to get to and from the property. Bicycle parking will be provided at each use on the property to encourage residents, employees, and patrons to use alternative means of transportation. On-site bicycle parking will adhere to the Bikeways Master Plan guidelines, and zoning code requirements.
Pedestrian Network- GOAL TR-9 Expanded pedestrian opportunities. Policy TR9.7 Concurrent Implementation. Where feasible, implement the trails and pedestrian system concurrent with adjacent developments.	Consistent: As shown in the conceptual Site Plan, sidewalks and pathways will be provided throughout the property to encourage walking on the campus. Sidewalks connect to those located on adjacent streets to provide connectivity.
Policy TR 10.3 and TR-10.4 Flexible Work Hours. Encourage employers to provide a flexible set of working hours to ease traffic congestion. Carpooling. Support a Countywide car/vanpool matching program.	Consistent: The applicant will provide educational materials to end users or future developers to encourage employers to provide flexible work hours, carpooling options, and other alternative transportation methods as may be available. Bay Area employers with 50 or more full-time employees within the Bay Area Air Quality Management District geographic boundaries are required to register and offer commuter benefits to their employees in order to comply with Air District Regulation

Natural Resources and Environment

Table 8 General Plan 2035 - Natural Resources and Environment Goals and Policies

General Plan Natural Resources and Environment Goals and Policies	Consistency Analysis
Water Quality and Conservation - GOAL NRE-7 Conservation of water resources. Policy NRE-7.1 Water Standards for Private Development. Promote water conservation and efficient water use in all private development projects. Require development to exceed State standards for the use of water.	Consistent: Water saving measures will be implemented on the development project in the way of "green" design features. Very low flow toilets, efficient landscaping, and water capture and reuse will be used to conserve water.

Policy NRE-7.3 Water Efficiency and Landscaping. Promote water conservation and efficient water use in all public and private landscaping plans.	Consistent: Drought tolerant and area-suitable landscape materials will be utilized on the development project to promote water conservation.
Energy Efficiency-GOAL NRE-16 Conservation of energy resources. Policy NRE-16.1 Energy Standards for New Development. New development, including public buildings, should be designed to exceed State standards for the use of energy.	Consistent: New development will be designed consistent with energy standards that meet and exceed the City and State standards for use of energy.
Policy NRE-16.7 Renewable Energy. Encourage new and existing development to incorporate renewable energy generating features, like solar panels and solar hot water heaters.	Consistent: Future development of the property will adhere to new State climate change regulations, which include requirements to provide solar energy and otherwise reduce electrical use. Design approval of development is required, during which the merits of the project site plan and design will be considered, including

Safety, Services, and Infrastructure

Table 9 General Plan 2035- Safety, Services, and Infrastructure Goals and Policies

General Plan Safety, Services and Infrastructure Goals and Policies	Consistency Analysis
Noise GOAL SSI-8 Prevention of noise from interfering with human activities or causing health problems. Policy SSI-8.1 Exterior Noise Level Standards. Require new development projects to be designed and constructed to meet acceptable exterior noise level standards (see Table SSI-1), as follows: - Apply a maximum exterior noise level of 60 dBA Ldn in residential areas where outdoor use is a major consideration (e.g., backyards in single-family housing developments and recreation areas in multi-family housing projects). Where the City determines that providing an Ldn of 60 dBA or lower cannot be achieved after the application of reasonable and feasible mitigation, an Ldn of 65 dBA may be permitted. - Indoor noise levels should not exceed an Ldn of 45 dBA in new residential housing units.	Consistent: The conceptual Site Plan includes a 25 foot buffer from the US Highway 101 off-ramp and places the parking and parking garage closest to the freeway to further buffer the medical and residential uses. Residentially occupied buildings are located a minimum of 250 feet from the US Highway 101's through lanes. A noise analysis was completed for the project that determined all exterior and interior noise levels would be met with implementation of the recommendations contained therein. Mitigation measures will be implemented when the buildings are constructed to ensure the acceptable noise levels are met.

Noise levels in new residential development exposed to an exterior Ldn 60 dBA or greater should be limited to a maximum instantaneous noise level (e.g., trucks on busy streets, train warning whistles) in bedrooms of 50 dBA. Maximum instantaneous noise levels in all other habitable rooms should not exceed 55 dBA. The maximum outdoor noise level for new residences near the railroad shall be 70 dBA Ldn, recognizing that train noise is characterized by relatively few loud events.	
Policy SSI-8.4 Office Noise Level Standards. Interior noise levels in office buildings should be maintained at 45 dBA Leq (hourly average) or less, rather than 45 dBA Ldn (daily average).	Consistent: Mitigation measures including noise reduction measures and emergency generator noise suppressors will be implemented when the buildings are constructed to ensure the acceptable noise levels are met. A noise analysis is provided as part of the CEQA documentation.
Policy SSI-8.9 Site Planning and Design. Require attention to site planning and design techniques other than sound walls to reduce noise impacts, including: a) installing earth berms; b) increasing the distance between the noise source and the receiver; c) using non-sensitive structures such as parking lots, utility areas, and garages to shield noise sensitive areas; d) orienting buildings to shield outdoor spaces from the noise source; and e) minimizing the noise at its source.	Consistent: Building location was taken into account in the conceptual Site Plan to locate sensitive uses a minimum of 250 feet from the through lanes of US Highway 101. Building placement and strategically placed landscaping will help to minimize noise at its source. Additionally, the noise analysis recommends an 8 foot sound wall along Highway 101 to reduce noise impacts to the residential component of the project.

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PD MASTER PLAN AND ZONING FINDINGS

8.1 PD Master Plan Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.30.050.H.7 (Findings).

General Plan and Zoning Consistency

- a. The proposed development is consistent with the general plan, zoning code and any applicable specific plan or area plan adopted by the city council.*

Finding

The PD Master Plan incorporates an amendment of the 2035 General Plan. The 2035 General Plan designation of Mixed Use Flex with a seven dwelling unit per acre minimum and 24 dwelling unit per acre maximum will allow the residential uses proposed within the PD Master Plan and the hospital use, not currently an allowed use on the property. Section 7 outlines in greater detail how the PD Master Plan is consistent with the goals and policies of the 2035 General Plan. As allowed by Municipal Code Section 18.30.050, the PD Master Plan identifies several changes to the development standards that apply in the CS district; these changes include increased building heights and modifications to parking standards for shared parking arrangements. The floor area ratio is reduced from 0.6 to 0.5. The Planning Commission will have say on two aspects of future development, to ensure consistency with zoning regulations. Design approval is required for all development, during which the merits of the site plan and architectural design will be considered. Some uses may require a conditional use permit, and those will require a hearing to determine suitability. During these reviews, consistency with zoning code requirements will be analyzed as they specifically relate to the development project. The PD Master Plan is not located within a specific plan or area plan.

Superior to Development Under Existing Zoning

- b. The proposed development is superior to the development that could occur under the standards applicable in the existing zoning districts.*

Finding

The PD Master Plan allows a mix of compatible uses, including a much-needed residential component to provide sustainability to the remainder of the uses, and a retail and medical office / hospital component to provide work opportunities to the neighborhood and community. The urgent care/ pharmacy would provide a convenient location for the surrounding neighborhood and patrons to the school to utilize the services it will provide. The affordable multi-family residential uses will allow tenants to age in place, and will provide a near-by down-sizing option for empty nesters in the adjacent single family houses. The passive park with a walking/jogging trail system, located along Barrett Avenue and US Highway 101, will allow for enjoyment by the retail and medical office employees and visitors, as well as by the apartment residents⁷ and residents of the surrounding neighborhood. The high-density residential use will allow elementary school-aged children to walk to Barrett Elementary School. The retail area will provide convenience services to both the medical/office uses and residents.

Substantial Public Benefit

- c. *The proposed project will provide a substantial public benefit as defined in Paragraph 8 (Substantial Public Benefit Defined) below. The public benefit provided shall be of sufficient value as determined by the planning commission to justify deviation from the standards of the zoning district that currently applies to the property.*

Substantial Public Benefit Defined. When used in this section, “substantial public benefit” means a project feature not otherwise required by the zoning code or any other provision of local, state, or federal law that substantially exceeds the city’s minimum development standards and significantly advances goals of the general plan. A project must include one or more substantial public benefits to be rezoned as a planned development. The public benefit provided shall be of sufficient value as determined by city council to justify deviation from the standards of the zoning district that currently apply to the property. Examples of substantial public benefits include but are not limited to:

- a. ***Housing that is affordable to lower-income households.***
- b. ***Public plazas, courtyards, open space, and other public gathering places that provide opportunities for people to informally meet and gather.***
- c. ***New or improved pedestrian and bicycle pathways that enhance circulation within the property and connectivity to the surrounding neighborhood.***
- d. ***Green building and sustainable development features that substantially exceed the city’s minimum requirements.***
- e. *Preservation, restoration, or rehabilitation of a historic resource.*
- f. *Increased transportation options for residents and visitors to walk, bike, and take public transit to destinations and reduce greenhouse gas emissions.*
- g. ***Publicly accessible parks and open space beyond the minimum required by the city or other public agency.***

⁷ All references to apartments instead refer to townhomes and single-family detached dwellings as revised by the new site plan revised on October 6, 2020.

- h. Habitat restoration and or protection of natural resources beyond the minimum required by the city or other public agency.*

Finding

The items shown in bold above are items for which the PD Master Plan exceeds the City's minimum development standards.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. The residential units are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. The PD Master Plan proponent agrees to enter into a contract with the City to ensure the continued affordability of all affordable rental units for 55 years or a longer period of time if required by an applicable construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program. Rents for the lower income density bonus units will be set at an affordable rent as defined in Section 50053 of the Health and Safety Code.

