

City of Morgan Hill

Fiscal Year 2015-16

Operating and CIP Budget

City Council

Steve Tate, Mayor
Larry Carr, Mayor Pro Tem
Rich Constantine, Councilmember
Marilyn Librers, Councilmember
Gordon Siebert, Councilmember

Other Elected Officials

Michael Roorda, City Treasurer
Irma Torrez, City Clerk

Leadership Team

Steve Rymer, City Manager
Renee Gurza, City Attorney
Leslie Little, Assistant City Manager for Community Development
Cindy Murphy, Assistant City Manager for Administrative Services
Karl Bjarke, Public Works Director/City Engineer
Andrew Crabtree, Community Development Director
Chris Ghione, Community Services Director
David Swing, Chief of Police
Derek Witmer, Fire Chief

Budget Team

Monica Delgado, Budget Manager
Dat Nguyen, Assistant Finance Director
Harjot Sangha, Accountant I
Gina Nazareno, Accountant I
Pat Heikens, Accounting Technician
Judy Viegas, Administrative Analyst, Community Services Department
Hilary Holeman, Administrative Analyst, City Manager's Office

California Society of Municipal Finance Officers

Certificate of Award

***Excellence
Fiscal Year 2014-2015***

Presented to the

City of Morgan Hill

For meeting the criteria established to achieve the Operating Budgeting Excellence Award.

February 8, 2015



Pamela Arends-King

Pamela Arends-King
CSMFO President

Michael Gomez

Michael Gomez, Chair
Professional Standards and
Recognition Committee

Dedicated Excellence in Municipal Financial Reporting

The California Society of Municipal Finance Officers (CSMFO) presented a Certificate of Award for Excellence in Operating Budget for Fiscal Year 2014-15 to the City of Morgan Hill on February 8, 2015. As a recipient of this award, the City has met the criteria established to achieve the Excellence Award in Operating Budget development and presentation.

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City Manager's Office
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Morgan Hill, CA 95037
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Fax: 408.779.1592
www.morganhill.ca.gov

DATE: JULY 1, 2015

SUBJECT: FISCAL YEAR 2015-16 BUDGET TRANSMITTAL

Dear Honorable Mayor, Councilmembers, City Employees, and the Morgan Hill Community,

I am please to present the City Council Adopted FY 15-16 Annual Operating and Capital Improvement Program (CIP) Budget. As a result of the City Council's budget discussion and deliberation, the City Manager's recommended budget was adopted on June 17, 2015.

In total the adopted budget includes:

Total Expenditures:	\$127.2 million
General Fund:	\$34.6 million
Community Development Fund:	\$4.7 million
Wastewater Fund:	\$9.8 million
Water Fund:	\$9.9 million
Capital Improvement Program:	\$38.2 million
Total FTE:	186.5

The FY 15-16 Adopted Budget represents the continued commitment of the City Council, Leadership Team, and all the City employees to preserve and improve the unique qualities of Morgan Hill. The budget provides guidance by which we move forward to enhance services and ensure long-term fiscal sustainability. As we continue to work on key initiatives, there are many signs that the Morgan Hill community will prosper. At the same time, the Council and community must continue to find ways to deal with the significant challenges that remain: ensuring the community's water and wastewater infrastructure is financially and environmentally sustainable and that a community focused effort to invest new resources in the community's aging public infrastructure is considered so that Morgan Hill remains a highly desirable place to live, work, play and do business.

New for FY 15-16 is the "Budget in Brief". The City of Morgan Hill's Budget in Brief is intended to provide the public with key information about the City's Budget.



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Date: July 1, 2015 (AMENDED POST BUDGET ADOPTION)

Subject: FISCAL YEAR 2015-2016 BUDGET MESSAGE

Honorable Mayor and City Council Members,

On behalf of my Morgan Hill teammates, it is my privilege to present you and the community the City Manager's recommended FY 15-16 Operating Budget and FY 15-16 through FY 19-20 Capital Improvement Program Budget. These documents are the result of many employees working in a collaborative manner to align resources and propose service level enhancements that are consistent with the City Council's priorities, while continuing to adhere to the sustainable budget principles. In implementing the Council's budget, our team strives to advance our organizational values of teamwork, customer service, innovation, meeting challenges, and professional development. I want to acknowledge and thank all of them for their efforts to improve the community we serve. It is a privilege to work with such a dedicated, community-focused team of professionals.

City Council Priorities and Goals

The annual budget process commences in January with the City Council adopting its priorities, goals, and strategies for the organization and community. The Council's ongoing priorities include:

- o Enhancing public safety
- o Protecting the environment
- o Maintaining fiscal responsibility
- o Supporting youth
- o Fostering a positive organizational culture
- o Preserving and cultivating public trust

Furthermore, the City Council established eleven Focus Areas that will require significant resources in FY 15-16.

- o Stimulate economic development to increase jobs and expand the City's tax base
- o Actively participate in regional issues for the benefit of Morgan Hill
- o Develop an infrastructure funding and advocacy plan

- o Add 1.0 FTE Economic Development Coordinator position to enhance the City's efforts - \$153,000
- o Reclassify a Public Works Inspector to a Senior Public Works Inspector - \$9,600
- o Reclassify one Junior Engineer position to an Assistant Engineer position - \$7,500
- o Reclassify the time-limited (FY15 through FY16) full-time Building Inspector II and part-time temporary Fire Inspector positions into a permanent combined Building Inspector II/Fire Inspector position - \$80,000 beginning in FY16-17

Participate in Regional Issues

- o Include annual funding beginning in FY 15-16 to pay for Morgan Hill's portion of the Silicon Valley Regional Interoperability Authority's (SVRIA) regional communication equipment for fire and police services that has been in the planning process for many years - \$130,000

Support Seniors

- o Add a full-time Senior Services Supervisor to oversee senior programs and services as a result of transitioning these services from the YMCA to the City - \$ 70,000 (total annual net cost)

Budget Overview

The total Recommended Budget for FY 2015-16 is \$127,213,917, a decrease of 9 percent from the FY 14-15 Adopted Budget. Excluding the City's FY 15-16 Capital Improvement Budget, the total operating budget is \$89,038,917, a 4 percent increase from last year. The total annual budget for capital improvements for FY 15-16 is \$38,175,000. The CIP includes all projects for the budget year as well as anticipated community needs over the subsequent four years. A detail of each project description and funding requirement for FY 15-16 can be found in the Capital Improvement Program section of this document.

The General Fund budget is \$34,606,402, an increase of 6 percent compared to the FY 14-15 adopted budget. Salaries and Benefits increased 8 percent or \$1.3 million from last year primarily due to additional funding of FTEs to enhance police, senior services, economic development, and passport services. The non personnel budget for the General Fund in FY 15-16 Adopted Budget increased 4 percent or \$610,000 compared to the FY 14-15 Adopted Budget. The increase is mainly due to an increase in the annual General Fund investment for street improvement projects from \$250,000 to \$750,000 and funds set aside to address the City's unfunded OPEB and pension liabilities. The Enterprise Funds budget for the City's water and wastewater utilities totals \$45,289,735 million. The proposed Water Utility fund budget is \$20,523,366 million, an increase of \$2.5 million from last year primarily due to increase in capital improvement project and debt service costs. The proposed capital improvement cost for water projects is \$8.7 million in FY 15-16. The increase in debt service cost is primarily due to proposed new bond issuance in FY 14-15. The proposed Wastewater Utility fund budget is \$24.8 million, a decrease of \$428,086 from last year mainly due to a \$1.2 million funding decrease for capital improvement project costs, partially offset by a \$0.6 million increase in debt service costs. The Community Development Fund budget is \$4,746,411, an increase of 9 percent from last year primarily due to the purchase and implementation of an integrated, electronic permit tracking system.

Department	Total Costs	Less Dept Revenues	Less Transfer In	Net Costs	Percent of total
Police	\$ 14,182,637	\$ (914,604)	\$ (100,000)	\$ 13,168,033	56.7%
Fire	5,329,155	(251,940)	-	5,077,215	21.9%
Administration	3,943,338	(1,978,700)	-	1,964,638	8.5%
Pavement Rehab CIP	750,000	-	-	750,000	3.2%
Street Maintenance	1,906,471	-	(1,375,616)	530,855	2.3%
Economic Development	404,227	-	-	404,227	1.7%
Recreation & Community Services	6,834,635	(6,478,229)	(60,000)	296,406	1.3%
Park Maintenance	200,000	-	-	200,000	0.9%
OPEB	155,121	-	-	155,121	0.7%
Building Maintenance - Old City Hall/El Toro Youth Center	137,550	-	-	137,550	0.6%
SVRIA	130,000	-	-	130,000	0.6%
PERs Rate Stabilization	111,838	-	-	111,838	0.5%
Downtown Maintenance	104,156	-	-	104,156	0.4%
Environmental Programs	270,001	(180,000)	-	90,001	0.4%
Congestion Management	75,116	-	-	75,116	0.3%
Future Replacement - Old City Hall	28,507	-	-	28,507	0.1%
Cable TV	43,649	(48,987)	-	(5,338)	0.0%
TOTALS	\$ 34,606,401	\$ (9,852,460)	\$ (1,535,616)	\$ 23,218,325	100.00%

Park Maintenance Fund

Morgan Hill funds its park maintenance activities from the City's Park Maintenance Fund. The revenue for this fund are derived from the City's Residential Development Control System (RDSC) process and are "voluntary" payments that assist developers in gaining points for housing allocations. When this fund was established more than 10 years ago, the goal was to "endow" park maintenance so that it would not rely on the General Fund. However, to make this a reality, the fund would need to grow to at least \$30 million so the annual interest would cover the cost of park maintenance expenses. Today this fund has a balance of approximately \$4.8 million.

Since this laudable goal would take many years to achieve, the Council decided to pay for park maintenance directly from this fund and then augment its funding sources through a \$200,000 annual contribution from the GF. Moving forward, the Council may want to evaluate this strategy as part of the upcoming public infrastructure funding process especially since there is a \$600,000 annual funding gap for park capital repair and replacement.

Community Development Fund

The Community Development Fund is a special revenue fund that is entirely supported by fees paid from developers and residents for planning, building, and engineering services. Due to the recent surge in building activity, this fund

Chamber of Commerce) pay dividends. These include, but are not limited to 1) the sale and development of the former RDA opportunity sites, 2) existing business expansion and reinvestment in capital equipment, 3) potential for new medical facilities being developed as articulated in the recent medical services study, 4) new industrial development, and 5) staff initiatives to work with the City's 25 largest businesses in an effort to retain and possibly grow business in Morgan Hill.

Community Development 5 Year Forecast

(in millions of dollars)

	Year End Projection	Adopted	Forecast	Forecast	Forecast	Forecast
	14-15	15-16	16-17	17-18	18-19	19-20
Beginning Balance	\$3.3	\$3.2	\$3.2	\$2.2	\$1.0	\$(0.3)
Revenues/Transfers In	4.7	4.7	3.5	3.4	3.5	3.5
Expenditures/Transfers Out	(4.7)	(4.7)	(4.5)	(4.6)	(4.8)	(4.9)
Ending Balance	\$3.2	\$3.2	\$2.2	\$1.0	\$(0.3)	\$(1.7)
Fund Balance/Expenditure (%)	69%	67%	50%	22%	(5%)	(34%)
Operating Margin	\$(0.1)	\$(0.1)	\$(1.0)	\$(1.2)	\$(1.3)	\$(1.4)

Housing

Even though a few years have passed since the dissolution of Redevelopment Agency's (RDA) by the State of California, the City's Housing efforts are still dealing with the loss of \$4 million in annual funding to support the rehabilitation and development of affordable housing in Morgan Hill. These housing funds were one of the significant cornerstones of the City's very successful housing program, and made possible most of the City's housing programs, serving low and very low income residents.

The revenue needed to fund the City's housing programs is now directly aligned with the health of two funds: the Housing Mitigation Fund (Fund 236) which is infused with payments from residential developers who opt to pay the BMR In-lieu fee instead of building BMR units, and the former RDA Housing Fund (Fund 255), which will receive continuing program income from the Agency's legacy projects and assets, as well as SERAF loan repayments over a five year period.

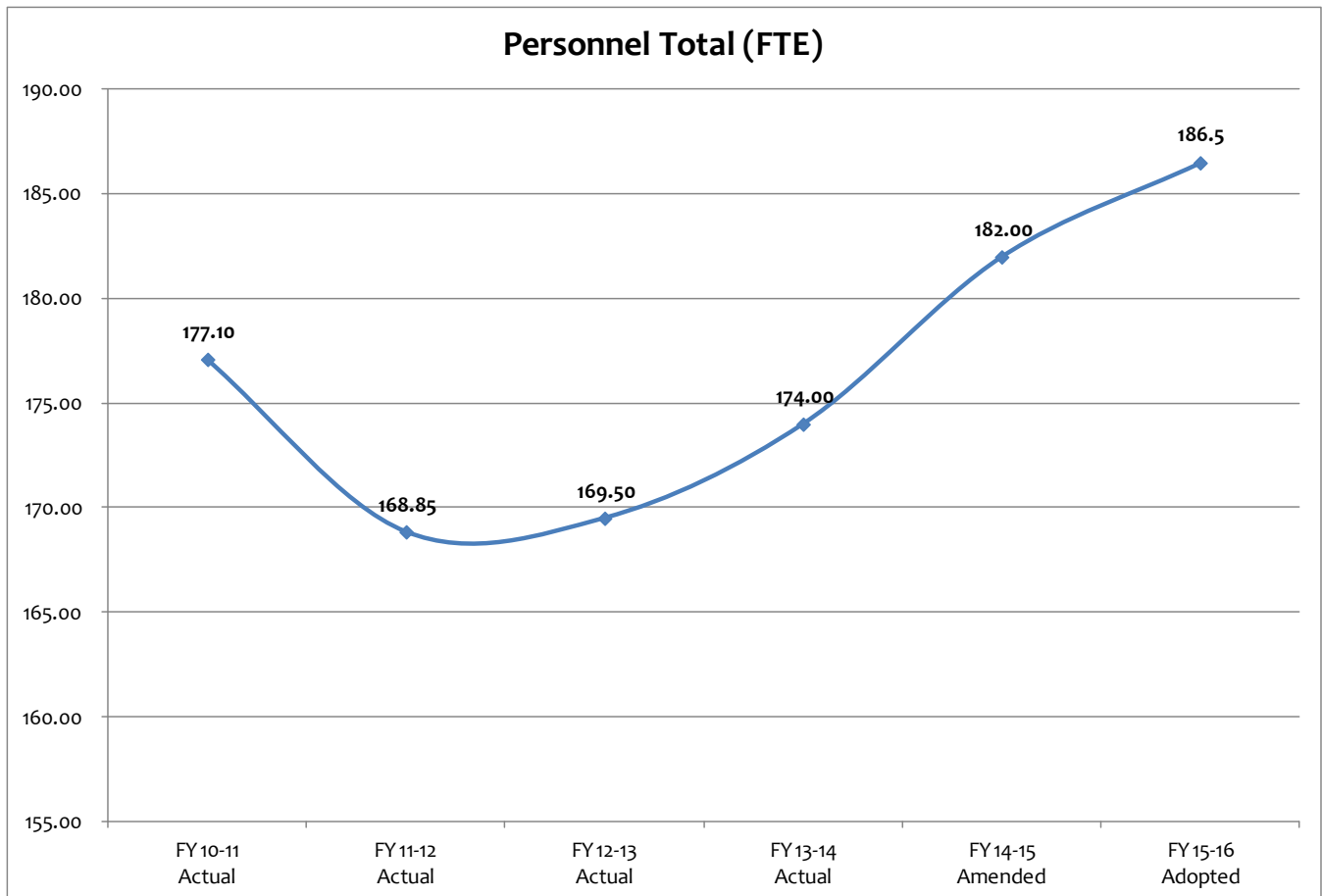
With a projected \$5.1 million balance of funds to start FY 15-16 and another approximately \$12.7 million expected over the next five years, the City has significant housing funds for the short term, though the long term outlook is less favorable. Because of this, we are actively participating in discussions to leverage regional resources with partners throughout the county, region, and state.

Water and Wastewater Utilities

The Water and Wastewater Utilities are enterprise funds that derive all of their operating revenue from customer charges. As a result of the July 2011 rate studies, the Council approved a five year annual rates increase plan to ensure that the integrity and reliability of these essential community assets can be maintained, aging and inefficient infrastructure replaced, and that sufficient annual operating revenue will be generated to pay all annual operating expenses. For water operations, the final approved increase of 6.25 percent will occur in January 2016. At the same time, the final 3.5 percent wastewater increase will occur.

The water fund's current rate was designed so that approximately 16 percent of the water operation revenue is fixed and collected through meter charges. The remaining 84 percent is variable revenue derived from water sales.

With these additions, the City will now have a total of 186.5 FTEs. This is an increase of 4.5 FTEs from FY 14-15, though still below the 189 FTEs in FY 09-10. It is important to realize that no additional positions are included in the recommended 5 year forecast beyond FY 15-16.



Labor Negotiations

The City’s agreements with its three labor associations (AFSCME, CSOA, and POA) expire on June 30, 2015. As was the case in 2013, a collaborative negotiations process has commenced and the City anticipates reaching an agreement with each of them by June 2015. The Council’s adopted Long Term Labor Strategy will once again serve as a guide for future contracts. The seven guiding principles of the strategy are 1) recruitment and retention, 2) market based compensation, 3) transparency, 4) fiscal sustainability and economic culture, 5) accountability, 6) performance based pay, and 7) legal compliance.

Employee Pension

The City provides retirement benefits to its employees through the California Public Employee Retirement System (CalPERS). Like most California cities, Morgan Hill provides a defined benefit pension to its employees. In FY 15-16, the City’s contribution for sworn police officers is 34.1 percent of pay (33.4 percent City-paid and 0.7 percent employee-paid—in addition to the employees’ 9 percent of pay contribution to their own retirement) which is a decrease from

Some units of local government have begun to set aside cash to “pre-fund” their retiree health insurance liability; the Santa Clara Valley Water District is one nearby example. Most have not, in light of revenue constraints, the abolition of redevelopment and other budget priorities.

The City considers its pension and OPEB liabilities very seriously and continuously evaluates all options; and when funding availability arises, strategically earmarks funds for reserves and pre-payment. The City began to set aside funds related to OPEB in FY14-15 with an initial funding of \$110,000. The Recommended Budget for FY 15-16 proposes an additional funding for all funds of \$270,000 to help fund future benefits. In addition, the Proposed FY 15-16 Budget also recommends setting up a “PERS Stabilization Account” with an initial funding of \$200,000. The funds in the PERS Stabilization Account would be used to mitigate unpredictable PERS rate increases and pre-payment of unfunded pension obligations.

The investment securities the City Treasurer is permitted to buy under State law and the City Council’s investment policy are of insufficient maturity and yield to generate the investment return of 4 percent for OPEB and 7.5 percent for PERS pension assumed by the City’s actuary. Another investment mechanism must be used to generate higher returns. The most common (offered by CalPERS, PARS, and private financial firms like banks) is an “irrevocable trust” into which employers irrevocably transfer money that can be invested like a pension fund to accumulate earnings that years later can be tapped to make the promised payments for the City’s (still small) contribution to retirees’ health insurance premiums and to pre-fund pension costs and reduce liability. The Administrative Services Department will recommend an appropriate provider for City Council consideration during FY 15-16 as part of our effort to advance the Council’s fiscal sustainability priority.

Summary

On behalf of the entire organization, I am proud to recommend a budget that reflects the City Council’s priorities and strives to enhance service levels for the Morgan Hill community. The City is able to maintain its positive financial condition by adhering to its sustainable budget strategy, prudently investing in service level enhancements as resources allow, and addressing areas of financial concern. As a result of the budget recommendation, the City will invest an additional \$2.5 million in maintaining its street infrastructure over the course of the 5 year forecast, prudently plan for its public safety needs as the community grows, increase its economic development efforts, provide quality senior services, address its long-term OPEB obligation, and undertake many exciting and needed capital improvement projects. Moving forward, there are many signs that the Morgan Hill community will prosper. At the same time, the Council and staff will need to ensure that the community’s water and wastewater infrastructure is financially and environmentally sustainable and that a community focused effort to invest new resources in the community’s aging public infrastructure is pursued so that Morgan Hill remains a highly desirable place to live, work, play, and do business.

Sincerely,



Steve Rymer
City Manager

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About the City (continued)

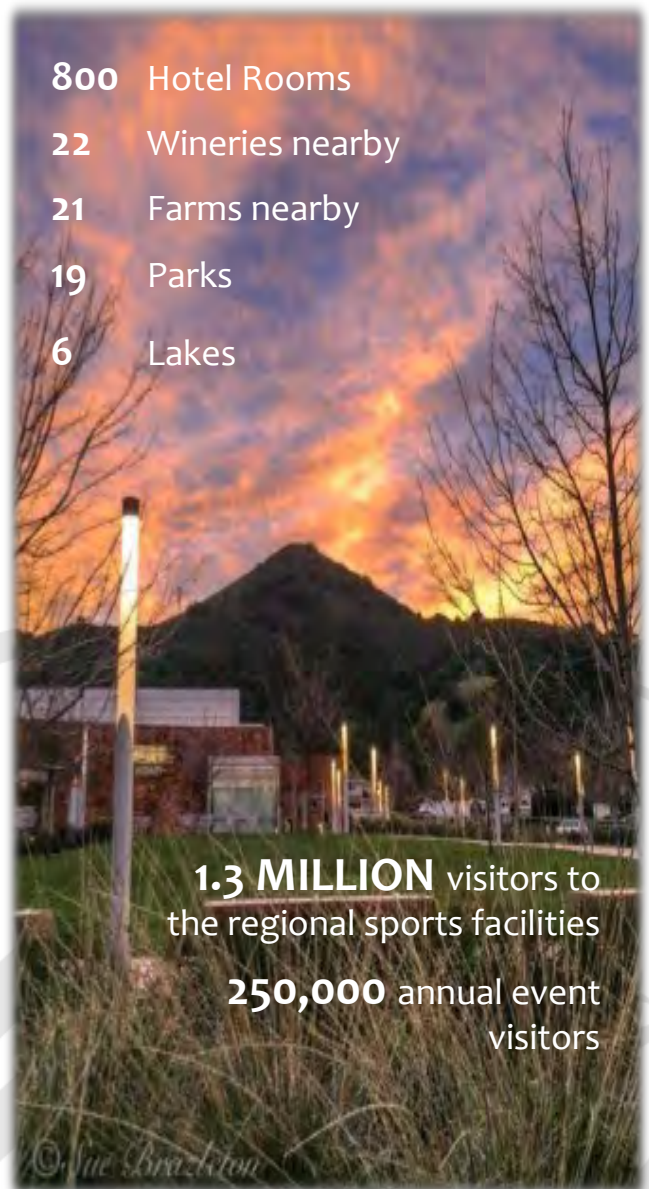
the peaceful atmosphere, the quaint downtown shops and eateries and general quality of life. Parks and open spaces abound, making Morgan Hill one of the last communities in the region with a charming, small town atmosphere. The fertile soil in and around Morgan Hill help growers produce wonderful fruits, vegetables and award winning wine. Residents and visitors often spend a sunny afternoon visiting some of the local vineyards offering wine tasting and tours, enjoying one of the local golf courses, or floating above the city in a hot air balloon. The city is known for its regional, world-class recreational facilities that attract over 1.3 million visitors annually.

The Morgan Hill Unified School District (MHUSD) encompasses nearly 300 square miles and serves the ethnically diverse population of Morgan Hill, San Martin, portions of San Jose, and unincorporated areas of the county. MHUSD is comprised of 15 schools: eight elementary, two middle, two high schools, a continuation high school, a community adult school, and a K-8 Home School Program. MHUSD's multi-ethnic population includes over 8,600 students and 800 employees. The Board of Education continues to place a high priority on informing the community at large about its schools.

Just 15 miles inland from the Pacific coast, Morgan Hill is surrounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Morgan Hill is just minutes away from the big city amenities of San Jose, and a short one-hour drive to the redwood forests and beaches of Santa Cruz and to the spectacular Monterey Peninsula. The City is a short commute to the businesses of the Silicon Valley. Caltrain runs daily through the city and connects commuters to San Jose's light rail systems throughout the Bay Area.

Morgan Hill is considered a natural setting for business, providing a balanced business environment that inspires innovation and productivity. Its picturesque hillside setting and exceptional quality of life are very appealing.

Incorporated in 1906, Morgan Hill is a general law city with a council-manager form of government. The four City Council members are elected in municipal elections to four-year terms. The Mayor is directly elected to serve a two-year term. In addition to the Council, the City Clerk and City Treasurer are also elected to four-year terms. The City has a volunteer Planning Commission, made up of seven members appointed by a majority vote of the Council to four-year terms.



Budget Overview

BUDGET TIMELINE

In late October 2014, budget preparation kicked-off with the distribution of a budget calendar and financial data to help departments begin to prepare their budgets. Departments submitted proposed decision packages based on existing service levels and program goals.