Single Family for-sale units will comply with the City of Morgan Hill Municipal Code Section 18.48.070, and the city shall ensure that the initial occupant of all affordable for-sale units are households of low-, very low-, or moderate-income, as applicable, that the units are offered at an affordable housing cost as defined in Health and Safety Code Section 50052.5, and that affordability covenants and restrictions continue for 55 years.

Under Municipal Code Section 18.156, residential units are subject to Residential Development Control System (RDCS), and require an application for Residential Building Allotment for any units proposed. SB-330 (2019 – Nancy Skinner) was recently signed by the Governor and eliminates this program that is designed to meter new housing development over time.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public benefit. The two park areas encompass approximately 2.20 acres of land. This acreage does not include the walking trail within other open areas of the property. This area can be used by residents, employees, and the general public as they visit the uses on the project site. The tenants on the property may also use the passive park as an amenity for people to informally meet and gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the park to allow walking opportunities and exercise for seniors and youth. Walkways will connect from the park to all other uses on the property and to the surrounding local streets to provide full connectivity. This will encourage visitors to walk, bike, and use other forms of transportation to reduce greenhouse gas emissions and promote a healthy community. The pathways will provide a connection between the high-density residential uses and Barrett Elementary School, and will connect all uses to the retail commercial area.

Because the development is a Commercial subdivision, the applicant is technically not required to dedicate open space per Title 17, Section 17.28.150. However the proponents, because they are submitting for a PD Master Plan, would like to dedicate a portion of the property as park area, available to the public and to the adjacent Barrett Elementary School. The minimum required open space for this project, if it were a multi-family subdivision, would be to provide recreation amenities in the amount

of .0088 acres per dwelling unit, at 200 dwelling units this would equal 1.76 acres of land. The park area and open space adjacent to Barrett Avenue is approximately 1.73 acres and would be dedicated with an easement, and be available to the general public. Additional public open space is provided where the pathway continues along US Highway 101. Additional open space and amenities are provided for private use of the multi-family residences (approximately 0.70 acres) and as a break area for the employees (approximately 0.44 acres); these would remain in private ownership.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features such as LED smart lighting, solar power, very low flow toilets, and building materials to encourage healthy indoor air quality.

Residential market-rate and affordable housing rental units are proposed to provide a sustainable land use pattern that reduces the number and length of vehicle trips. This higher density residential and mixed use development is within walking distance to Barrett Elementary School, and will also provide for convenient services within walking distance for the on-site employees and residents.

Bicycle parking and pathways are provided to promote alternative modes of transportation. Landscaping will be designed to meet and exceed the state standards for water conservation, including low water use trees and shrubs, and plantings to provide shade to reduce the need for excessive building cooling.

Community Benefits from the Project

Healthcare Facilities. The PD Master Plan would provide much needed medical facilities to serve the community. The Urgent Care/Pharmacy would reduce trips traveled to receive routine medical care. The Cancer Center would provide services to meet the growing need for this service in the area.

Retail Component. Providing an appropriately sized retail/restaurant building would provide onsite workers the opportunity to have breakfast or lunch within walking distance from their place of employment, avoiding automobile travel.

Creates Jobs for Morgan Hill. The hospital, urgent care/pharmacy, medical office and retail uses proposed will provide varied work opportunities for the people living in Morgan Hill and the surrounding area.

Parks and Public Gathering Places. A passive park along Barrett Avenue, a passive park between the retail and medical uses, and installation of a walking/jogging trail around the perimeter of the property are proposed to provide a public health benefit. The two park areas encompass approximately 2.20 acres of land. It is expected the Restaurants will also have outdoor dining areas, providing places to gather.

Pedestrian and Bicycle Pathways. Pathways are proposed within the parks to allow walking opportunities and exercise for all ages. Walkways will connect from the park and to all other uses on the property and to the sidewalks on the surrounding streets, providing full connectivity.

Affordable Housing. The PD Master Plan adds residential uses on the property in conjunction with an amendment to the 2035 General Plan. As proposed in the Conceptual Site Plan, the residential units

are planned at a density of about 20 units per acre, thus increasing the inherent affordability, and 15 percent of the units will be deed restricted affordable units. If the project is designed with Single Family for-sale units, affordable housing will be provided per the City code.

School Drop-off. The project will help to alleviate the parking and drop-off issues associated with Barrett Avenue Elementary School. Cross walks will be installed on both adjoining streets to enhance walkability to and from the project. Parking to serve the school and public is expected to be provided in the park adjacent to Barrett Avenue.

Green and Sustainable Design. The buildings and site furnishings will include green building and sustainable development features.

Landscape the Site. The development will provide abundant landscaping throughout to create a green and aesthetic feel, as well as screen development from the traffic on US Highway 101, Juan Hernandez Drive and Barrett Avenue.

Restore Habitat. The project tree and landscape planting will enhance wildlife on the project site as well as provide a visually pleasing atmosphere for the surrounding area. Flowering plants and trees are proposed to accomplish this restoration. Adequate Property Size

Adequate Property Size

d. The site for the proposed development is adequate in size and shape to accommodate proposed land uses.

Finding

With approximately 19.67 acres of land, there is adequate land area to provide the uses proposed in the PD Master Plan. The medical office / hospital uses proposed are intentionally located adjacent to the existing medical office to promote a walkable medical campus. The retail uses, including public services, are proposed along the active local street to ensure visibility and ease of access by the surrounding residential uses and provide easy access by the residents and employees on the property. Residential uses, providing affordable housing, are located on the property to provide adequate separation from the highway and close proximity to the passive park and Barrett Elementary School.

The PD Master Plan under a Mixed Use Flex general plan designation, which includes multi-family residential uses, retail commercial and restaurant, medical office/hospital uses, and open space parks, will provide a dynamic environment of compact living. This will allow residents and employees to meet daily needs and lessen the need for a private automobile.

Adequate Infrastructure

e. Adequate transportation facilities, infrastructure, and public services exist or will be provided to serve the proposed development.

Finding

The PD Master Plan, which abuts the US Highway 101 off-ramp, is surrounded on two sides by local streets and has a driveway connection just south of the existing medical offices, used for access to the medical campus and additional driveways are proposed for site access. Juan Hernandez Drive and Barrett Avenue are existing local streets with the capacity to handle the development of this property. Circulation to the property from within Morgan Hill is provided by Tennant Avenue and Butterfield Boulevard. Public utilities exist in the surrounding streets and can serve the proposed development.

Compatible with Surroundings

- f. The proposed development will not have a substantial adverse effect on surrounding property and will be compatible with the existing and planned land use character of the surrounding area.*

Finding

The PD Master Plan deviates from the approved commercial zoning existing on the property by the addition of hospital and multi-family residential uses. With the incorporated general plan amendment to Mixed Use Flex, and the mixed use development envisioned in the conceptual Site Plan, suitable transitions between the existing uses will be provided. There are no uses included in the conceptual Site Plan that would have an adverse effect on the surrounding residential and school uses. The existing residential uses adjacent to Juan Hernandez Drive and Barrett Avenue, and Barrett Elementary School will benefit from the retail and restaurant uses that the PD Master Plan provides. The park and open space provided on the property will benefit the adjacent Barrett Elementary School and the adjacent residences. The high density residential use will provide a suitable buffer between the adjacent single family residences and school, and the walkable medical campus. The uses proposed will not cause odors, health risks, or safety issues to the surrounding sensitive uses. Adequate measures will be taken during the construction phase to protect the surrounding property from noise, vibration, dust, and construction traffic.

Zoning Map Findings

- g. Findings required for the concurrent approval of a zoning map amendment can be made.*

Finding

The project site is in a Services Commercial zoning district with a PD combining overlay so the finding can be made that it is consistent with the zoning map. Amending the 2035 General Plan use to allow the residential and hospital use will not alter the zoning map.

8.2 Zoning Amendment Findings

The following statements describe how the PD Master Plan complies with the findings required for the approval of a planned development project per Municipal Code Section 18.114.060 - Findings for Approval.

A. *Findings for all Zoning Code and Zoning Map Amendments.*

General Plan Consistency

1. *The proposed amendment is consistent with the general plan and any applicable specific plan as provided by Government Code Section 65860.*

Finding

With the general plan amendment that is incorporated into the PD Master Plan, the zoning map amendment is consistent with the 2035 General Plan. The general plan land use diagram amendment from Commercial to Mixed Use Flex allows specific residential uses to be included in the CS district with the PD overlay.

Public Interest, Health, Safety, Convenience, Welfare

2. *The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the city.*

Finding

The multi-family residential uses would be beneficial to the public interest, health, safety, convenience, and welfare of the city. The multi-family residential uses would provide more opportunities for residents to work near the medical offices, retail uses, and medical/hospital facility on the property, all of which provide job opportunities for the onsite and surrounding residential uses. The residential uses, including 15 percent affordable units, would also allow seniors the opportunity to age in place, consistent with 2025 General Plan policy. Providing residential uses in close proximity to the commercial and office uses would also reduce the greenhouse gas emissions if the residents were employees or were patrons of the proposed uses, and would enable school-aged children to walk to school. The multi-family residential housing added on this property, when capped at 150 units, would not create an overload on the local street system. Additionally, where the housing is positioned on the property allows for a step down from the existing residential and public facility use to the denser office and commercial uses. The hospital use would also be beneficial to the public interest, health, safety, convenience, and welfare of the city. The hospital would provide much needed medical service to the community and a variety of job opportunities.

Internal Consistency

- B. *Additional Finding for Zoning Code Text Amendments. The proposed amendment is internally consistent with other applicable provisions of the zoning code.*

Finding

No changes to the existing zoning code text will be made. The PD Master Plan continues to rely on Zoning Code development standards for the most part. Several deviations from established standards are specifically outlined in the PD Master Plan, consistent with the regulations for establishing PD districts and PD Master Plans. There would be no internal inconsistencies as a result of the PD Master Plan.