This process, overseen by the City Manager, was completed in May 2015. The City Manager's recommended budget was presented to the Council and made available to the public May 15, 2015. A Council Budget Workshop was held on May 29, 2015, a Public Hearing on June 3, 2015, and adoption of the FY 2015-16 Recommended Budget on June 17, 2015.

Important Dates	Event
October 2014	Budget Team Commences
October 24, 2014	Development Assumptions Meeting
October 27-31, 2014	Personnel Allocation Meetings with the City Manager
February 23, 2015	Revenue Meetings with the City Manager
March 9, 2015	Current Services Budgets Distributed
February 18, 2015	Council Adopts 2015 Priorities
March 16-20, 2015	Decision Package Meetings with the City Manager
March 23, 2015	Capital Improvement Program (CIP) Meeting with the City Manager
April 17, 2015	Fantastic Friday. City Manager, Assistant City Manager for Administrative Services, Assistant Finance Director, Budget Manager, and Administrative Analyst finalize budget recommendation.
May 15, 2015	Make the FY 2015-16 City Manager's Recommended Budget Available to the Public
May 20, 2015	Recommended FY 2015-16 Budget Presented to the Council as an Agenda Item
May 29, 2015	Budget Workshop with the Council
June 2, 2015	All City Teammate Budget Luncheon
June 3, 2015	Public Hearing: FY 2015-16 City Manager's Recommended Budget and CIP Program
June 17, 2015	Adopt FY 2015-16 Operating and CIP Budget

Budget Overview (continued)

budget amendments to the prior year to assure that prior year's expenditures are below prior year's Council approved budget appropriations.

BASIS OF ACCOUNTING

Government wide financial statements are reported using the accrual basis of accounting, as are the proprietary fund and fiduciary funds statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. These funds are accounted for using the modified

accrual basis of accounting. Agency funds are also accounted for using the modified accrual basis.

Under 'modified accrual', revenues are recognized as soon as they are both measurable and available.

BASIS OF BUDGETING

Morgan Hill budgets using the modified accrual basis plus encumbrances. Under 'modified accrual,' amounts are recognized as revenue when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period. Encumbrances outstanding at year-end are reappropriated in the next year.

A balanced budget is adopted annually, whereby current expenditures are funded from current revenues plus as appropriate and directed by Council, available fund balance or reserves.

BUDGET ADMINISTRATIVE POLICES

With the adoption of the annual budget, the City Council recognizes that the appropriations for operating

activities and capital budgets are based on estimates of municipal needs for the fiscal year. In order to establish reasonable flexibility in the administration of the budget, the following policies have been adopted. These policies are intended to provide the authority necessary for the City Manager and Department Directors to administer the budget during the fiscal year in accordance with City Council directions, goals and policies, and in light of varying conditions that may occur.

ALLOCATED COSTS

The City of Morgan Hill has nine internal service funds. These funds account for the costs of services provided to other City departments. Costs are allocated to user departments based on various factors such as square footage, personnel, number of computer workstations and historical trends.

In addition to Internal Service funds, the City of Morgan Hill allocates General Fund overhead to other funds/ departments as a General Fund Administration charge. The total administrative charge for FY 2015-16 is \$1,200,071. These charges are based on services provided on the basis of General Fund departments and are allocated by estimated service levels and personnel.

DEBT OBLIGATIONS

Special assessment districts within the City have issued debt repayable by special assessments levied on property in each respective district. The City is under no legal obligation to repay the special assessment debt. However, the City is required to make advances or to be the purchaser of last resort for property on which delinquent assessments are unpaid for certain districts.

Bonds payable include sewer revenue bonds, water revenue bonds, and lease revenue bonds for the Police facility and library/development service center.

During FY 13-14, the Successor Agency of the former Rede-

Planning Documents

General Plan

The General Plan is a comprehensive, long-term plan for the physical development of the community. It represents the City's determination of the amount, type and timing of development needed to achieve the City's social, economic and environmental goals. The General Plan is updated approximately every 10 years with the participation of all City departments, service agencies and the community at large. The City Council adopted a major update to the City's General Plan on July 25, 2001.

The General Plan can be accessed on-line at:

<http://www.morgan-hill.ca.gov/index.asp?NID=75>

Downtown Plan

The General Plan adopted in 2001 required the original Downtown Plan to be updated and included a number of policies to achieve specific parking, circulation and land use objectives. In January 2005, the City Council approved an updated Downtown Plan. The updated Downtown Plan replaced the previous Downtown plan adopted in 1980. The Downtown Plan was created by a Council appointed task force working with the community and a consultant firm. The plan specifies goals and objectives for the Downtown but also includes full design guidelines and sign criteria. In November 2009, the City Council adopted the Downtown Specific Plan. The Specific Plan is intended to provide a reality-based strategy to achieving the vision contained in the Downtown Plan.

The Downtown Specific Plan can be accessed at:

<http://www.morganhill.ca.gov/668/Downton-Specific-Plan>

2015 City Council Priorities

- Enhancing Public Safety
- Protecting the Environment

- Maintaining Fiscal Responsibility
- Supporting Youth
- Fostering and Organizational Culture
- Preserving and cultivating public trust

The City Council's Priorities, Goals, and Strategies can be found in the Special Analysis section of the budget book.

Annual Work Plan

The Annual Work Plan is a compilation of the short-term (fiscal year) objectives established for each City department. The Work Plan items are intended to support the annual goals of the City Council as well as the long-term goals and objectives for the City as described in the various planning documents.

Fiscal Policies (continued)

- e. At other times, i.e., when reserves are 25% or greater and projected to remain so, achieving structural balance may be postponed to the last year of the five-year financial forecast.
 - f. Spending cuts prompted by the need to achieve structural budget balance and/or rebuild General Fund reserves will consist of service-level reductions, mitigated as much as possible by changes to employee work schedules. Service-level reductions almost certainly will require layoffs and/or renegotiation of current labor costs.
 - g. With its bargaining units the City will normally enter into new labor contracts of no more than 12 months' duration, unless General Fund reserves are back up to the long term goal of 25%, and projected to remain there for the subsequent five years.
 - h. To reduce the rate of increase in labor costs, the City will engage in good-faith negotiations with bargaining units to make cost-saving changes in retirement plans and to reduce the City-paid share of health benefits.
- B. Water and Sewer Operating Funds – The City shall make every effort to keep a minimum reserve level of 25% of the appropriated operating budget for the Sewer operating fund and the Water operating fund.
- C. Water and Sewer Rate Stabilization Funds – The City shall make every effort to keep a minimum reserve level equal to 20% of the annual estimated utility usage revenue accounted for in the Sewer operating budget and 20% of the annual estimated utility usage revenue accounted for in the Water operating budget.
- D. Community Development Fund – The City shall make every effort to keep a minimum reserve level of 30% of the appropriated operating budget for the Community Development Fund, in order to provide for those temporary periods when less development activity occurs and less revenue is collected by the City.
- E. Unemployment – The City shall make every effort to maintain a minimum reserve level in the Unemployment Fund equal to 100% of the appropriation for unemployment claims.
- F. Workers' Compensation – The City shall make every effort to maintain a minimum reserve level for Workers' Compensation equal to the sum of twice the self insured amount for a single claim.
- G. General Liability – The City shall make every effort to maintain a minimum reserve level equal four times the self insured retention for general liability claims.

Budgetary Designations

- A. A portion of General Fund Balance will be designated for economic uncertainties and not be reflected in available fund balance for budget purposes. This is to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget.
- B. Reserves for Encumbrances and Continuing Appropriations are established at the end of every fiscal year to reserve fund balance in the amount equal to the City's unpaid obligations and unfinished projects at year-end.
- C. Other reserves, such as for cash flow needs or anticipated costs for service enhancements, will be established each fiscal year as needed.

Fiscal Policies (continued)

necessary.

5. PRINCIPLES TO GUIDE THE SUSTAINABLE BUDGET STRATEGY

The City Council has adopted the following principles to guide the Sustainable Budget Strategy:

1. Critical services should be maintained to the greatest extent possible.
2. Resources should be allocated to the highest priority services.
3. No city services or functions should be exempt from evaluation.
4. “Across the Board” approaches shall be avoided because they are not aligned with the Council’s and community’s priorities.
5. Reductions in service should position the City to take advantage of economic recovery.
6. Budget cuts should be ongoing and not simply “one time only.”
7. Council should commit to support employees during the transition, and assist those who may be adversely impacted.
8. Employees and their recognized bargaining units should be actively involved in developing options and implementing the transition.
9. The City should continue to invest in building organizational capacity by supporting training and employee development.
10. Community wide tax resources should be allocated first to support community wide services.
11. Special services designed for only a few should be paid for by user charges and fees.

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

6. CAPITAL FINANCING AND DEBT MANAGEMENT

A) Capital Financing

1. The City will consider the use of debt financing only for one-time capital improvement projects and only under the following circumstances:
 - a. When the project’s useful life will exceed the term of the financing.
 - b. When project revenues or specific resources will be sufficient to service the long-term debt.
2. Debt financing will not be considered appropriate for any recurring purpose such as recurring operating and maintenance expenditures. The issuance of short-term instruments such as revenue, tax, or bond anticipation notes is excluded from this limitation because such borrowings would be issued for a short period of

Fiscal Policies (continued)

- term financings can be marketed with investment grade ratings.
- e. The project securing the financing is of the type which will support an investment grade rating.
- f. Market conditions present favorable interest rates and demand for City financings.
- g. A project is mandated by state or federal requirements, and resources are insufficient or unavailable.
- h. The project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable.
- i. The life of the project or asset to be financed is 10 years or longer

B) Debt Management

1. The City will not obligate the General Fund to secure long-term financings except when marketability can be significantly enhanced.
2. An initial feasibility analysis will be prepared for each long-term financing which analyzes the impact on current and future budgets for debt service and operations.
3. This analysis will also address the reliability of revenues to support debt service.
4. The City will generally conduct financings on a competitive basis. However, negotiated financings may be used due to market volatility, size of the financing, introduction of new credit structures to the market, or appropriate use of an unusual or complex financing or security structure.
5. The City will seek an investment grade rating

(Baa/BBB or greater) on any direct debt and will seek credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability, and cost-effectiveness.

6. The City will monitor all forms of debt annually when the City Budget is prepared and will report any concerns and remedies to the City Council.
7. The City will diligently monitor its compliance with bond covenants and ensure its adherence to federal arbitrage regulations.
8. The City will maintain good, ongoing communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure of appropriate and material information on every financial report and bond prospectus (Official Statement).

C) Debt Structure

In general, debt should be structured with fixed interest rates. However, for financings of more than \$30 million (principal only) variable rate bonds and swaps should be considered if the City's financial advisor provides guidance that such debt vehicles would be safe and cost effective for the City.

D) Debt Capacity

1. **General Purpose Debt Capacity.** The City will carefully monitor its levels of general-purpose debt. Because the City's general purpose debt capacity is limited, it is important that it use only general purpose debt financing for high-priority projects where the City cannot reasonably use other financing methods for two key reasons:
 - a. Funds borrowed for a project today are

Fiscal Policies (continued)

plicant's financial plan and ability to carry the project, including the payment of assessments and special taxes during build-out. This may include detailed background, credit, and lender checks, as well as the preparation of independent appraisal reports and market absorption studies. Any costs incurred by the City in retaining these services or for staff time will generally be the responsibility of the property owners or developer and will be advanced via a deposit when an application is filed. Alternatively, these costs may be paid on a contingency fee basis from the bond proceeds. For districts where one property owner accounts for more than 25% of the annual debt serviced obligation, a letter of credit further securing the financing may be required.

4. **Reserve Fund.** A reserve fund should be established in the lesser amount of: the maximum annual debt service; 125% of the annual average debt service; or 10% of the original bond principal (industry standard).
5. **Value-to-Debt Ratios.** The minimum value-to-debt ratio shall be at least 3 to 1. This means that the value of the property in the district, with the public improvements, should be at least three times the amount of the assessment or special tax debt.
6. **Capitalized Interest During Construction.** Decisions to capitalize interest will be made on a case-by-case basis, with the intent that if allowed, it should improve the credit quality of the bonds and reduce borrowing costs, benefiting both current and future property owners.
7. **Maximum Burden.** Annual assessments (or special taxes in the case of Mello-Roos or simi-

lar districts) should generally not exceed 1% of the projected sales price of the fully developed property.