Physically Suitable Site

- C. *Additional Finding for Zoning Map Amendments. The affected site is physically suitable in terms of design, location, shape, size, and other characteristics to ensure that the permitted land uses and development will comply with the zoning code and general plan and contribute to the health, safety, and welfare of the property, surrounding properties, and the community at large.*

Finding

The 19.67 acre parcel is suitable in design, location, shape and size to accommodate the uses allowed by the PD Master Plan. The multi-family residential use would be appropriate next to the passive park located on the property along Barrett Avenue and would serve as a buffer from the more intense uses of office/commercial on the southern end of the property. With the amendment to the 2035 General Plan changing the land use designation from Commercial to Mixed Use Flex, the PD Master Plan is consistent with the general plan and zoning code. All of the uses in the PD Master Plan will contribute to the health, safety, and welfare of persons living or working on the property and surrounding properties, and to the community at large. The PD Master Plan promote community health and social interaction within the neighborhood by providing retail stores, a restaurant, plazas, and open spaces as gathering places. The pathways provide places for healthful exercise.

LEGAL DESCRIPTIONS

Legal Description – APN 817-09-039 and 817-09-041

Real property in the City of Morgan Hill, County of Santa Clara, State of California, described as follows:

All of parcels “D” and “E”, as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California on May 24, 1983 in Book 513 of Maps, on Pages 14, 15, and 16, more particularly described as follows:

Beginning at the most southerly corner of said parcel “D”, as shown on said Parcel Map; thence

- 1) South 89°03' 48" West, 637.61', thence
- 2) Along a non-tangent circular curve, concave west, the center of which bears South 89°03' 47" West, with a radius 536.00', through a central angle 3° 44' 38", an arc length of 35.02 feet; thence
- 3) North 89° 03' 48" East, 276.87 feet; thence
- 4) North 19° 31' 04" East, 203.35 feet; thence
- 5) North 70° 28' 56" West, 58.00 feet; thence
- 6) North 25° 28' 56" West, 83.00 feet; thence
- 7) South 64° 31' 04" West, 321.00 feet; thence
- 8) Along a non-tangent circular curve, concave southwest, the center of which bears South 68° 32' 11" West, with a radius 536.00', through a central angle 4° 00' 40", and arc length of 37.52 feet; thence
- 9) North 25° 28' 29" West, 711.68 feet; thence
- 10) Along a tangent circular curve, concave east, with a radius 20.00 feet, through a central angle 89° 59' 29", and arc length of 31.41 feet; thence
- 11) North 64° 31' 00" East, 717.84 feet; thence
- 12) Along a non-tangent circular curve, concave south, the center of which bears South 15° 32' 49" East, with a radius 20.00 feet, through a central angle 42° 46' 35", an arc length 14.93 feet; thence

- 13) Along a tangent reverse circular curve, concave northwest, with a radius 42.06 feet, through a central angle $137^{\circ} 35' 51''$, an arc length 101.01 feet; thence
- 14) South $20^{\circ} 31' 38''$ East, 842.39 feet; thence
- 15) Along a non-tangent circular curve, concave west, the center of which bears South $69^{\circ} 29' 06''$ West, with a radius 547.00 feet, through a central angle $46^{\circ} 59' 24''$, an arc length 448.61 feet; thence
- 16) South $26^{\circ} 26' 41''$ West, 17.26 feet, more or less to the Point of Beginning

End of Description

All of parcels "C", as shown on that certain Parcel Map filed for record in the Office of the Recorder, County of Santa Clara, State of California

Legal Description – APN 817-09-040

The land referred to herein below is situated in the City of Morgan Hill, County of Santa Clara, State of California and is described as follows:

Parcel One:

Parcel C, as shown on Parcel Map recorded in Book 513 of Maps, at Pages 14, 15, 16, Santa Clara County Records, and being a portion of Lot 25 and lot 52 of "Catherine Dune Ranch Map No. 7", as shown on Map thereof, recorded in Book "L" of Maps, at page 26, Santa Clara County Records.

Parcel two:

An easement for ingress and egress over, under, on and across a strip of land 35.00 feet wide, described as follows:

Beginning at an iron pipe distant thereon South 25 degrees 57' 55" East 126.93 feet from the Southerly corner common to Lots 24 and 25, as shown on said Map and running thence North 89 degrees 03' 48" East 276.87 feet, South 00 degrees 56 deg. 12" East 35.00 feet, and South 89 degrees 03' 48" West 272.72 feet; thence along a curve to the left from a tangent bearing of North 00 degrees 56' 12" West, having a radius of 536.00 feet and a Central Angle of 3 degrees 44' 48", a distance of 35.03 feet to the Point of Beginning.

November 18, 2020

To: City Manager, City Council members and the Morgan Hill Community
CC: Economic Development Department, Deputy City Clerk
From: Joe Baranowski

Subject: Questions and Comments re. Lillian Commons (Juan Hernandez MH Medical Properties) project

Agenda Item five on the November 18, 2020 City Council Meeting Consent Calendar is to adopt a Zoning Amendment for the Lillian Commons project. Consideration of this action is only possible because on November 4th, 2020 the Council approved General Plan Amendment GPA2019-005 which changes the General Plan land use designation on the 19.67-acre project site from Commercial to Mixed Use Flex.

I am respectfully requesting the City Manager and City Council members consider the following comments and, within a reasonable amount of time, provide answers to some questions that I feel are important to the above actions and future considerations on development in our City.

1. As required by law, the resolution approving GPA2019-005 found that it was “consistent with the 2035 General Plan”. Page 157 of the MH 2035 General Plan lists the following **fiscal sustainability** policy (ED-2.4):

Fiscal Impact Analysis. *Require both a General Fund fiscal impact and job analysis before approving a significant change in land use designation from one general type of use to another (e.g., from residential to commercial, or from commercial to office). While fiscal considerations, including the effect of the change on the projected fiscal balance at General Plan buildout, will be one factor in determining whether to grant approvals for land use changes, they will not be the only factor.*

The intent of the required fiscal impact analysis is clear: to give decision makers and the public confidence that when land use changes are allowed they have a reasonable or hopefully high probability of contributing in a positive manner to the City’s overall fiscal sustainability. Given that a great deal of public input and overall effort went into the 2035 General Plan update, any amendments should be done carefully. Council members have stated on multiple occasions that the General Plan is a foundational document that must be respected. During the November 4th meeting a council member enquired about the required fiscal analysis and City staff indicated that no economic analysis has been done and none is in progress. Several hand-waving reasons including that any fiscal analysis costs the city money to do were given as to why this requirement was ignored.

Q1: How does the City expect the public to interpret the City willfully ignoring ANY General Plan requirement and especially one that is required for approving changes in land use?

Q2: Even if not required by the General Plan or other parts of the MHMC, why does the City continue to routinely approve projects with no consideration of the fiscal impact?

Everyone realizes that fiscal impact analysis uses a set of assumptions and the results are not intended and cannot be expected to give ‘exact’ answers. The public ‘gets’ that too. The reason for doing such analysis is to at least ascertain with reasonable error margins the probability that a project will have a net positive economic benefit and / or to compare the ‘value’ of alternative projects. Appropriately, General Plan Policy ED-2.4 does not prescribe how the required fiscal analysis should be conducted –

there is no requirement that it cost a lot of money or take a long time to complete. Neither does the policy have conditions for deciding that the required analysis can just be ignored.

Q3: How can the City and the public have *any* confidence in ‘future years’ budget forecast for approved projects if no fiscal impact is done? For example, at an Engage MH Aug 2019 meeting, (eight months after the Shoe Palace project was approved) city staff said “well it’s a tricky one from an economic development perspective and finance perspective, we don’t know if its gonna be a , we know it will generate property tax but we don’t know how much sales tax it will generate at this point or what the use of the facility will be” but then added that since the project had been in the pipeline some estimate of future revenue had been included in the budget forecast which was being discussed. How could any estimate of net revenue to the General Fund possibly be made with no estimate of revenue other than property tax and no consideration of long-term maintenance costs?

2. Lillian Commons conditional approval: why a simple fiscal analysis on just the residential portion would be useful to the council and the community.

In much of the discussion leading up to the approval of the General Plan Amendment on Nov 4th, and the Zoning Amendment (ZA2019-0016) which is in front of you tonight, it was recognized that the full buildout of the residential portion of the project (150 units) was likely to happen before any revenue generating medical or other commercial uses are in operation and the time lag could have been very long or even indefinite. Given the City’s often repeated ‘mantra’ that every residential unit built will result in negative net revenue to the General Fund, the scenario where developer-requested amendments allowing residential to be built on what was commercial land could have a negative impact on the General Fund is a worthy consideration – especially in the current budget environment. Thanks to the amended language proposed by Councilman Carr, the ordinance you are being asked to consider this evening does have conditions that reduce the risk the residential component of the project will be built-out followed by a long or indefinite delay before any commercial development is completed. Still, even replacing the OSHPD progress condition with a purchase and sale agreement as proposed tonight could, and very likely will, result in **many years** between residential build-out and any commercial revenue generation.

Q4. Do all residential units contribute net negative revenue to the General Fund and if so, how much?

Q5. What is the basis for the above assumption?

Q6. How could any fiscal impact analysis (e.g. MH Technology Park) that is done not include expenditure estimates for the known unfunded needs (police, fire , street maintenance)?! Excluding those *known* needs is exactly how they came to be in the first place and is irresponsible.

I have personally heard the above ‘mantra’ many times and that was one main reason I voiced strong opposition to the inclusion of the residential component, which inarguably will transfer significant financial benefit to the developer. There is simply *no way* to gauge whether the change of land use enabled by your decisions is in the Public Interest without the required fiscal analysis which is why no decisions should have been made until one was completed. While the full analysis including the ‘medical half’ is likely to be somewhat time consuming, the ‘residential half’ is not complex and provides a ‘worse case’ estimate to the budget impact for any years during which the residential component reaches build-out absent any ‘commercial’ revenue to the City.