8. **Benefit Apportionment.** Assessments and special taxes will be apportioned according to a formula that is clear, understandable, equitable, and reasonably related to the benefit received by, or burden attributed to, each parcel with respect to its financed improvement. Any annual escalation factor should not exceed the greater of 2% or the projected change in the consumer price index.
9. **Special Tax District Administration.** In the case of Mello Roos or similar special tax districts, the total maximum annual tax should not exceed 110% of annual debt service. The rate and method of apportionment should include a back-up tax in the event of significant changes from the initial development plan, and should include procedures for prepayments.
10. **Foreclosure covenants.** In managing administrative costs, the City will establish maximum delinquency amounts per owner, and for the district as a whole, before initiating foreclosure proceedings.
11. **Disclosure to Bondholders.** In general, each property owner who accounts for more than 10% of the annual debt service or bonded indebtedness should provide ongoing disclosure information annually as described under SEC Rule 15 (c) 2-12.
12. **Disclosure to Prospective Purchasers.** Full disclosure about outstanding balances and annual payments should be made by a property seller to prospective buyers at the time that buyers bid on the property.

Description of Funds

GENERAL FUND

The General Fund is a governmental fund used to account for the day-to-day operations of the City. All financial activity that is not required to be accounted for in another fund is included in the General Fund. Public safety, government administration, recreation, downtown maintenance, street maintenance, environmental programs and park maintenance are funded from the General Fund.

General Fund (010)

The General Fund receives all general taxes, such as property taxes, sales taxes and transient occupancy taxes, licenses and permit revenues, funding from other government agencies such as vehicle-in-lieu fees, fines and penalties, interest, rentals not specifically designated for another fund, and charges for current services.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) that are legally restricted to expenditures for specified purposes.

Street Fund (202)

The Street Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal gas tax, and other monies that are to be used for the maintenance, repair, and design of streets. State gas tax funds are distributed to cities based on population from gas taxes collected at the point of sale. The use of gas tax funds is restricted to street expenditures by State and Federal legislation.

Supplemental Law Enforcement Funds (204/205)

The Supplemental Law Enforcement Fund is a special revenue fund used to account for the receipt and dis-

bursement of State and Federal grant monies that provide for the restoration of public safety services. The use of grant monies in this fund is legally restricted for the funding of public safety officers and/or supplies under the terms of the grants.

Community Development Fund (206)

The Community Development Fund is a special revenue fund used to account for the collection of planning, building, and engineering fees. The expenditures of these funds are restricted to the costs associated with processing building, engineering and planning applications.

General Plan Update Fund (207)

The General Plan Update Fund is a special revenue fund established to account for the costs of updating the General Plan. The update has been funded by a 5% surcharge on all planning and building permit fees and by transfers from various funds: General, Park Development Impact, Community Development, Redevelopment, Housing, Sewer, and Water. The expenditures are restricted to costs incurred for the General Plan update.

Community Recreation Centers Startup Fund (210)

The Community Center Fund was established to provide a vehicle for the accumulation of funds and future interest earnings to help offset the start up costs and costs of operation and maintenance for new community facilities.

CDBG/CDBG Revolving Loan Funds (215/216)

The Community Development Block Grant (CDBG) and CDBG Revolving Loan Funds are special revenue funds used to account for Federal low and moderate income housing program funds. These funds are restricted to low and moderate income housing uses.

Description of Funds (continued)

certain development impact fees. AB1600 indicates that there must be a reasonable relationship between the fee and the purpose for which it was charged. The following funds are the Capital Projects Funds:

Park Development Fund (301)

Park Development Impact Fund revenues are received from developers of properties. The funds may only be used for the design, development and construction of new parks within the City. Fund is subject to the restrictions of AB1600.

Park Maintenance Fund (302)

Park Maintenance/Development Fund receives revenues from developers of properties and the funds may only be used for the maintenance and development of the City's parks.

Drainage Impact Fund (303)

Local Drainage Impact Fund revenues are received from developers of properties and the funds may only be used for the design and construction of new storm drains. Fund is subject to the restrictions of AB1600.

Drainage Non AB1600 Fund (304)

Local Drainage Fund revenues are received from developers of properties and the funds may be used for the design, construction, and maintenance of storm drains.

Open Space Fund (306)

This fund accounts for open space fees collected from developers. These funds are to be expensed for open space expenditures.

Street CIP (308)

This fund was established effective July 1, 2007. The fund accounts for resources and requirements for capital projects that support the City of Morgan Hills streets

and roads. The fund has been separated from Street Operations, fund 202. The funds allocated, which are normally transfers from other revenue funds such as the Traffic Impact Fund 309, and grant reimbursements, may be expended on new streets, traffic signals, and improvements of existing streets.

Traffic Impact Fund (309)

Traffic Impact Fund revenues are received from developers if their projects have an adverse impact on traffic flows, streets, etc. The funds collected may be expended on new streets, traffic signals, and improvements of existing streets where they are impacted by new development. Fund is subject to the restrictions of AB1600.

Police Impact Fund (311)

Police Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct public improvements for Police facilities needed as a result of new development. Expenditures may only be made for the future construction of the required new Police facilities or to reimburse the City for funds advanced to construct such facilities. Fund is subject to the restrictions of AB1600.

Fire Impact Fund (313)

Fire Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct public improvements required for Fire facilities as a result of new development. Expenditures may only be made for the future construction of the required new Fire facilities or to reimburse the City for sums advanced to construct such facilities. Fund is subject to the restrictions of AB1600.

Public Facilities Non AB1600 Fund (346)

Public Facilities Fund revenues are received from developers of properties and the funds may be used for the

Description of Funds (continued)

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewer Operations Fund (640)

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 Impact Fund (641)

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 AB1600.

Sewer Rate Stabilization Fund (642)

The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with onetime revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund.

Sewer System Replacement Fund (643)

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 System Replacement Fund was \$1,300,000 from

the Sewer Operations Fund. Future funding will come from transfers from the Operations Fund when available.

Water Operations Fund (650)

The Operations Fund receives revenues from user charges based on water usage. All expenditures for the operation of the water system including maintenance and debt service are charged to the Water Operations Fund.

Water Impact Fund (651)

The Impact Fund receives revenues from developer charges to cover the costs to construct water improvements required as a result of the 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 AB1600.

Water Rate Stabilization Fund (652)

The Rate Stabilization Fund was established to avoid fluctuations in the water rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$800,000 from the Water Operations Fund.

Water System Replacement Fund (653)

This fund was renamed and combined with the Water Capital Projects Fund. This fund was established to avoid fluctuations in sewer rates by providing reserve funding for future system replacements. The initial contribution to this fund was \$2,550,000 from the Water Operations Fund. Future contributions will come from transfers from the Operations Fund when available.

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of

Glossary of Budget & Financial Terms

AB 1234

This law requires that all local agencies that provide compensation, salary, or stipend to, or reimburses the expenses of, members of a legislative body must provide ethics training to local agency officials every two years.

AB 1600

This law codifies the legal requirement that fees on new development have the proper nexus to any project on which they are imposed. The fees must be segregated from the general fund and from other funds or accounts containing fees collected for other impacts or departments.

ABAG

Association of Bay Area Governments - one of more than 560 regional planning agencies across the nation working to help solve problems in areas such as land use, housing, environmental quality, and economic development.

AC

Aquatics Center - features of the Aquatics Center include a 5,316 square foot recreation activity pool with interactive play structure and slide; 800 square foot interactive spray-ground; six lane instructional pool; 50-meter competition pool; two event rooms; locker rooms; two family changing rooms; shaded lawn and deck area.

Accounting System

The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of an entity.

Accrual Accounting

Revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

AFSCME

American Federation of State, County and Municipal Employees

Appropriation

An authorization made by the City Council which permits officials to incur obligations against and to make expenditures of governmental resources for a specific purpose within the budget year, July 1 through June 30.

Assessed Valuation

The estimated value placed upon real and personal property by the County Assessor as the basis for levying property taxes.

Glossary (continued)

Budget Calendar

The schedule of key dates or milestones which the City follows in the preparation and adoption of the budget.

Budget Message

A discussion of the proposed budget presented by the City Manager in writing as a part of, or supplement to, the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made.

CAFR

Comprehensive Annual financial Report - A financial report on assets, liabilities, revenues and expenditures in a standardized format that must conform to the Government Accounting Standards Board (GASB) accounting and financial reporting standards. This financial report is called the Comprehensive Annual Financial Report (CAFR, pronounced “ka-fer”). The CAFR describes what actually was spent and the status of assets and liabilities at the end of the fiscal year.

CalPERS

California Public Employees Retirement System provides retirement, health, and related financial programs and benefits to 1.5 million public employees, retirees, and their families and more than 2,500 public employers.

Capital Asset

Assets of significant value and having a useful life of more than one year. Capital assets are also called fixed assets.

Capital Budget

A plan of proposed capital expenditures and the means of financing them.

CIP

Capital Improvement Plan or Program - a five-year plan for expenditures setting forth each capital project, the amount to be expended in each year, and the method of financing those expenditures. Expenditures may include the design, construction, or purchase of land, buildings, or facilities.

Capital Outlay

Expenditures exceeding \$3,000 for the acquisition of capital assets. Includes the cost of land, buildings, permanent improvements, machinery, large tools and rolling and stationary equipment.

Capital Projects

Projects for purchase or construction of capital assets. Typically a capital project encompasses a purchase of land and/or the construction of a building or facility.

Glossary (continued)

Debt Service

Payment of interest, and repayment of principal to holders of the City's debt instruments.

Debt Service Fund

Used to account for the accumulation of resources for, and payment of, general long-term debt.

Deficit

1. the excess of an entity's liabilities over its assets (see Fund Balance); or
2. the excess of expenditures or expenses over revenues during an accounting period

Encumbrance

Obligations in the form of purchase orders or contract commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances are eliminated when paid or when a liability is recorded. Carryforward encumbrances are obligations and appropriations which are transferred to the subsequent fiscal year.

Enterprise Fund

Fund used to account for government operations that are financed and operated in a manner similar to business enterprises. These programs are entirely or predominantly self-supporting. Examples of Enterprise Funds are those used for sewer and water systems.

EOC

Emergency Operations Center

EOP

Emergency Operations Plan

EPA NPDES

Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) Permitting Program - industrial, municipal, and other facilities must obtain permits if their discharges go directly to surface waters

Expenditures

The payment against an appropriation for goods received or services rendered.

Fiscal Year

The twelve-month period beginning July 1st and ending the following June 30th.

Glossary

Infrastructure

All City owned facilities supporting the operation of the governmental unit. It includes: streets, roads, bridges, curbs and gutters, parks, water and sewer lines, storm drains, water pump stations and reservoirs, water wells, sewer lift stations, all government buildings and related facilities.

Intergovernmental Grant

A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the State and Federal Governments. Grants are usually made for specified purposes.

Internal Service Fund

Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.

Investments

Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.

LAFCO

Local Agency Formation Commission.

Liability

A debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. NOTE: The term does not include encumbrances.

Maturities

The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

Measure C

A measure approved by voters amending the Morgan Hill General Plan and Municipal Code to update Measure P, the City's Residential Development Control System (RDCS) to extend the RDCS to 2020, establishing a population ceiling of 48,000 for the year 2020.

Modified Accrual

Recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows and outflows of cash. Amounts are recognized as revenue when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period.

Glossary (continued)

Proposition 111

State measure (1990) increasing gasoline and diesel fuel tax rates by 9 cents per gallon over a five-year period. Since 1994 this tax has been assessed at 18 cents per gallon.

Reappropriation

A governing body action that transfers spending authority from a completed fiscal year to the subsequent spending plan.

Redevelopment Agency (RDA)

Dedicated to improving the quality of life in Morgan Hill. The Agency works to remove blight and breathe new life into deteriorated areas of the city. The Agency is also responsible for many of the improvements to the city's infrastructure (street and sewer improvements), renewal of the downtown area, construction of community facilities, affordable housing, and economic development.

Reserves

An account used to indicate that a portion of fund equity that is legally restricted for a specific purpose.

Resources

Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.

Revenues

Total dollars received from taxes, fees, permits, licenses, interest, and intergovernmental sources including grants within the fiscal year.

Revenue bonds

Bonds which pledge one specific revenue source to repayment. In addition to a pledge of revenues, such bonds sometimes may be secured by a lien against property.