A Google search shows that cities routinely do fiscal impact analysis for residential only or the

residential component of mixed-use developments. The methodology is the same as for any other type of land use but simpler because the 'variable' revenue components are related to just one thing: the property tax contributions (including In-Lieu VLF). Per-resident sales tax revenue is estimated based on a per-capita average and/or demographic based historical data and 'other' recurring revenue assumptions (e.g. parking enforcement, franchise fees, etc.) are determined from previous years actual audited budget items translated to a 'per-capita' value by factoring in the service population (residents plus workers). Per-capita expenditure estimates are done similarly as above and / or using a "case study" approach for expenses where the variable revenue is highly dependent on changes in the service population (e.g. police services).

The July 2020 Morgan Hill Technology Park Fiscal Impact Analysis used the standard methodology, and the per-capita revenue and expenditure estimates are available from that report. Using that data and the other assumptions listed below I looked at the fiscal impact of an assumed 150-unit single family residential development at build-out. The conclusions were, at first, very surprising but now seem logical.

A) There is clearly some residential development where property-based taxes generate sufficient revenue so that the project has a positive net revenue contribution to the General Fund. This 'threshold' is, of course, specific to each city and dependent on service costs and the sales tax assumption but it is clearly wrong to say that every residential unit is net negative to the City. This observation and the apparent discrepancy with the 'mantra' seem to be recognized by 'experts' (not resident hacks). For example, in a June 2018, analysis Kaiser Marston Associated noted that:

This conclusion that infill residential development breaks even on a fiscal basis differs from older studies that the City has commissioned. The primary factors behind this change include a marked strengthening in residential real estate values, increasing property tax revenues, as well as a full accounting of all revenue sources from new residents, including increased retail spending. It should be noted, as described in the report, that service costs have been estimated on a conservative (higher) basis, so the net fiscal impact from residential is likely to be higher than what is shown above. Numerous other fiscal impact studies for infill residential development in upscale Bay Area communities have reached a similar finding that residential projects are either break-even or generate a slight positive fiscal impact.

Yes, as already noted above, this is City specific, dependent on the sales tax assumptions service costs, what 'infill' really means and other factors. However, the main dependency remains on property tax revenues and the standard analysis shows there is a 'property tax threshold', including for Morgan Hill. Using the assumptions shown below I estimate that residential units in MH which have a 'base' property value of ~ \$525,000 would be break even including estimating service costs for 'fully funded' police (+\$1.2M), fire(+\$2.3M), and street (+\$2.4M).

Given that most/all residential developments in MH exceed that threshold by a wide margin (including the impact on inclusionary housing requirements) there is either something wrong with the assumptions I am using or there are 'other' factors not obvious to the public as to why 'all' residential development in MH has a net negative fiscal impact.

I asked several experienced MH developers about the 'mantra'- the feedback I received is that the perception DOES exist that all residential IS net negative and that this is based on some study that was done several years ago. Given the increased 'alarm' that SB330 has caused, recent statements (made during the 'retail concentration' strategy) that indicate MORE conversion of commercial land for

residential development is highly likely to be considered in the near future, I hope the City Council will agree that clarifying the fiscal impact assumptions that residential development has is a critical topic and that the City should consider a 'standards' based fiscal impact analysis methodology that is based on fully transparent assumptions that are then published and explained to the community. In my opinion, the assumption that all residential development has a negative fiscal impact is clearly false.

Just to be clear, I am NOT in any way suggesting that estimated fiscal impact alone should be the only consideration when approving housing. It is well understood that state requirements make the type of housing, the timing of approvals, etc. extremely complex. Also, I am NOT suggesting that just because 'upscale' residential development has a 'better' fiscal impact, that is what should be favored. I fully support the City's long commitment to inclusionary housing including low and very low-income developments. The community has an interest in understanding how ALL development impacts the budget and the City has an obligation to use best practices, not wild guesses when making decisions and when forecasting future General Fund levels.

B) The fiscal impact of the proposed 150-unit residential component of the mixed-use Lillian Commons project would probably be net positive for both current service level and fully funded service level models. With the assumptions and calculations shown below, the net fiscal impact of the residential component is estimated to be slightly positive, even for the fully funded service level scenario. While this does not by itself, in any way, justify the decision to permit almost half the property be rezoned for residential development it does suggest the worst case 'absolute' (not opportunity) risk to the budget at project build-out is not significant, even if there is a significant timing gap between when the City realizes any revenue from the commercial operations that are expected.

Revenue Assumptions:

1. Number of residents per household [1] : 3.1
2. Per Capita Taxable Sales for MH resident [2, pg. 14]: $\$3,811 * 4 = \$15,244$
3. Total number of new residential units at build-out: 150
4. Assessed property value for single family 'town home' style residential unit [3]: \$750,000
5. Number of 'moderate income' inclusionary Housing units: 15 % (23 units of 150 total)
6. Assessed property value for 'moderate income' residence [3]: \$300,000
7. Other recurring revenue [2, pg. 16] = $\$51.96 * 2$ (service population adjustment) = \$103.92

Revenue Calculated Values:

1. Total number of residents in 150-unit single family development = $3.1 * 150 = 465$
2. General Fund Sales Tax Revenue (per resident) = $\$15,244 * 1\% = \152.44
3. Average assessed property value for all units = $(23 * 300K + 127 * 750K) / 150 = 681K$
4. Annual property tax revenue ('per resident')[2, pg. 12] = $(\$681K * 1\% * 10.1\%) / 3.1 = \221.8
5. In-lieu Vehicle License Fee revenue ('per resident') [2, pg. 13] = $.000432 * 681K / 3.1 = \$95$
6. Prop. Xfer Tax ('per resident') {2, pg. 12 with wild guess on turnover rate} = $4\% * .055\% * \$681K / 3.1 = \5

Expenditure Assumptions:

1. Police current service level [2, pg. 18] : $0.66 * \$208 = \137.28
2. Other recurring costs (includes fire at current service level) [2, pg. 23] = $\$92.59 * 2 = 185.18$
3. Downtown and Street Maintenance (@current level) [2, pg. 21]: $\$12.69 * 2 = \25.38
4. Recreation and Community services [2, pg. 21]: $\$12.59 * 2 = \25.18

Expenditure Calculated Values:

1. Police fully funded [4] = $0.66 * (\$208 * 1.17) = \161
2. Other recurring costs (fire @fully funded service level) = $\$185.18 * 1.4 = \261
3. Downtown and Street Maintenance (@fully funded level) = $\$25.38 * 1.86 = \47.20
4. Recreation & Community Services [2, pg. 21] = $(\$681K * 1\% * 10.1\%) / 3.1 = \221.8
5. Park Maintenance (for 2 acres park) [2, pg. 22] = $\$14,908 * 2 / (\text{total service pop}) = \sim \1.0

Net Revenue Estimates

Sales Tax	\$152
Property Tax	\$222
In-lieu VLF	\$ 95
Transfer Tax	\$ 5
Other	\$104

Total Revenue \$ 578

	Current <u>Service Level</u>	<u>'Fully funded'</u>
Police	(\$137)	(\$161)
Other (fire included)	(\$185)	(\$261)
Downtown & Streets	(\$ 25)	(\$ 47)
Environmental Programs	(\$ 4)	(everything here & below is same as first column)
Parks (2 acre new park)	(\$ 1)	
Rec & Community services	(\$25)	
Total Expenditures	(\$377)	(\$499)
Net Revenue per resident	\$201	\$79
Net development revenue	\$92,000	\$36,000



Regular Meeting Agenda

Joint Morgan Hill Financing Authority/City Council Meeting

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

Wednesday, November 18, 2020 7:00 p.m.

Virtual Meeting

AMENDED AGENDA

Please note that this agenda has been amended to revise language in the staff report for item 5.

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/11182020CityCouncilMtg> or by calling in to: (669) 900-9128, then enter the meeting id: 858 0142 8695.

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 Michelle Bigelow

PRESENTATIONS

YAC PRESENTATION- ASSET #34- CULTURAL COMPETENCE

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY MANAGER'S REPORT SUPPLEMENT- DEVELOPMENT PROJECTS

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

MORGAN HILL FINANCING AUTHORITY MEETING

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. ADOPT RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)

Recommendation:

Adopt resolution of the Morgan Hill Financing Authority authorizing investment of monies in the local agency investment fund (LAIF).

OTHER BUSINESS

2. **ADOPT RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize the Chief Administrative Officer to execute all related documents for the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

CITY COUNCIL MEETING

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

3. **ADOPT RESOLUTION ACCEPTING THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL 571**

Recommendation:

Adopt resolution accepting the State of California's campaign contribution limits for local campaigns as set forth in the provisions of AB 571.

4. **ADOPT ORDINANCE AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS**

Recommendation:

Waive the reading, adopt Ordinance No. 2317, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

5. ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

Recommendation:

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

6. APPROVE AGREEMENT WITH BURKE, WILLIAMS & SORENSEN FOR AFFORDABLE HOUSING LEGAL SERVICES

Recommendation:

Authorize the City Attorney to execute and administer a Consultant Agreement with Burke Williams & Sorensen, LLP (BWS) for Housing Program legal services through June 30, 2022, in an amount not to exceed \$75,000.

7. APPROVE FINAL MAP FOR EIGHT LOT SUBDIVISION AT SAN SEBASTIAN PHASE 2D - TRACT NO. 10529

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
3. Authorize the recordation of the Final Map and the Stormwater BMP Operation and Maintenance Agreement.

8. APPROVE FINAL MAP FOR TWO LOT SUBDIVISION AT SAN SEBASTIAN PHASE 3 - TRACT NO. 10534

Recommendation:

1. Approve the Final Map; and
2. Authorize the recordation of the Final Map.

9. APPROVE THE FINAL MAP, AND AGREEMENTS FOR SUBDIVISION IMPROVEMENTS AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE FOR ANDALUSIA - TRACT NO. 10521

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with MH Andalusia 2020 Inc.;
3. Authorize the City Manager to execute 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.

10. APPROVE THE OCTOBER 28, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

11. APPROVE THE NOVEMBER 4, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

12. AWARD JANITORIAL SERVICE AGREEMENT TO FIRATO SERVICE COMPANY. INC.

Recommendation:

1. Deny bid protest and appeal filed by JLP Maintenance;
2. Award a two-year service agreement to Firato Service Company, Inc. in the amount of \$874,332; and
3. Authorize the City Manager to execute and administer the service agreement with Firato Service Company, Inc.

13. AWARD PHASE 1 OF HALE AVENUE EXTENSION PROJECT TO DESILVA GATES CONSTRUCTION

Recommendation:

1. Approve the Hale Avenue Extension Project plans and specifications;
2. Award contract to DeSilva Gates Construction for the Hale Avenue Extension Project in the amount of \$14,174,174;
3. Authorize expenditure of construction contingency funds not to exceed \$1,417,417; and
4. Authorize the City Manager to execute and administer the construction contract with DeSilva Gates Construction pending review and approval by the City Attorney's office.

14. APPROVE COST SHARE AGREEMENT WITH VALLEY WATER FOR THE HALE AVENUE EXTENSION PROJECT AND FLOOD CONTROL IMPROVEMENTS

Recommendation:

1. Authorize the City Manager to execute and administer a cost share agreement with Valley Water for the construction of the Hale Avenue Extension Project south of Warren Avenue and improvements supporting the Upper Llagas Creek Flood Control Project for up to \$3.5 million; and
2. Authorize the City Manager to make minor modifications to the agreement as necessary with approval of the City Attorney.

15. RECEIVE REPORT REGARDING SILICON VALLEY COMMUNITY FOUNDATION 2020 CENSUS OUTREACH GRANT ACTIVITIES AND OUTCOMES

Recommendation:

Receive Report.

OTHER BUSINESS

**16. ADOPT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE
AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL
STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING
CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize City Manager to execute all related documents with the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

FUTURE COUNCIL INITIATED AGENDA ITEMS

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

ADJOURNMENT

NOTICE

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

PUBLIC COMMENT

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

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

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

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

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

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

AMERICANS WITH DISABILITIES ACT (ADA)

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

SUSTAINABLE MORGAN HILL



VISION

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

Choose Morgan Hill

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

City Council Ongoing Priorities

- Enhancing Public Safety
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advancing Regional Initiatives

2020-2021 Strategic Priorities

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



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

The City of Morgan Hill desires to correct some information that has been introduced by the public at meetings and/or on social media, that the community might otherwise believe to be accurate.

- **Misrepresentation #1: “NO DOCK-HIGH DOORS ARE PERMITTED” in the Morgan Hill Ranch Business Park based on the Park’s Architectural Guidelines.**

Slides presented by the public to both the City Council and the Planning Commission stated:

“Storage and Loading Areas: “Loading doors shall be located at grade (no raised docks) and shall be painted or otherwise surfaced” and a statement that the “PUD (Planned Unit Development) Agreement already has unambiguous restriction(s) on Dock-High Doors”

The first sentence is taken from a paragraph that references a limitation on loading docks on the *FRONT* of a building only; it is *NOT* a prohibition on dock high doors on sides or in the rear of a building. Reviewing the entire paragraph makes that distinction clear. The language in the Guidelines reads as follows:

Loading dock areas shall be set back and screened so as not to be visible from neighboring properties and streets but, in any event, the docks shall not be closer than 75 feet from a property line fronting any street unless specifically approved by MORGAN HILL DEVELOPMENT PARTNERS, L.P. in writing. On parcels where front loading is permitted, loading bays or doors facing the street shall be recessed a minimum of 20 feet from the front face of the building and shall require additional architectural treatment, to obscure their appearance. Loading doors shall be located at grade (no raised docks) and shall be painted or otherwise surfaced with materials designed to match or be harmonious with the adjacent exterior of the building. No more than one loading bay or door may be permitted to face the street on each building. Other loading bays or doors may be permitted on the side of rear elevation of the building.

Many of the buildings that were built in the initial phases of the business park have raised dock doors or loading docks. Those docks would not have been permitted if there was a prohibition on raised docks in the original PUD.

Taking the one sentence in this paragraph that says, “no raised docks” and suggesting it to be a total prohibition within the Business Park has created confusion for community members and business owners who fear their existing buildings do not conform.

- **Misrepresentation #2 - The Morgan Hill Ranch Business Park does not allow Speculative Development. The Development Agreement for the portion of the Business Park between Butterfield and Monterey, (and bordered by Jarvis on the north and Digital Drive to the south), was supposed to result in the Industrial Site being ‘shovel ready’ for build-to-suit companies that are to be consistent with the Business Park PUD Agreement.**

The Development Agreement for the Industrial Park does not require “building to suit” or speculative development. It requires that industrial uses be built in conformance with the zoning and building code.

When the Development Agreement for the Industrial portion of the Business Park between Butterfield and Monterey was approved, the goal was to bring industrial development to that site. At the time (2016), Morgan Hill had a history of “build to suit” development – meaning a company bought a site, designed a building and constructed it specific to their needs. No speculative industrial buildings were being built because the City had a significant vacancy in the building inventory. The City saw that start to change when a speculative industrial building (meaning, the building was being built, but there was no tenant yet) was approved on September 6, 2016 and subsequently constructed at 155 Mast.

It is true that the future tenants may not be known but it does not mean future tenants will not be required to be permitted. Tenants need tenant improvement plans for interior offices and equipment installation, business licenses, zoning certifications, and Conditional Use Permits (if the use is not permitted by right). A Conditional Use Permit requires approval by the Planning Commission.

- **Misrepresentation #3 - Divco-MWEST: The ‘BIG FISH’ has arrived and the debacle of allowing a DA with NO Master Plan is about to unfold on the public.**

Butterfield Technology Park – A slide presentation was shown during public comment regarding the proposed Butterfield Technology Park project. The first slide incorrectly outlined the project. The conceptual graphic shown was taken from the City’s significant projects slide presentation regarding the housing portion of the project – not the industrial portion. The total project, when entitled by original owner MWest, was 60 acres in size with roughly 20 acres of residential, 3 acres of park, new roadways and 30 acres of expansion of the MH Ranch Business Park.

- The slide represented the project as larger than the actual application.
- The slide also indicated an application date nearly a month prior to the actual application date and indicated that the City would provide the project for review 72 hours prior to the meeting.

	Incorrect info in Slide Presentation	Actual Application
Total Square footage	580,655	410,076
Building Square footage	148K, 142K, 101K, 101K, 87K	92K, 85K, 82K, 80K, 70K
Application date	August 21, 2020	September 21, 2020
Noticing	72 hours	10 days in newspaper – project info page on the City website available a month prior to meeting

MWest entitled the project, then sold it to Braddock and Logan Development. They sold the industrial portion south of the “new” Sutter extension to Trammell Crow. They are also actively marketing the residential apartments/park for sale. There are two distinct Development Agreements for this site. One for the housing portion and one that governs the industrial portion of the site. The industrial project now proposed looks nothing like what MWest originally envisioned which contemplated larger buildings on site.

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Loading dock areas shall be set back and screened so as not to be visible from neighboring properties and streets but, in any event, the docks shall not be closer than 75 feet from a property line fronting any street unless specifically approved by MORGAN HILL DEVELOPMENT PARTNERS, L.P. in writing. On parcels where front loading is permitted, loading bays or doors facing the street shall be recessed a minimum of 20 feet from the front face of the building and shall require additional architectural treatment, to obscure their appearance. Loading doors shall be located at grade (no raised docks) and shall be painted or otherwise surfaced with materials designed to match or be harmonious with the adjacent exterior of the building. No more than one loading bay or door may be permitted to face the street on each building. Other loading bays or doors may be permitted on the side of rear elevation of the building.

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Loading dock areas shall be set back and screened so as not to be visible from neighboring properties and streets but, in any event, the docks shall not be closer than 75 feet from a property line fronting any street unless specifically approved by MORGAN HILL DEVELOPMENT PARTNERS, L.P. in writing. On parcels where front loading is permitted, loading bays or doors facing the street shall be recessed a minimum of 20 feet from the front face of the building and shall require additional architectural treatment, to obscure their appearance. Loading doors shall be located at grade (no raised docks) and shall be painted or otherwise surfaced with materials designed to match or be harmonious with the adjacent exterior of the building. No more than one loading bay or door may be permitted to face the street on each building. Other loading bays or doors may be permitted on the side of rear elevation of the building.

Many of the buildings that were built in the initial phases of the business park have raised dock doors or loading docks. Those docks would not have been permitted if there was a prohibition on raised docks in the original PUD.

Taking the one sentence in this paragraph that says, “no raised docks” and suggesting it to be a total prohibition within the Business Park has created confusion for community members and business owners who fear their existing buildings do not conform.

- **Misrepresentation #2 - The Morgan Hill Ranch Business Park does not allow Speculative Development. The Development Agreement for the portion of the Business Park between Butterfield and Monterey, (and bordered by Jarvis on the north and Digital Drive to the south), was supposed to result in the Industrial Site being ‘shovel ready’ for build-to-suit companies that are to be consistent with the Business Park PUD Agreement.**

The Development Agreement for the Industrial Park does not require “building to suit” or speculative development. It requires that industrial uses be built in conformance with the zoning and building code.