Revenue Estimate

A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

SCCFD

Santa Clara County Fire Department

Resolution Adopting the City Budget

RESOLUTION NO. 15-128

A RESOLUTION OF THE CITY COUNCIL OF CITY OF MORGAN HILL ADOPTING THE FISCAL YEAR 2015-16 OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGET AND ADOPTING THE FISCAL YEAR 2015-16 APPROPRIATIONS LIMIT

WHEREAS, the City of Morgan Hill Budget for the 2015-16 fiscal year was prepared by City staff and reviewed by the City Manager;

WHEREAS, the City of Morgan Hill Budget for the 2015-16 fiscal year was distributed to the City Council on May 15, 2015, was reviewed at a budget workshop on May 29, 2015 and was further reviewed at a public hearing on June 3, 2015;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the City of Morgan Hill's 2015-16 General Fund appropriations limit is \$90,540,443 as shown on Schedule A;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the appropriations for the 2015-16 fiscal year, as shown on Schedule B, which are subject to the appropriations limit as set forth in Article XIII B of the California Constitution, do not exceed the limit as stated above;

WHEREAS, the annual adjustment factors that were selected to calculate the 2015-16 limit were: 1) California Per Capita Personal Income adjustment factor of 1.0382; and 2) City Population Growth factor of 1.0017;

WHEREAS, modifications and amendments to the Adopted 2015-16 City of Morgan Hill Budget can only be made in accordance with Fiscal Policy 4.E in the Adopted Budget document;

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

BE IT FURTHER RESOLVED that the City Council of the City of Morgan Hill does hereby approve and adopt the City of Morgan Hill 2015-16 Budget of \$127,213,921 departmental appropriation levels as recommended in the Adopted Budget document, Appropriations Limit, and Appropriations Limit Adjustment Factors for Fiscal Year 2015-16.

Budget Summary

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Fund Balance Projection - FY 2014-15

	7-1-2014 Fund Balance	14-15 Projected Revenues	14-15 Projected Transfers In	14-15 Projected Transfers Out	14-15 Projected Expenditures	06-30-2015 Projected Balance
General Fund						
010 General Fund Undesignated General Fund Reserve	\$ 12,815,001	\$ 31,827,085	\$ 1,423,758	\$ 1,184,836	\$ 32,696,500	\$ 7,410,446
Subtotal	\$ 12,815,001	\$ 31,827,085	\$ 1,423,758	\$ 1,184,836	\$ 32,696,500	\$ 12,184,509

Special Revenue Funds

202 Street Fund	\$ 15,328	\$ 741,500	\$ -	\$ 590,439	\$ 1,747	\$ 164,642
205 Supplemental Law Enforcement	57,103	100,350	-	100,000	-	57,453
206 Community Development Fund	3,313,612	4,506,805	149,292	276,635	4,445,080	3,247,994
207 General Plan Update Fund	607,561	526,415	373,557	-	974,686	532,847
210 Com Rec Centers Startup Fund	294	2	-	-	-	296
215 CDBG Fund	(902)	142,000	-	-	142,000	(902)
216 CDBG Revolving Loan Fund	(11,819)	3,500	-	-	-	(8,319)
225 Asset Seizure Fund	16,901	7,600	-	-	-	24,501
229 Lighting & Landscape Fund	120,819	184,557	-	-	178,114	127,262
230 Community Facilities District	7,770	6	-	-	7,770	6
232 Environmental Programs Fund	314,170	90,103	205,812	-	357,448	252,637
234 Mobile Home Park Rent Fund	24,315	5,145	-	-	763	28,697
235 Senior Housing Trust Fund	214,846	1,073	-	-	-	215,919
236 Housing Mitigation Fund	4,695,662	1,285,800	-	151,829	3,212,527	2,617,106
240 Employee Assistance Fund	39,237	37,710	-	-	51,477	25,470
247 Environment Remediation Fund	222,450	1,200	-	-	1,535	222,115
250 City of Morgan Hill Acting as the Successor Agency to the Morgan Hill Revelopment Agency	23,408,230	7,935,543	-	36,946	26,176,606	5,130,222
255 Housing Successor Agency	2,113,525	651,247	-	31,511	244,735	2,488,526
Subtotal	\$ 35,159,102	\$ 16,220,556	\$ 728,661	\$ 1,187,360	\$ 35,794,488	\$ 15,126,471

Capital Project Funds

301 Park Impact Fund	\$ 9,879,393	\$ 930,682	\$ -	\$ 54,221	\$ 6,039,350	\$ 4,716,504
302 Park Maintenance Fund	4,956,580	697,595	200,000	4,221	1,025,787	4,824,167
303 Drainage Impact Fund	4,428,108	1,160,632	-	8,442	201,573	5,378,725
304 Drainage-Non AB1600 Fund	1,141,788	82,941	-	-	46,541	1,178,188
306 Open Space Fund	4,012,916	983,839	-	-	126,443	4,870,312
308 Street CIP	2,022,076	912,645	250,000	-	3,089,027	95,694
309 Traffic Impact Fund	4,035,657	388,559	-	16,884	294,344	4,112,988
310 Municipal Infrastructure CIP	39,035	-	-	-	39,830	(795)
311 Police Impact Fund	16,366	118,814	-	240,075	1,349	(106,244)
313 Fire Impact Fund	3,626,692	43,130	-	-	98,783	3,571,039
317 RDA Fund	-	-	-	-	-	-
327/328 Housing	-	-	-	-	-	-
342 M.H. Bus. Ranch II AC CIP	158	1	-	-	-	159
346 Public Facilities (Non AB1600)	1,088,105	681,499	-	-	1,695,486	74,118
347 Public Facilities Impact Fund	10,519	79,664	-	-	50,628	39,555
348 Library Impact Fund	1,112,109	443,137	-	244,597	2,626	1,308,023
350 Undergrounding Fund	232,794	125,182	-	-	1,061,617	(703,641)
355 School Ped & Traffic Safety	1,197,222	533,136	-	20,000	876,135	834,223
360 Com. Rec. Centers Impact Fund	70,201	351	-	-	1,305	69,247
370 Civic Center Construction	181	(232)	-	-	-	(51)
Subtotal	\$ 37,869,900	\$ 7,181,575	\$ 450,000	\$ 588,440	\$ 14,650,823	\$ 30,262,212

Debt Service Funds

420 Civic Center Debt	\$ 356,504	\$ 1,944	\$ 408,178	\$ -	\$ 340,033	\$ 426,593
441 Police Facility Bond Debt Service	492,755	18,000	454,688	-	456,088	509,355
545 Cochrane Business Park AD Fund	11,016	55	-	-	-	11,071
Subtotal	\$ 860,275	\$ 19,999	\$ 862,866	\$ -	\$ 796,121	\$ 947,019

Fund Balance Projection - FY 2015-16

		7-1-2015	15-16	15-16	15-16	15-16	06-30-2016
		Projected Fund Balance	Projected Revenues	Projected Transfers In	Projected Transfers Out	Projected Expenditures	Projected Balance
General Fund							
010	General Fund	\$ 12,184,509	\$ 32,197,909	\$ 1,535,616	\$ 1,828,484	\$ 32,777,918	\$ 6,481,945
	General Fund Reserve						4,829,686
	Subtotal	\$ 12,184,509	\$ 32,197,909	\$ 1,535,616	\$ 1,828,484	\$ 32,777,918	\$ 11,311,632

Special Revenue Funds

202	Street Fund	\$ 164,642	\$ 690,311	\$ -	\$ 689,798	\$ 1,834	\$ 163,320
205	Supplemental Law Enforcement	57,453	100,300	-	100,000	-	57,753
206	Community Development Fund	3,247,994	4,687,920	-	330,347	4,416,064	3,189,503
207	General Plan Update Fund	532,847	564,248	337,840	3,968	685,794	745,173
210	Com Rec Centers Startup Fund	296	2	-	-	-	298
215	CDBG Fund	(902)	77,952	-	-	77,000	50
216	CDBG Revolving Loan Fund	(8,319)	-	-	-	-	(8,319)
225	Asset Seizure Fund	24,501	7,809	-	-	-	32,310
229	Lighting & Landscape Fund	127,262	184,560	-	614	184,927	126,281
230	Community Facilities District	6	39,448	-	-	30,284	9,170
232	Environmental Programs Fund	252,637	1,490	227,724	3,840	298,116	179,895
234	Mobile Home Park Rent Fund	28,697	5,146	-	-	801	33,042
235	Senior Housing Trust Fund	215,919	1,078	-	-	-	216,997
236	Housing Mitigation Fund	2,617,106	897,650	-	157,384	3,186,671	170,701
240	Employee Assistance Fund	25,470	37,710	-	-	51,131	12,048
247	Environment Remediation Fund	222,115	1,041	-	-	-	223,156
250	City of Morgan Hill Acting as the Successor Agency to the Morgan Hill Revelopment Agency	5,130,222	7,001,993	-	40,018	9,905,790	2,186,407
255	Housing Successor Agency	2,488,526	1,651,918	-	35,351	334,576	3,770,517
	Subtotal	\$ 15,126,471	\$ 15,950,577	\$ 565,564	\$ 1,361,319	\$ 19,172,989	\$ 11,108,305

Capital Project Funds

301	Park Impact Fund	\$ 4,716,504	\$ 4,041,090	\$ -	\$ 64,221	\$ 5,747,534	\$ 2,945,839
302	Park Maintenance Fund	4,824,167	800,703	200,000	12,771	907,996	4,904,103
303	Drainage Impact Fund	5,378,725	2,070,189	-	8,442	26,582	7,413,891
304	Drainage-Non AB1600 Fund	1,178,188	126,300	-	-	109,712	1,194,776
306	Open Space Fund	4,870,312	624,120	-	-	979,706	4,514,726
308	Street CIP	95,694	2,525,917	750,000	-	3,277,193	94,418
309	Traffic Impact Fund	4,112,988	1,077,631	-	16,884	1,394,171	3,779,564
310	Municipal Infrastructure CIP	(795)	-	-	-	-	(795)
311	Police Impact Fund	(106,244)	360,359	-	242,145	1,406	10,564
313	Fire Impact Fund	3,571,039	83,822	-	-	105,153	3,549,708
317	RDA Fund	-	-	-	-	-	-
327/328	Housing	-	-	-	-	-	-
342	M.H. Bus. Ranch II AC CIP	159	1	-	-	-	160
346	Public Facilities (Non AB1600)	74,118	756,456	-	-	494,694	335,881
347	Public Facilities Impact Fund	39,555	254,256	-	-	41,253	252,558
348	Library Impact Fund	1,308,023	975,444	-	244,870	322,731	1,715,866
350	Undergrounding Fund	(703,641)	1,105,529	-	-	150,489	251,399
355	School Ped & Traffic Safety	834,223	725,851	-	-	624,854	935,220
360	Com. Rec. Centers Impact Fund	69,247	353	-	-	-	69,600
370	Civic Center Construction	(51)	19	-	-	-	(32)
	Subtotal	\$ 30,262,212	\$ 15,528,039	\$ 950,000	\$ 589,333	\$ 14,183,474	\$ 31,967,445

Debt Service Funds

420	Civic Center Debt	\$ 426,593	\$ 1,954	\$ 408,451	\$ -	\$ 340,112	\$ 496,885
441	Police Facility Bond Debt Service	509,355	18,090	458,608	-	455,547	530,506
545	Cochrane Business Park AD Fund	11,071	55	-	-	-	11,126
	Subtotal	\$ 947,019	\$ 20,099	\$ 867,059	\$ -	\$ 795,659	\$ 1,038,518

Major Revenue Assumptions

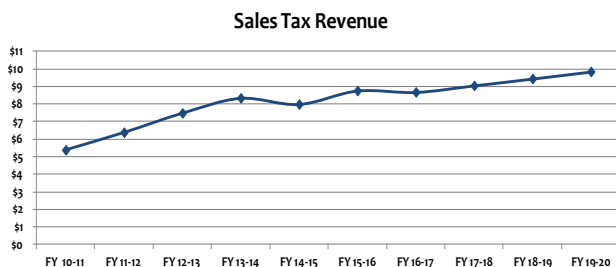
General Fund (010)

FY 15-16 revenues for the General Fund, including transfers in, are estimated to be \$33.7 million. General Fund revenues continue its upward trajectory as the City has recovered from the economic downturn. In general, the FY 15-16 Adopted Budget estimates that most revenues will experience growth over FY 14-15.

Sales Tax

Sales tax is imposed on retailers for selling tangible personal property in California. The use tax is imposed on the user of a product purchased out-of-state and delivered for use in California. The sales and use tax rate for Santa Clara County is 8.75 percent.

Sales tax, at \$8.7 million or 26 percent of the total General Fund revenue projected for FY 15-16, is the second largest revenue source for the City's general fund. FY 15-16 sales tax revenue is estimated to increase by roughly 9 percent over year end projections largely due to the termination of the "triple flip", a sales tax maneuver used by the State to balance its 2004 budget. Subsequent forecast years assume an average annual growth just above 4 percent beginning in FY 15-16.

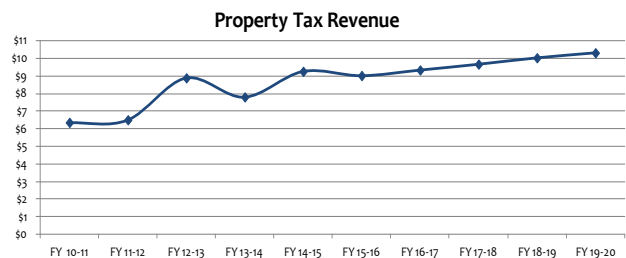


Property Tax

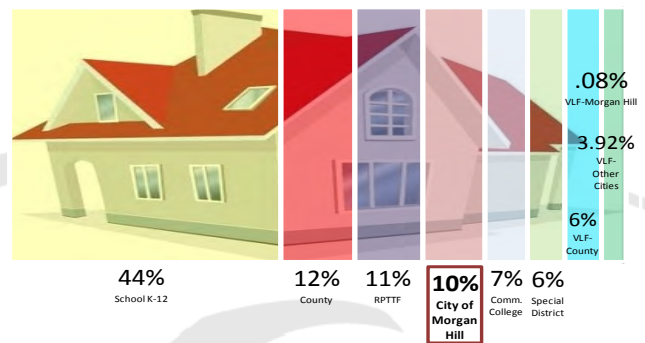
Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (movable property) located within the State, based on the property value rather than on a fixed amount or benefit. Properties are distinguished as secured and unsecured—property for which the value of the lien is not sufficient to assure payment of the tax.

Article XIII A of the State Constitution limits the real property tax rate to 1 percent of the property's assessed value plus rates imposed to fund indebtedness approved by the voters. Morgan Hill's share of the 1 percent is equivalent to 10 cents for every \$1.00 collected from property taxes. With the passage of Prop 13 in 1978, assessed valuations are limited to a 2 percent increase each year.

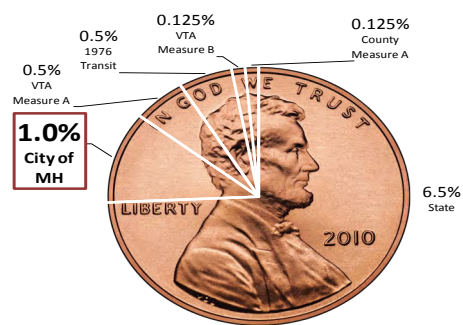
Property tax is projected at \$8.9 million or 26 percent of the total General Fund revenues. Included in the total projected property tax revenue are the secured and unsecured taxes, RPTTF Residual Distribution, VLF In-Lieu of Property Tax, Former RDA Pass Through, and Supplemental Property Taxes.



Morgan Hill Property Tax 1% Distribution



Allocation of Sales Tax Rate (Current Sales Tax Rate 8.75%)



Major Revenue Assumptions (continued)

upon actual water usage. Total sewer revenues collected by the City are based on customer usage. FY 15-16 wastewater service fees are projected at \$9.7 million, with total revenues at \$9.9 million.

Water Operations Fund (650)

The Water Operations Fund receives revenues from user charges based on water usage. All expenditures for the operation of the water system, including maintenance and debt service, are charged to the Water Operations Fund.

FY 15-16 incorporates the 2011 water rate study update that went into effect January 1, 2012: 16.5 percent increase on that date and 6.25 percent increase each of the next 4 years. The last rate increase is set to go into effect January 1, 2016.

The rate study was designed so that approximately 16 percent of the water operation revenue is fixed and collected through meter charges. The remaining 84 percent is variable revenue derived from water sales (commodity) charges. For FY 15-16 approximately 88 percent of total Water revenues are from water sales, with the remaining 12 percent from user account maintenance, meter installations, and fire hydrant charges.

Actual water revenue is dependent on customer usage. Due to the recent drought years, the City has adopted conservation measures which have reduced the amount of revenue from water sales. The Water Operations Fund is projected to collect \$8.2 million in total revenues (minus transfers) for FY 15-16.

Revenues & Transfer In (continued)

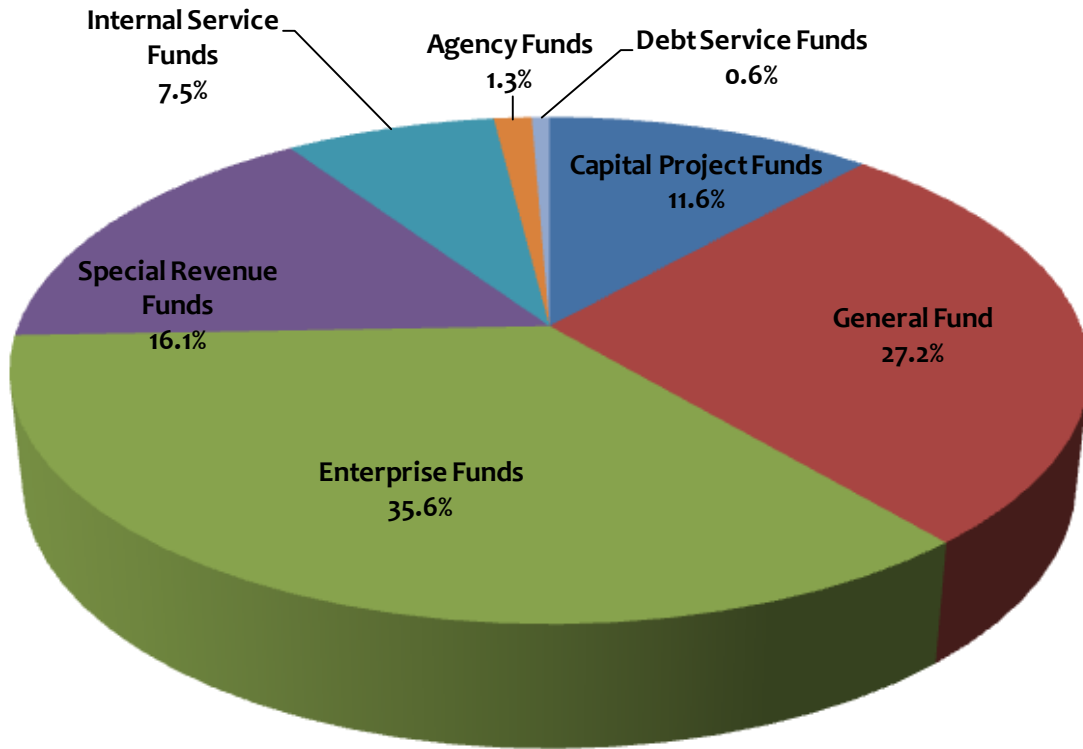
		12-13	13-14	14-15	15-16
		Actual	Actual	Year End Projection	Adopted
Special Revenue Funds					
202	Street Fund	\$ 605,346	\$ 693,424	\$ 741,500	\$ 690,311
205	Supplemental Law Enforce. Fund	102,284	91,934	100,350	100,300
	Planning	1,222,125	1,770,924	1,307,028	1,292,307
	Building	1,940,734	2,042,178	2,270,274	2,477,376
	Engineering	946,795	1,375,160	906,386	896,127
	Other Revenue	26,426	106,933	172,409	22,110
206	Community Development Fund	4,136,080	5,295,196	4,656,097	4,687,920
207	General Plan Update Fund	780,449	919,591	899,972	902,088
210	Com Rec Centers Startup Fund	227	2	2	2
215	CDBG Fund	(46)	59,988	142,000	77,952
216	CDBG Revolving Loan Fund	1,834	3,117	3,500	-
225	Asset Seizure Fund	94	10,600	7,600	7,809
229	Lighting & Landscape Fund	176,963	182,135	184,557	184,560
230	Community Facilities District	-	11,000	6	39,448
232	Environmental Programs Fund	214,908	238,522	295,915	229,214
234	Mobile Home Park Rent Fund	5,740	3,719	5,145	5,146
235	Senior Housing Trust Fund	1,163	1,193	1,073	1,078
236	Housing Mitigation Fund	243,476	2,278,805	1,285,800	897,650
240	Employee Assistance Fund	42,453	37,752	37,710	37,710
242	Traffic Safety Fund	-	-	-	-
247	Environment Remediation Fund	1,381	1,155	1,200	1,041
250	COMH Successor to MHRDA	15,575,175	105,375,446	7,935,543	7,001,993
255	Successor Housing Agency	1,741,920	2,139,886	651,247	1,651,918
Total Special Revenue Funds		\$ 23,629,449	\$ 117,343,465	\$ 16,949,217	\$ 16,516,141

Capital Project Funds					
301	Park Impact Fund	\$ 1,601,885	\$ 1,497,143	\$ 930,682	\$ 4,041,090
302	Park Maintenance Fund	701,990	711,575	897,595	1,000,703
303	Drainage Impact Fund	1,176,878	1,584,390	1,160,632	2,070,189
304	Drainage-Non AB1600 Fund	316,953	184,157	82,941	126,300
306	Open Space Fund	730,904	837,680	983,839	624,120
308	Street CIP	812,452	1,647,519	1,162,645	3,275,917
309	Traffic Impact Fund	657,704	908,771	388,559	1,077,631
310	Municipal Infrastructure CIP Fund	129,220	-	-	-
311	Police Impact Fund	223,143	230,582	118,814	360,359
313	Fire Impact Fund	220,275	185,748	43,130	83,822
317	RDA Fund	-	-	-	-
327(8)	RDA Housing Fund	-	-	-	-
342	MH Bus Ranch II AD CIP Fund	1	1	1	1
346	Public Facilities (Non AB1600) Fund	995,161	276,019	681,499	756,456
347	Public Facilities Impact Fund	158,792	149,071	79,664	254,256
348	Library Impact Fund	677,869	679,813	443,137	975,444
350	Undergrounding Fund	56,111	7,631	125,182	1,105,529
355	School Ped & Traffic Safety Fund	485,822	168,399	533,136	725,851
360	Com Rec Centers Impact Fund	380	390	351	353
370	Civic Center Construction	35	(232)	(232)	19
Total Capital Project Funds		\$ 8,945,575	\$ 9,068,656	\$ 7,631,575	\$ 16,478,039

Expenditures Summary Charts

FY 2015-16 Total City Expenditures by Fund Type

\$ 127.2 million



Summary of Expenditures & Transfer Out

	12-13	13-14	14-15	15-16
	Actual	Actual	Year End Projection	Adopted
General Fund by Program				
City Council	\$ 116,815	\$ 187,552	\$ 254,489	\$ 432,624
City Attorney	624,820	465,248	517,633	598,440
Transfers Out	439,667	983,983	928,150	1,569,946
City Manager	233,838	255,030	406,435	756,925
City Manager Housing	-	-	1,010,000	-
RCSO Membership Services	4,427,826	4,512,262	4,815,751	5,093,862
Facility Services	908,958	1,022,644	1,243,760	1,165,700
Community Services	150,530	119,985	393,058	575,074
Human Resources	381,406	470,448	581,603	582,349
City Clerk	297,396	412,643	614,466	608,543
Elections	84,342	17,127	90,640	23,195
Finance	1,091,561	1,125,653	1,274,691	1,345,489
PD Administration	845,279	873,125	924,058	1,247,208
PD Field Operations	5,769,449	6,612,043	6,656,541	6,676,893
PD Support Services	1,453,316	1,581,258	1,925,311	2,006,458
PD Emergency Services	149,454	179,868	165,938	171,609
PD Special Operations	1,863,788	1,859,810	2,312,781	2,677,095
Domestic Violence Grant	517,922	533,702	237,067	-
Fire Services	10,457,415	4,502,027	4,916,742	5,329,155
Cable Television	37,021	39,273	43,014	43,649
Park Maintenance	763,526	807,054	-	-
Downtown Maintenance	44,910	38,180	30,500	104,156
Environmental Programs	172,903	209,855	248,934	213,071
Street Maintenance	1,574,138	1,829,648	2,856,278	1,906,471
Congestion Management	69,642	70,195	72,035	75,116
Dispatch Services	1,216,426	1,293,352	1,361,461	1,403,374
Total General Fund	\$ 33,692,348	\$ 30,001,967	\$ 33,881,335	\$ 34,606,402

General Fund by Department/Division				
City Council	\$ 116,815	\$ 187,552	\$ 254,489	\$ 432,624
City Attorney	624,820	465,248	517,633	598,440
City Manager	233,838	255,030	406,435	756,925
Recreation	5,487,314	5,654,891	6,452,570	6,834,635
HR	381,406	470,448	581,603	582,349
Finance	1,091,561	1,125,653	1,274,691	1,345,489
Police	11,815,634	12,933,158	13,583,156	14,182,637
Fire	10,457,415	4,502,027	4,916,742	5,329,155
Cable TV	37,021	39,273	43,014	43,649
Park Maintenance	763,526	807,054	-	-
Street Maint./Congest Mgmt.	1,643,780	1,899,843	2,928,313	1,981,587
Environmental Programs	172,903	209,855	248,934	213,071
Transfers	439,667	983,983	928,150	1,569,946
Total General Fund	\$ 33,692,348	\$ 30,001,967	\$ 33,881,335	\$ 34,606,402