When the Development Agreement for the Industrial portion of the Business Park between Butterfield and Monterey was approved, the goal was to bring industrial development to that site. At the time (2016), Morgan Hill had a history of “build to suit” development – meaning a company bought a site, designed a building and constructed it specific to their needs. No speculative industrial buildings were being built because the City had a significant vacancy in the building inventory. The City saw that start to change when a speculative industrial building (meaning, the building was being built, but there was no tenant yet) was approved on September 6, 2016 and subsequently constructed at 155 Mast.

It is true that the future tenants may not be known but it does not mean future tenants will not be required to be permitted. Tenants need tenant improvement plans for interior offices and equipment installation, business licenses, zoning certifications, and Conditional Use Permits (if the use is not permitted by right). A Conditional Use Permit requires approval by the Planning Commission.

- **Misrepresentation #3 - Divco-MWEST: The ‘BIG FISH’ has arrived and the debacle of allowing a DA with NO Master Plan is about to unfold on the public.**

Butterfield Technology Park – A slide presentation was shown during public comment regarding the proposed Butterfield Technology Park project. The first slide incorrectly outlined the project. The conceptual graphic shown was taken from the City’s significant projects slide presentation regarding the housing portion of the project – not the industrial portion. The total project, when entitled by original owner MWest, was 60 acres in size with roughly 20 acres of residential, 3 acres of park, new roadways and 30 acres of expansion of the MH Ranch Business Park.

- The slide represented the project as larger than the actual application.
- The slide also indicated an application date nearly a month prior to the actual application date and indicated that the City would provide the project for review 72 hours prior to the meeting.

	Incorrect info in Slide Presentation	Actual Application
Total Square footage	580,655	410,076
Building Square footage	148K, 142K, 101K, 101K, 87K	92K, 85K, 82K, 80K, 70K
Application date	August 21, 2020	September 21, 2020
Noticing	72 hours	10 days in newspaper – project info page on the City website available a month prior to meeting

MWest entitled the project, then sold it to Braddock and Logan Development. They sold the industrial portion south of the “new” Sutter extension to Trammell Crow. They are also actively marketing the residential apartments/park for sale. There are two distinct Development Agreements for this site. One for the housing portion and one that governs the industrial portion of the site. The industrial project now proposed looks nothing like what MWest originally envisioned which contemplated larger buildings on site.



Regular Meeting Agenda

Joint Morgan Hill Financing Authority/City Council Meeting

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

Wednesday, November 18, 2020 7:00 p.m.

Virtual Meeting

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/11182020CityCouncilMtg> or by calling in to: (669) 900-9128, then enter the meeting id: 858 0142 8695.

Public comment for City Council meetings will be accepted via email to ccpubliccomment@morganhill.ca.gov 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 Michelle Bigelow

PRESENTATIONS

YAC Presentation- Asset #34- Cultural Competence

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin

PUBLIC COMMENT

Members of the public are entitled to address the City Council concerning any item within the Morgan Hill City Council's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the City Council is prohibited from discussing or taking action on any item not appearing on the posted agenda. (See additional noticing at the end of this agenda)

ADOPTION OF AGENDA

MORGAN HILL FINANCING AUTHORITY MEETING

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. ADOPT RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)

Recommendation:

Adopt resolution of the Morgan Hill Financing Authority authorizing investment of monies in the local agency investment fund (LAIF).

OTHER BUSINESS

2. **ADOPT RESOLUTION OF THE MORGAN HILL FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A SERIES OF ITS SEWER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, AND A PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize the Chief Administrative Officer to execute all related documents for the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

CITY COUNCIL MEETING

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

3. **ADOPT RESOLUTION ACCEPTING THE STATE OF CALIFORNIA'S CAMPAIGN CONTRIBUTION LIMITS PER ASSEMBLY BILL 571**

Recommendation:

Adopt resolution accepting the State of California's campaign contribution limits for local campaigns as set forth in the provisions of AB 571.

4. **ADOPT ORDINANCE AMENDING TABLE 18.26-1 (PERMITTED LAND USES IN THE INDUSTRIAL ZONING DISTRICTS) OF SECTION 18.26.020 (LAND USE REGULATIONS) OF CHAPTER 18.26 (INDUSTRIAL ZONING DISTRICTS); SECTION 18.108.040 (DESIGN PERMIT) OF CHAPTER 18.108 (SPECIFIC PERMIT REQUIREMENTS; SECTIONS 18.124.050 (INDUSTRIAL USES) AND 18.124.060 (TRANSPORTATION, COMMUNICATION, AND UTILITY USES) OF CHAPTER 18.124 (LAND USE DEFINITIONS) OF TITLE 18 (ZONING) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING E-COMMERCE DISTRIBUTION USES AND DESIGN REVIEW FOR LARGE PROJECTS**

Recommendation:

Waive the reading, adopt Ordinance No. 2317, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

5. ADOPT ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING MAP AMENDMENT FOR A MIXED-USE FLEX AND PLANNED DEVELOPMENT COMBINING DISTRICT AND MASTER PLAN FOR A MIXED-USE DEVELOPMENT ON A 19.67-ACRE SITE LOCATED ON THE SOUTHEAST CORNER OF THE INTERSECTION OF JUAN HERNANDEZ DRIVE AND BARRETT AVENUE (JUAN HERNANDEZ – MH MEDICAL PROPERTIES (LILLIAN COMMONS)) (APNS 817-09-041, 817-09-039 AND 817-09-040)

Recommendation:

Waive the reading, adopt Ordinance No. 2318, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

6. APPROVE AGREEMENT WITH BURKE, WILLIAMS & SORENSEN FOR AFFORDABLE HOUSING LEGAL SERVICES

Recommendation:

Authorize the City Attorney to execute and administer a Consultant Agreement with Burke Williams & Sorensen, LLP (BWS) for Housing Program legal services through June 30, 2022, in an amount not to exceed \$75,000.

7. APPROVE FINAL MAP FOR EIGHT LOT SUBDIVISION AT SAN SEBASTIAN PHASE 2D - TRACT NO. 10529

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
3. Authorize the recordation of the Final Map and the Stormwater BMP Operation and Maintenance Agreement.

8. APPROVE FINAL MAP FOR TWO LOT SUBDIVISION AT SAN SEBASTIAN PHASE 3 - TRACT NO. 10534

Recommendation:

1. Approve the Final Map; and
2. Authorize the recordation of the Final Map.

9. APPROVE THE FINAL MAP, AND AGREEMENTS FOR SUBDIVISION IMPROVEMENTS AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE FOR ANDALUSIA - TRACT NO. 10521

Recommendation:

1. Approve the Final Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with MH Andalusia 2020 Inc.;
3. Authorize the City Manager to execute 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.

10. APPROVE THE OCTOBER 28, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

11. APPROVE THE NOVEMBER 4, 2020 MEETING MINUTES

Recommendation:

Approve Minutes.

12. AWARD JANITORIAL SERVICE AGREEMENT TO FIRATO SERVICE COMPANY. INC.

Recommendation:

1. Deny bid protest and appeal filed by JLP Maintenance;
2. Award a two-year service agreement to Firato Service Company, Inc. in the amount of \$874,332; and
3. Authorize the City Manager to execute and administer the service agreement with Firato Service Company, Inc.

13. AWARD PHASE 1 OF HALE AVENUE EXTENSION PROJECT TO DESILVA GATES CONSTRUCTION

Recommendation:

1. Approve the Hale Avenue Extension Project plans and specifications;
2. Award contract to DeSilva Gates Construction for the Hale Avenue Extension Project in the amount of \$14,174,174;
3. Authorize expenditure of construction contingency funds not to exceed \$1,417,417; and
4. Authorize the City Manager to execute and administer the construction contract with DeSilva Gates Construction pending review and approval by the City Attorney's office.

14. APPROVE COST SHARE AGREEMENT WITH VALLEY WATER FOR THE HALE AVENUE EXTENSION PROJECT AND FLOOD CONTROL IMPROVEMENTS

Recommendation:

1. Authorize the City Manager to execute and administer a cost share agreement with Valley Water for the construction of the Hale Avenue Extension Project south of Warren Avenue and improvements supporting the Upper Llagas Creek Flood Control Project for up to \$3.5 million; and
2. Authorize the City Manager to make minor modifications to the agreement as necessary with approval of the City Attorney.

15. RECEIVE REPORT REGARDING SILICON VALLEY COMMUNITY FOUNDATION 2020 CENSUS OUTREACH GRANT ACTIVITIES AND OUTCOMES

Recommendation:

Receive Report.

OTHER BUSINESS

**16. ADOPT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE
AGREEMENT, A BOND PURCHASE AGREEMENT, A PRELIMINARY OFFICIAL
STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE; AND AUTHORIZING
CERTAIN OTHER MATTERS RELATING THERETO**

Recommendation:

1. Adopt resolution authorizing the execution of an installment purchase agreement to provide financing of the City's anticipated projects through the sale of \$20 million in sewer revenue bonds; and
2. Authorize City Manager to execute all related documents with the sale of the sewer revenue bonds.

Estimated Time: 15 Minutes

FUTURE COUNCIL INITIATED AGENDA ITEMS

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

ADJOURNMENT

NOTICE

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

PUBLIC COMMENT

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

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

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

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

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

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

AMERICANS WITH DISABILITIES ACT (ADA)

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

SUSTAINABLE MORGAN HILL



VISION

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

Choose Morgan Hill

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

City Council Ongoing Priorities

- Enhancing Public Safety
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advancing Regional Initiatives

2020-2021 Strategic Priorities

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



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

Public Comment
AGENDA DATE: 11/18/2020
SUPPLEMENT # 1

From: Little, Don @ San Francisco <DLittle@trammellcrow.com>

Sent: Monday, November 16, 2020 3:54 PM

To: Christina Turner <Christina.Turner@morganhill.ca.gov>; Jennifer Carman <Jennifer.Carman@morganhill.ca.gov>; Leslie Little <Leslie.Little@morganhill.ca.gov>

Cc: Parker, Will @ San Francisco <WParker2@trammellcrow.com>; Jodry, Thomas @ San Francisco <TJodry@trammellcrow.com>; Pan, Lena @ San Francisco <LPan@trammellcrow.com>; Blackwell, David <dblackwell@allenmatkins.com>

Subject: Public record correction

All:

We were surprised and perplexed by erroneous statements made by Gino Borgioli during public comment at City Council on Nov. 4, 2020. In short, he alleges our site on DePaul is dangerously contaminated. This is wholly untrue and we wish to correct the public record in this regard.

Please see the attached summary from our environmental consultant, Hailey & Aldrich, explaining in detail the facts of the matter and fully rebutting the false or misinformed statements from Mr. Borgioli. Please accept this as a formal submittal to the public record on this matter.

We would further like to enter this information orally into the public record at a forthcoming City Council meeting during public comment.

Please advise.

Thank you,

Don Little

Don Little | Senior Vice President
[Trammell Crow Company](#)
415 Mission Street, 45th Floor | San Francisco, Ca. 94105
925-200-3157 (c) | 415-772-0107 (o)



Haley & Aldrich, Inc.
2033 N. Main Street
Suite 309
Walnut Creek, CA 94596
925.949.1012

13 November 2020
File No. 132734-001

TC Morgan Hill Venture, LLC
c/o TC No. Cal. Development, Inc.
415 Mission Street, 45th Floor
San Francisco, California 94105

Attention: Mr. Tom Jodry
Senior Vice President, Development Management

Subject: Dieldrin Results Summary and Evaluation
Morgan Hill Technology Center Property
Morgan Hill, California

Dear Mr. Jodry:

Haley & Aldrich, Inc. (Haley & Aldrich) has prepared this letter to TC No. Cal. Development, Inc. (TC No Cal) to provide a summary and evaluation of the dieldrin soil data collected from the property located between Cochrane Road and Half Road, west of De Paul Drive, and east of US Highway 101, in Morgan Hill, California (the Site). This letter has been prepared in response to concerns Mr. Borgioli raised during the 4 November 2020 Morgan Hill City Council meeting regarding dieldrin concentrations reported in Site soil and comparisons to the proposed Borello school site in Morgan Hill.

Contrary to Mr. Borgioli's contentions, our assessment does not substantiate any cause for concern for human health with regard to the documented Site dieldrin concentrations. The key points from our review can be summarized as follows:

- All documented Site dieldrin concentrations are well below the Environmental Screening Levels for protection of human health and the environment, as applicable to the Site.
- The maximum Site dieldrin concentrations are approximately one and a half orders of magnitude lower than the dieldrin concentrations at the referenced Borello school site.

Project Background

The approximately 58-acre Site encompasses the following five Santa Clara County Assessor Parcel Numbers (APNs): 728-30-006, and -009; and 728-31-014, -015, and -016. TC No Cal has purchased this Site for redevelopment as a commercial property. As part of TC No Cal Development's due diligence activities prior to purchasing the property, Haley & Aldrich collected and analyzed 32 discrete soil samples from 16 locations at multiple depths for dieldrin, among other analytes, in December of 2018. This work was reported in Haley & Aldrich's letter report dated 21 December 2018, titled "*Results of Limited Phase II Environmental Investigation*." In separate work, AEI Consultants (AEI) collected and

analyzed 15 composite samples for dieldrin and other analytes across the property and the adjoining land in September 2018. This work is documented in AEI's report dated 20 September 2018, entitled *"Limited Phase II Agricultural Investigation."*

In a 3-minute public testimony to the Morgan Hill City Council during the 4 November 2020 meeting, Mr. Borgioli stated, *"a lethal toxin called dieldrin was discovered there at 5 times the USEPA safe level."* This statement is simply untrue. He went on to describe dieldrin in soil at the proposed Borello school site in Morgan Hill and concerns associated with that property. Mr. Borgioli concluded his comments with the opinion that further sampling was required to fully delineate dieldrin at the Site.

Dieldrin Background

Dieldrin is an organochlorine pesticide that was widely used on crops such as corn and cotton from the 1950s through the 1970s, and as an insecticide into the 1980s. Because of concerns about damage to the environment and human health, the United States Environmental Protection Agency (USEPA) banned all uses of dieldrin in 1974, except to control termites. In 1987, USEPA banned all uses of dieldrin. Residual concentrations of dieldrin detected in Site soils are presumed to be resultant from the Site's former agricultural use.

The San Francisco Bay Regional Water Quality Control Board (RWQCB) maintains a list of Environmental Screening Levels (ESLs), most recently updated in 2019, for screening contaminants in soil, groundwater, soil gas, and indoor air. These published values identify threshold concentrations of potential concern based on a generic conceptual site model. The RWQCB establishes ESLs for a variety of human health and environmental receptors, such as residential versus commercial/industrial land uses and the presence of drinking water or non-drinking water aquifers. A "Tier 1 ESL" is identified as the most conservative ESL established by the RWQCB. The RWQCB also provides summary tables for selection of a "Tier 2 ESL" applicable to the Site when the Tier 1 ESL does not apply. Tier 2 ESLs are pre-calculated generic screening levels specific to different land-use or receptor risk factors. Finally, a site-specific risk assessment can be conducted to develop "Tier 3 ESLs" based on specific site parameters and receptors input into RWQCB published equations.

For dieldrin, the Tier 1 ESL of 0.46 micrograms per kilograms ($\mu\text{g}/\text{kg}$) is based on the risk of leaching to groundwater where groundwater is a drinking water source. The shallow groundwater under the Site is not a current drinking water source, so the Tier 1 ESL is not applicable to the Site.

The Tier 2 ESL based on risk of dieldrin leaching to groundwater where groundwater is not a drinking water source (as is the case with the subject site) is 6.3 $\mu\text{g}/\text{kg}$. Soil leaching ESLs for non-drinking water are based on whichever risk factor is lowest for: aquatic habitat screening levels, gross contamination water screening levels, groundwater vapor intrusion screening levels, or non-drinking water odor nuisance screening levels. For dieldrin, the lowest non-drinking water risk factor used in the Tier 2 ESL is saltwater aquatic habitat, which is also not applicable to the subject Site. Selection of an applicable risk factor such as gross contamination, vapor intrusion, or nuisance odor would yield a calculated dieldrin ESL three to five orders of magnitude higher for soil leaching to groundwater that is not a drinking water source.

The Tier 2 ESLs applicable to protection of human health under the proposed site land use are those for commercial/industrial sites and for construction worker exposure during construction. The Tier 2 dieldrin ESL for shallow soil exposure at a Commercial/Industrial Site is 160 µg/kg and the Tier 2 dieldrin ESL for construction worker exposure is 1,100 µg/kg. (For comparison purposes, the Tier 2 dieldrin ESL for residential shallow soil, which is not applicable to the Site, is 37 µg/kg.) These Tier 2 ESLs are based on long-term exposure generating cancer risk.

It is important to note that ESLs issued or approved by the RWQCB are used for a first-pass screening comparison to measured site-specific results in an effort to identify any potential concerns. In the event that concerns are identified, a cleanup level is developed by the regulatory agency, which may be, and commonly is, greater than the ESL due to the inherently conservative generic site model used to establish the ESLs. In other words, in the absence of site-specific parameters, and in an effort to create ESLs for use across a broad spectrum, the generic site model defaults to conservative input parameters.

Dieldrin Results in Site Soil

All actual detected dieldrin concentrations in Site soil are well below the commercial/industrial ESL of 160 µg/kg and construction worker ESL of 1,100 µg/kg applicable to the Site.

Haley & Aldrich's 2018 work included samples at two shallow soil depths at each of 16 locations, for a total of 32 samples. Dieldrin was detected in five samples across three locations, at concentrations ranging from 3.3 µg/kg to 17 µg/kg. At each of the three locations, the surface sample dieldrin concentrations collected at 0.5 feet below ground surface (ft bgs) (3.3 µg/kg at HA-10, 17 µg/kg at HA-13, and 11 µg/kg at HA-14) were greater than the dieldrin concentrations at the corresponding samples collected within the same borings at 2.5 ft depth at these locations (<0.59 µg/kg at HA-10, 5.9 µg/kg at HA-13, and 3.7 µg/kg at HA-14, respectively). These results indicate limited vertical extent and transport of dieldrin in soil at the Site. The average dieldrin concentration across the Site in the 16 Haley & Aldrich samples at 0.5 ft bgs depth was 2.19 µg/kg.¹ At 2.5 ft bgs, the average soil dieldrin concentration was even lower at 0.86 µg/kg.

The 2018 AEI work reported similar detected dieldrin concentrations of 1.6 µg/kg to 6.8 µg/kg in three of their 15 composite samples. AEI collected 15 four-point composite samples and found detected concentrations in three of those composites, with a maximum concentration of 6.8 µg/kg (located at SS-2C). The average concentration across AEI's sample area was 1.85 µg/kg.

The risk factors used in the published Tier 2 ESLs for soil leaching to groundwater are not applicable to the Site because Site groundwater is not a current drinking water source or discharging to aquatic habitat. Furthermore, the generic site leaching model that the soil leaching ESLs are predicated upon is based on assumptions that the first encountered groundwater is 1 meter below the bottom of the contaminated soil, which is approximately 1 meter thick, and which is protected from volatilization by approximately 1 meter of clean soil. These criteria do not match the actual conditions present at the subject Site, which are more protective.

¹ When an average includes samples with non-detect concentrations, the average is calculated using one-half of the method detection limit for samples with non-detect results.