Expenditures & Transfer Out (continued)

		12-13	13-14	14-15	15-16
		Actual	Actual	Year End Projection	Adopted
Debt Service Funds					
420	Civic Center Debt	\$ 341,324	\$ 336,972	\$ 340,033	\$ 340,112
441	Police Facility Bond Debt Service	450,589	449,176	456,088	455,547
Total Debt Service Funds		\$ 791,913	\$ 786,148	\$ 796,121	\$ 795,659
Enterprise Funds					
640	Sewer Operations Fund	\$ 8,952,431	\$ 8,595,529	\$ 9,174,335	\$ 9,793,441
641	Sewer Impact Fund	1,655,924	2,086,427	9,822,887	12,100,313
642	Sewer Rate Stabilization Fund	501,691	1,607	3,472	3,643
643	Sewer System Replacement Fund	984,082	693,394	745,582	2,868,971
650	Water Operations Fund	8,768,865	12,625,218	9,428,050	9,929,266
651	Water Impact Fund	646,137	5,923,350	2,074,606	4,325,798
652	Water Rate Stabilization Fund	100,161	154	575	603
653	Water System Replacement Fund	1,067,640	7,278,997	4,198,200	6,267,699
Total Enterprise Funds		\$ 22,676,931	\$ 37,204,675	\$ 35,447,707	\$ 45,289,735
Internal Service Funds					
730	Information Systems Fund	\$ 617,617	\$ 682,492	\$ 1,077,615	\$ 1,264,730
740	Building Maintenance Fund	1,876,697	1,892,506	2,778,382	2,676,965
741	Building Replacement Fund	90,528	602,832	306,995	150,500
745	CIP Administration Fund	1,647,094	1,595,513	1,540,845	1,702,079
760	Unemployment Insurance Fund	27,892	18,864	35,000	36,050
770	Worker's Comp Fund	792,961	764,824	904,745	1,048,570
790	Equipment Replacement Fund	264,772	231,404	898,438	1,142,906
791	Employee Benefits Fund	469,176	484,525	400,000	412,000
795	General Liab. Insurance Fund	596,178	1,077,922	902,743	1,072,279
Total Internal Service Funds		\$ 6,382,914	\$ 7,350,882	\$ 8,844,762	\$ 9,506,078
Agency Funds					
820	Special Deposits	\$ -	\$ -	\$ -	\$ -
843	MH Business Ranch 1998 AD Fund	859,031	929,565	1,161,803	858,565
844	MH Ranch Reassessment 2004 Fund	842,237	667,419	120	2,532
845	Madrone BP (Tax Exempt) Fund	760,387	718,604	741,857	742,131
846	Madrone BP (Taxable) Fund	106,339	107,059	109,145	105,700
881	Police Donation Trust Fund	84	-	-	-
Total Agency Funds		\$ 2,568,077	\$ 2,422,647	\$ 2,012,925	\$ 1,708,928
TOTAL ALL FUNDS		\$ 102,550,522	\$ 195,837,937	\$ 133,203,962	\$ 127,213,918

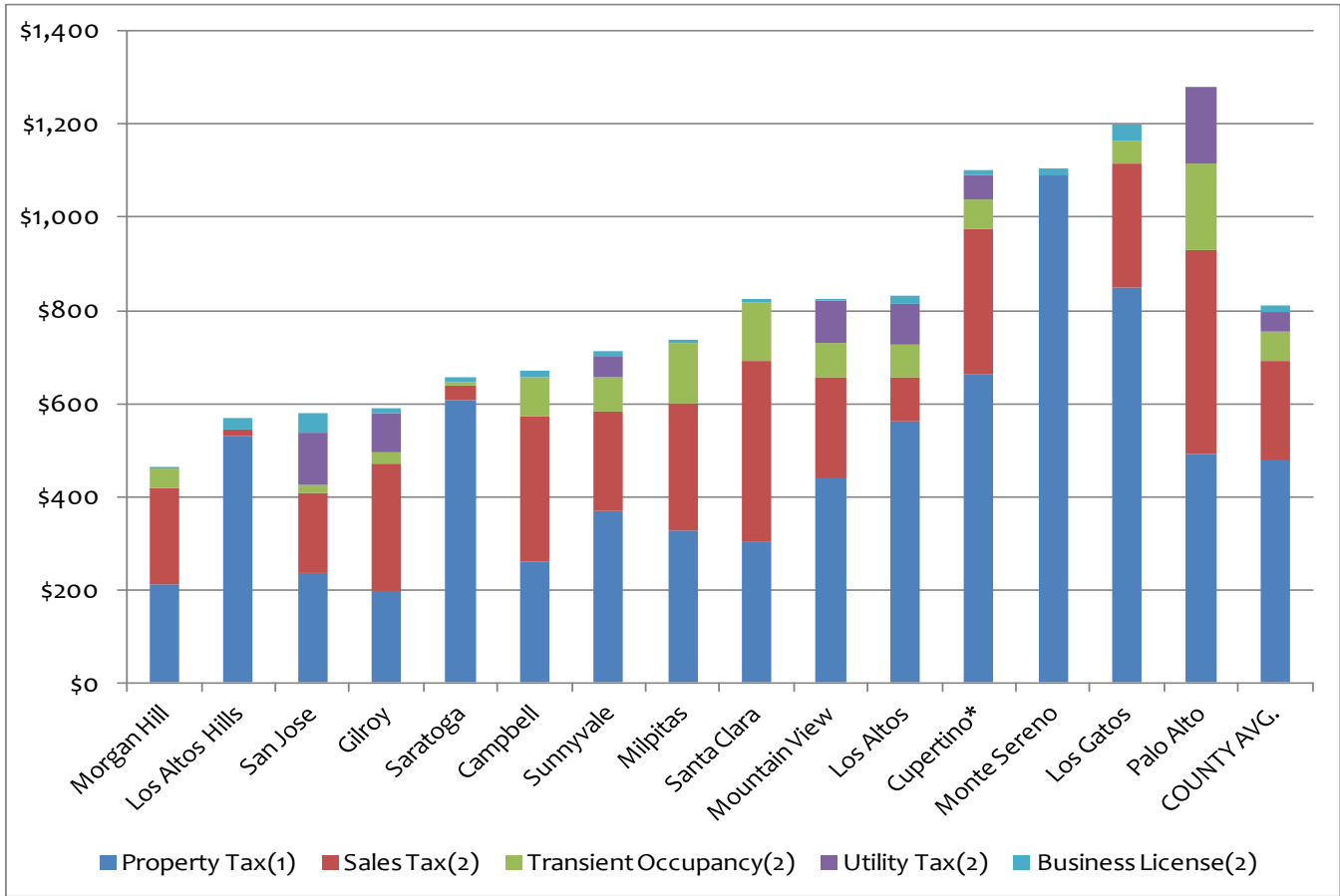
Internal Service Charges (continued)

Charges To Departments	Liability Insurance	Building Maint	Building Replacement	Vehicle Replacement	Information Systems	GF Admin	TOTAL
Parks CIP	-	-	-	-	-	26,828	26,828
Park Maintenance	12,090	7,255	357	15,148	5,312	55,136	95,298
Drainage Impact	-	-	-	-	-	3,741	3,741
Drainage Non-AB 1600	-	-	-	-	-	4,180	4,180
Open Space	-	-	-	-	-	3,616	3,616
Street CIP	-	-	-	-	-	9,927	9,927
Traffic Impact	101,766	-	-	-	-	4,667	106,433
Police Impact	-	-	-	-	-	853	853
Fire Impact	-	-	-	-	-	1,202	1,202
Public Facility (non-AB 1600)	-	-	-	-	-	3,382	3,382
Public Facility CIP	-	-	-	-	-	884	884
Library Impact	-	-	-	-	-	1,353	1,353
Underground CIP	-	-	-	-	-	489	489
School Pedestrian	-	-	-	-	-	3,590	3,590
Civic Center Debt	-	-	-	-	-	1,052	1,052
Police Facility Debt	-	-	-	-	-	2,159	2,159
Sewer Operations	109,309	27,053	1,332	109,145	26,558	194,051	467,448
Sewer Impact	-	-	-	-	-	12,652	12,652
Sewer Rate Stabilization	-	-	-	-	-	3,537	3,537
Sewer System Replacement	-	-	-	-	-	3,897	3,897
Water Operations	75,750	54,220	2,670	233,540	116,855	205,534	688,568
Utility Billing	5,769	6,608	1,096	-	25,230	45,673	84,376
Water Conservation	420	-	-	-	-	5,154	5,574
Water Impact	-	-	-	-	-	3,585	3,585
Water Rate Stabilization	-	-	-	-	-	550	550
Water System Replacement	-	-	-	-	-	3,455	3,455
Information Systems	8,601	-	2,300	-	-	-	10,901
Building Maint. - CCC	28,289	-	-	-	-	-	28,289
Building Maint. - Aqtcs	7,612	-	-	-	-	-	7,612
Building Maint. - IRC	27,202	-	-	-	-	-	27,202
Building Maint. - PD	19,818	-	-	-	-	-	19,818
Building Maint. - City Hall	25,156	-	-	-	-	-	25,156
Building Maint. - DSC	6,562	-	-	-	-	-	6,562
Building Maintenance-Friendly Inn	2,476	-	-	-	-	-	2,476
Building Maintenance-El Toro Youth Center	803	-	-	-	-	-	803
Building Maint. - PW	6,619	-	-	-	-	-	6,619
CIP Administration	66,815	18,171	3,015	-	20,875	123,161	232,038
MH Business Ranch 1998 AD	-	-	-	-	-	3,544	3,544
MH Ranch Reassessment 2004 AD	-	-	-	-	-	2,532	2,532
Madrone BP (Tax Exempt)	-	-	-	-	-	3,275	3,275
Madrone BP Taxable	-	-	-	-	-	1,260	1,260
TOTAL	1,120,967	2,468,961	388,759	640,963	1,250,217	1,200,071	7,069,938

CITY OF MORGAN HILL • FY 15-16 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 15-16 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 15-16 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 15-16 • OPERATING AND CIP BUDGET

Comparison of Municipalities (with Central Fire District Tax Revenue)

Property Tax, Sales Tax, Transient Occupancy Tax, Business License, and Utility User Tax



City	Population	Property Tax(1)		Sales Tax(2)		Transient Occupancy(2)		Utility Tax(2)		Business License(2)	
		Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita
Morgan Hill	41,779	8,911,000	213	8,594,986	206	1,714,492	41	-	-	179,848	4
Los Altos Hills	8,341	4,432,000	531	110,474	13	-	-	-	-	211,137	25
San Jose	1,016,479	239,499,000	236	173,412,000	171	17,812,000	18	114,486,000	113	45,501,000	45
Gilroy	53,000	10,545,000	199	14,423,130	272	1,234,798	23	4,468,346	84	576,470	11
Saratoga	30,799	\$ 18,721,000	608	\$ 941,350	31	\$ 257,010	8	\$ -	-	\$ 336,911	11
Campbell	41,857	10,914,000	261	13,115,263	313	3,417,412	82	-	-	647,873	15
Sunnyvale	148,028	54,677,000	369	31,675,532	214	10,858,671	73	6,754,263	46	1,742,401	12
Milpitas	72,606	23,867,000	329	19,766,138	272	9,336,309	129	-	-	482,125	7
Santa Clara	120,973	36,829,000	304	46,735,959	386	15,140,910	125	-	-	874,135	7
Mountain View	77,914	34,341,000	441	16,935,700	217	5,594,900	72	7,226,400	93	267,700	3
Los Altos	30,036	16,875,000	562	2,809,490	94	2,168,556	72	2,600,033	87	475,298	16
Cupertino*	59,756	39,623,000	663	18,721,193	313	3,768,504	63	2,994,526	50	748,040	13
Monte Sereno	3,451	3,759,500	1,089	7,576	2	-	-	-	-	40,595	12
Los Gatos	30,505	25,955,000	851	8,029,571	263	1,512,846	50	-	-	1,130,020	37
Palo Alto	66,932	32,880,000	491	29,424,000	440	12,255,000	183	11,008,000	164	-	-
COUNTY AVG.	120,164	\$ 37,455,233	476	\$ 25,646,824	214	\$ 5,671,427	63	\$ 9,969,171	42	\$ 3,547,570	15

Source: Cities and the County of Santa Clara
 (1) - Property Tax Data for FY 2014-15 Projected
 (2)- 2013-14 Actual Data