Per the Haley & Aldrich “ASTM Phase I Environmental Site Assessment; 1040 Cochrane Road and 1065 Half Road” report dated 17 December 2018, depth to groundwater was recorded at depths between 30.94 and 34.14 ft bgs during a September 2012 quarterly groundwater sampling event at a location approximately 1¼ miles southwest of the Site. Therefore, we assume that the Site’s depth to groundwater is approximately 10 meters, which is 10 times greater than the depth to groundwater of 1 meter utilized in the RWQCB model for calculating the soil leaching ESLs. Therefore, the actual risk to any receptor of soil leaching to groundwater would be correspondingly lower than the default calculations if a Tier 3 ESL were calculated. Based on the depth to groundwater, the low Site concentrations, and the limited vertical transport evidenced by decreased concentrations at 2.5 ft bgs, dieldrin leaching from soil to groundwater is not considered a concern at this Site.

Sample Density

The California Department of Toxic Substances Control (DTSC) has published guidance regarding sample density for agricultural properties (“*Interim Guidance for Sampling Agricultural Properties (Third Revision)*,” 7 August 2008). Both the Haley & Aldrich investigation and the AEI investigation were in general compliance with these guidelines. The DTSC guidelines state, “*When the site has been used for agricultural crops, the presumption is that agricultural chemicals were applied uniformly across the site in any given year and that the variation across the site will be relatively small. An analysis of several hundred former agricultural properties by DTSC has supported the general use of the assumption of uniform application.*” The guidance includes a table of recommended sample frequencies for sites up to 50 acres and states that for sites greater than 50 acres, the sampling frequency may be reduced. For sites of 50 acres, the DSTC guidance document recommends analyzing 15 four-point composite samples.

The Haley & Aldrich work included analysis of samples from two depths at 16 discrete sample locations, for 32 total samples analyzed. Discrete samples were chosen rather than composite samples to facilitate collection of the deeper samples as well, for a total number of samples exceeding that recommended in DTSC guidance. Furthermore, discrete samples typically yield higher maximum concentrations than do composite samples, which are recommended in DTSC guidance, thus discrete samples are more likely to yield “worst case” concentrations. The AEI work included analysis of 15 four-point composite samples across the site and the adjoining land. Taken together or separately, the sample frequency for pesticide characterization to date is in general compliance with DTSC guidance.

Conclusions

The following points summarize the conclusion of our review of the Site dieldrin concentrations, and summarize our review of files regarding the Borello school site:

- The dieldrin results of Site soil samples collected by Haley & Aldrich and AEI are below the applicable conservatively derived land use-based ESLs for protection of human health of 160 µg/kg for commercial/industrial land use and of 1,100 µg/kg for construction worker protection.
- The maximum on-Site dieldrin concentration was 17 µg/kg, approximately one order of magnitude lower than the lowest human health-based ESL applicable to the Site.

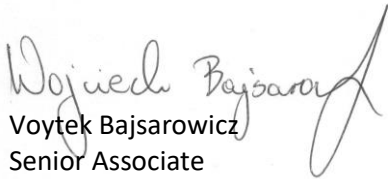
- Mr. Borgioli referenced work at the proposed Borello school site in Morgan Hill in his comments. The maximum soil dieldrin concentration at that site was 690 µg/kg. The Site cleanup goal used for that work was 34 µg/kg, as documented in the “Updated Removal Action Workplan; New Campus Project, Borello Elementary School; Peet Road, Morgan Hill, California,” dated November 2017 and prepared by Cleary Consultants, Inc (RAW).
 - DTSC approved the RAW in a letter dated 16 November 2017.
 - Confirmation samples following the removal indicated limited areas of remaining dieldrin concentration in excess of the cleanup goal, with concentration of up to 108 µg/kg.
 - DTSC approved the subsequent cleanup report, including the concentrations remaining in place based on a health risk assessment, in a letter dated 3 November 2020.
 - The dieldrin cleanup goal identified in the RAW is higher than the maximum dieldrin concentration at the TC No Cal Site in question.
 - School sites such as the proposed Borello site are typically subject to more restrictive cleanup goals from the regulatory agency than even residential sites, and certainly more restrictive than the intended commercial use for the subject Site. In other words, if a human health-based cleanup goal was established for the subject Site, it would be considerably higher than what was established for the Borello School site. However, given that measured concentrations on the subject Site did not exceed ESLs, no site-specific cleanup goal is necessary.
- Sample frequency for the property size is in general conformance with recommended DTSC guidelines for sampling of former agricultural properties.
- Construction during TC No Cal’s proposed property development will be conducted under a Soil Management Plan, which will include standard dust control measures.

Haley & Aldrich appreciates the opportunity to provide TC No Cal environmental services for this project. Please do not hesitate to contact us if you have questions or comments on our assessment of the dieldrin concentrations documented at the Site.

Sincerely yours,
HALEY & ALDRICH, INC.



Katy Decker, P.G.
Senior Technical Specialist



Voytek Bajsarowicz
Senior Associate

From: Little, Don @ San Francisco <DLittle@trammellcrow.com>

Sent: Monday, November 16, 2020 3:54 PM

To: Christina Turner <Christina.Turner@morganhill.ca.gov>; Jennifer Carman <Jennifer.Carman@morganhill.ca.gov>; Leslie Little <Leslie.Little@morganhill.ca.gov>

Cc: Parker, Will @ San Francisco <WParker2@trammellcrow.com>; Jodry, Thomas @ San Francisco <TJodry@trammellcrow.com>; Pan, Lena @ San Francisco <LPan@trammellcrow.com>; Blackwell, David <dblackwell@allenmatkins.com>

Subject: Public record correction

All:

We were surprised and perplexed by erroneous statements made by Gino Borgioli during public comment at City Council on Nov. 4, 2020. In short, he alleges our site on DePaul is dangerously contaminated. This is wholly untrue and we wish to correct the public record in this regard.

Please see the attached summary from our environmental consultant, Hailey & Aldrich, explaining in detail the facts of the matter and fully rebutting the false or misinformed statements from Mr. Borgioli. Please accept this as a formal submittal to the public record on this matter.

We would further like to enter this information orally into the public record at a forthcoming City Council meeting during public comment.

Please advise.

Thank you,

Don Little

Don Little | Senior Vice President
Trammell Crow Company
415 Mission Street, 45th Floor | San Francisco, Ca. 94105
925-200-3157 (c) | 415-772-0107 (o)

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November

Developmental Asset #34

Cultural Competence

Young person has knowledge of and comfort with people of different cultural/racial/ethnic backgrounds.



November

Complementary Asset #33

Interpersonal Competence

Young person has empathy, sensitivity,
and friendship skills.

Kimia Nekoui (TC & Hours Reporter)



- How has culture played a role in your family/school/community?
- ◆ Creates a sense of belonging
 - ◆ Encourages respect

Persian New Year (Nowruz)



Haftseen table

Jenny Zuercher (Active Member)



- How has culture played a role in your family/school/community?
- ◆ Sense of Belonging
 - ◆ Aware of different perspectives amongst other backgrounds

Chinese New Year



Alegria Serrano (Active Member)



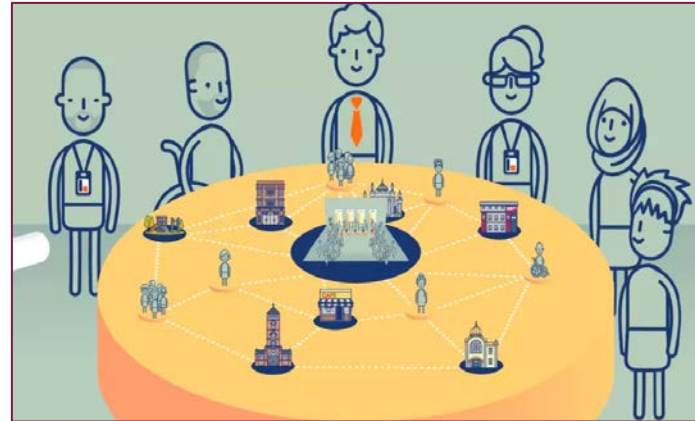
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- ◆ Builds a sense of family identity
 - ◆ Families get to build on their traditions

Christmas Eve



Tips for Parents/Guardians

- ❖ Educate youth about different cultures
- ❖ Learn to be respectful of other cultures





Questions to Council:



- What do you wish you had understood about cultural competence when you were young?
- What recommendations/tips do you think will help the youth in our community achieve cultural competence?





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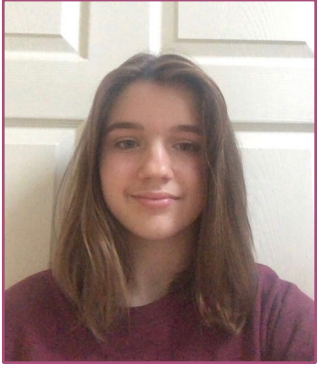
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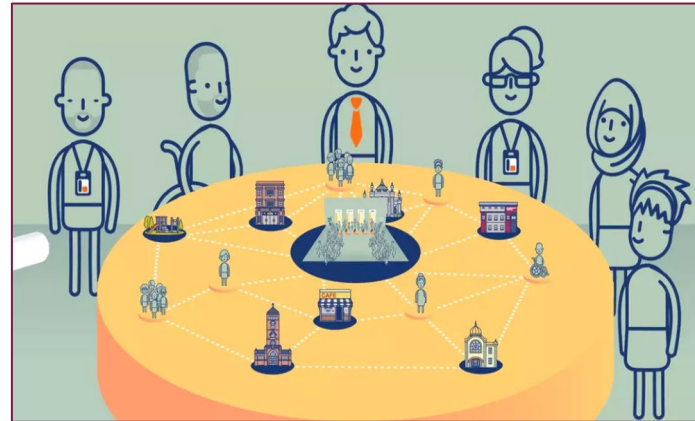
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