Personnel

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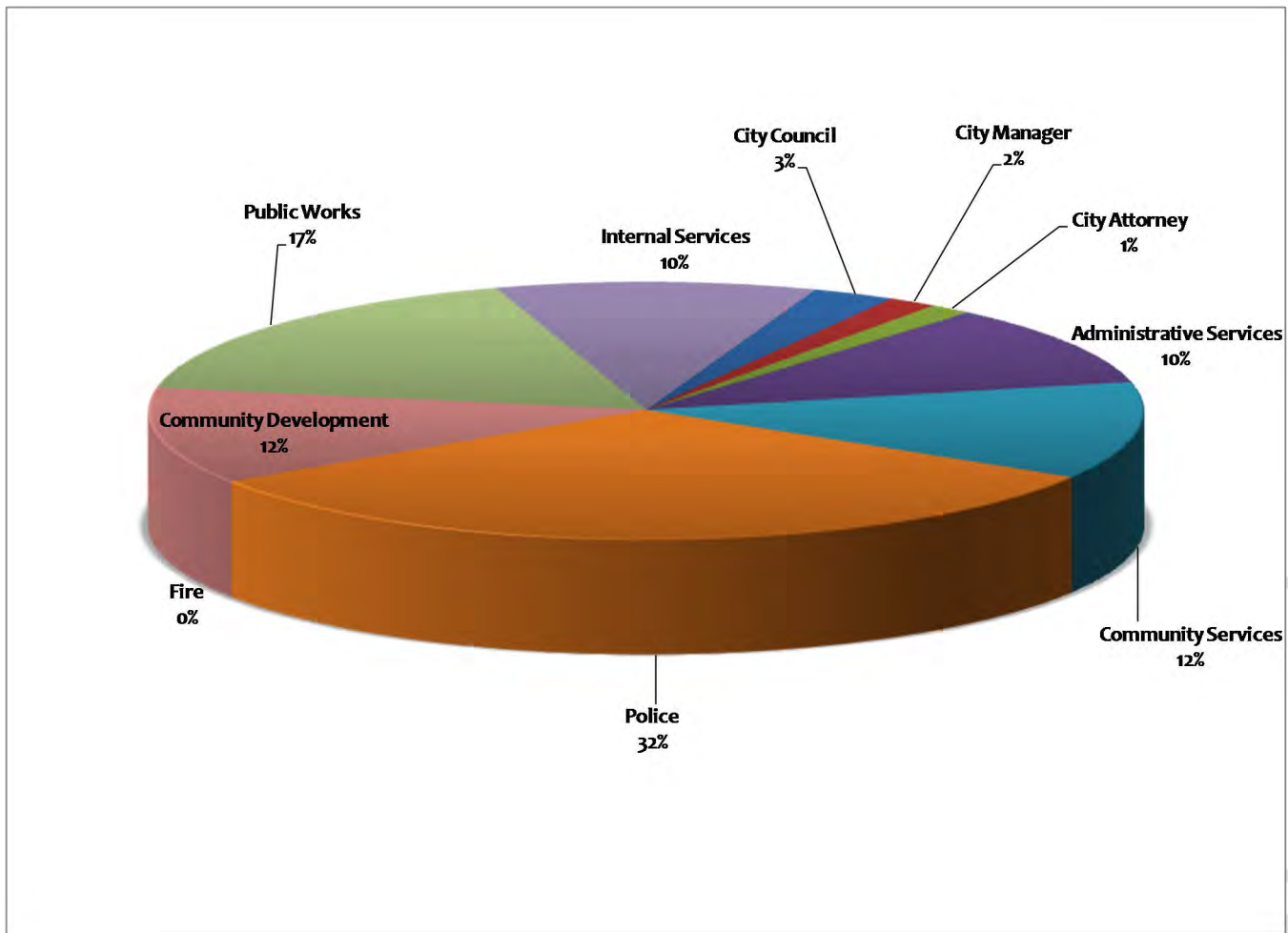


Personnel Summary by Programs

Program Title	Full-time Equivalent
City Council	5.00
City Attorney	2.63
City Manager	3.00
Membership Services and Recreation Programs	5.65
Recreation Facility Rentals	2.95
Community Services	2.30
Human Resources	2.90
Council Svs & Records Management	5.00
Elections	0.10
Finance	8.40
PD Administration	4.00
PD Field Operations	29.00
PD Support Services	6.50
PD Emergency Services	1.00
PD Special Operations	11.00
Domestic Violence Grant	0.00
Cable Television	0.10
Environmental Services	0.85
Street Maintenance	5.66
Congestion Management	0.25
Dispatch Services	8.00
General Fund Subtotal	104.29
Planning	6.69
Building	6.76
Engineering	2.75
Long Range Planning	1.55
Lighting And Landscape District	0.24
Stormwater Pollution Prevention	1.50
Housing Mitigation	2.17
Successor Agency Administration	1.20
Housing	1.50
Park Maintenance	3.34
Sewer Operations	14.31
Water Operations	17.73
Utility Billing	2.75
Water Conservation	0.20
Information Services	4.10
Communications and Marketing	1.00
Community & Cultural Center	1.20
Aquatics Center	1.20
Centennial Recreation Center	1.28
PD Support Services	0.55
PW - Edes Court Maintenance	0.55
Building Maintenance - CH/Others	0.43
Building Maintenance - DSC	0.68
Capital Project Implementation	8.05
General Liability Insurance	0.50
Non-GF Subtotal	82.21
CITYWIDE TOTAL	186.50

Personnel Summary by Department

	12-13 Actual	13-14 Actual	14-15 Amended	15-16 Adopted
City Council	5.00	5.00	5.00	5.00
City Manager	0.70	0.95	1.20	3.00
City Attorney	2.63	2.63	2.63	2.63
Administrative Services	16.30	18.25	18.40	19.15
Community Services	23.90	24.65	21.79	22.79
Police	55.50	56.50	58.50	59.50
Fire	0.25	0.25	-	-
Community Development	20.33	20.08	22.67	22.62
Public Works	31.79	31.79	32.29	32.29
Internal Services	13.10	13.90	19.52	19.52
Total All Departments	169.50	174.00	182.00	186.50



Personnel Summary by Position (continued)

Job Classification	12-13 Actual	13-14 Actual	14-15 Amended	15-16 Adopted
Maintenance Supervisor	1.00	-	-	-
Maintenance Worker I	4.00	4.00	4.00	4.00
Maintenance Worker II	2.00	2.00	2.00	2.00
Management Analyst	1.00	1.00	1.00	1.00
Mayor & Council Members	5.00	5.00	5.00	5.00
Multi-Service Officer	3.00	3.00	3.00	3.00
Municipal Services Assistant	4.00	4.00	4.00	5.00
Office Assistant II	2.00	2.00	2.00	2.50
Paralegal	1.00	1.00	1.00	1.00
Police Analyst	1.00	1.00	1.00	1.00
Police Captain	2.00	2.00	2.00	2.00
Police Chief	1.00	1.00	1.00	1.00
Police Corporal	5.00	4.00	4.00	4.00
Police Officer	23.00	24.00	26.00	26.00
Police Records Specialist	1.00	2.00	2.00	3.00
Police Sergeant	5.00	5.00	5.00	5.00
Police Support Services Manager	1.00	1.00	1.00	1.00
Program Administrator	1.00	1.00	1.00	1.00
Programmer Analyst	-	-	1.00	1.00
Property Evidence Technician	1.00	1.00	1.00	1.00
PT Administrative Analyst	-	0.50	0.75	0.75
PT Custodian	2.00	2.00	2.00	2.00
PT Human Resources Assistant	-	0.75	-	-
PT Management Analyst	-	0.75	0.75	0.75
PT Municipal Services Assistant	0.50	1.00	0.50	0.50
PT Office Assistant II	0.50	0.50	1.00	1.00
PT Police Records Specialist	1.50	0.50	0.50	0.50
PT Public Safety Dispatcher	1.00	-	-	-
PT Risk Management Analyst	-	-	0.50	0.50
Public Safety Dispatcher	7.00	8.00	8.00	8.00
Public Works Director/City Engineer	1.00	1.00	1.00	1.00
Public Works Inspector	1.00	1.00	1.00	-
Public Works Inspector Supervisor	1.00	1.00	1.00	1.00
Records Imaging Technician	1.00	-	-	-
Recreation Manager	1.00	1.00	1.00	1.00
Recreation Services Coordinator	4.00	4.00	3.00	3.00
Senior Civil Engineer	2.00	2.00	2.00	2.00
Senior Human Resources Analyst	1.00	1.00	1.00	1.00
Senior Maintenance Worker	1.00	1.00	1.00	1.00
Senior Planner	2.00	2.00	3.00	3.00
Senior Police Records Specialist	1.00	1.00	1.00	1.00
Senior Public Works Inspector	-	-	-	1.00
Senior Utility Worker	3.00	4.00	4.00	4.00
Support Services Supervisor	1.00	1.00	1.00	1.00
Utilities Business Manager	1.00	1.00	1.00	1.00
Utilities Supervisor	-	2.00	2.00	2.00
Utility Systems Manager	1.00	1.00	1.00	1.00
Utility Systems Supervisor	2.00	-	-	-
Utility Worker I	12.00	11.00	11.00	11.00
Utility Worker II	6.00	6.00	6.00	6.00
Water Quality Specialist	1.00	1.00	1.00	1.00
City Total	169.50	174.00	182.00	186.50

Personnel Detail by Program

Job Classification	12-13 Actual	13-14 Actual	14-15 Amended	15-16 Adopted
Administrative Services Director	-	0.10	-	-
Assistant City Manager - Administrative Services	-	-	0.15	0.15
Confidential Administrative Assistant	0.25	-	-	-
Human Resources Manager	1.00	1.00	1.00	1.00
Human Resources Technician	-	-	0.75	0.75
PT Human Resources Assistant	-	0.50	-	-
Senior Human Resources Analyst	1.00	1.00	1.00	1.00
Human Resources	2.25	2.60	2.90	2.90
Administrative Services Director	-	0.10	-	-
Assistant City Manager - Administrative Services	-	-	0.10	0.10
City Clerk	1.00	1.00	1.00	1.00
Confidential Administrative Assistant	0.50	-	-	-
Council Services Assistant	-	1.00	1.00	1.00
Council Services/Records Coordinator	0.90	0.90	0.90	0.90
Municipal Services Assistant	-	1.00	1.00	1.00
Office Assistant II	-	-	0.50	1.00
PT Municipal Services Assistant	-	0.50	-	-
Records Imaging Technician	1.00	-	-	-
Council Svs & Records Management	3.40	4.50	4.50	5.00
Council Services/Records Coordinator	0.10	0.10	0.10	0.10
Elections	0.10	0.10	0.10	0.10
Accountant I	1.00	1.50	1.70	1.70
Accounting Assistant I/II	1.50	1.50	2.00	2.25
Accounting Technician	1.00	1.00	1.00	1.00
Administrative Services Director	0.75	0.60	-	-
Assistant City Manager - Administrative Services	-	-	0.50	0.50
Assistant Finance Director	0.70	0.70	0.70	0.70
Budget Manager	1.00	1.00	1.00	1.00
City Treasurer	1.00	1.00	1.00	1.00
Human Resources Technician	-	-	0.25	0.25
Office Assistant II	0.50	0.50	-	-
PT Human Resources Assistant	-	0.25	-	-
Finance	7.45	8.05	8.15	8.40
Administrative Secretary	1.00	-	-	-
Administrative Sergeant	-	1.00	1.00	1.00
Executive Assistant to the Chief of Police	-	1.00	1.00	1.00
Police Analyst	0.50	0.75	1.00	1.00
Police Chief	1.00	1.00	1.00	1.00
PD Administration	2.50	3.75	4.00	4.00
Multi-Service Officer	3.00	3.00	3.00	3.00
Police Captain	1.00	1.00	1.00	1.00
Police Corporal	5.00	4.00	3.00	2.00
Police Officer	16.00	18.00	19.00	19.00
Police Sergeant	4.00	4.00	4.00	4.00
PD Field Operations	29.00	30.00	30.00	29.00

Personnel Detail by Program

Job Classification	12-13 Actual	13-14 Actual	14-15 Amended	15-16 Adopted
Administrative Analyst	0.10	0.10	0.10	0.1000
Community Services Coordinator	0.25	-	-	-
Community Services Director	0.10	0.10	0.15	0.1500
Engineering Aide II	0.05	0.05	0.05	0.0500
Maintenance Manager	-	0.45	0.35	0.3500
Maintenance Supervisor	0.45	-	-	-
Maintenance Worker I	2.50	2.50	2.90	2.9000
Maintenance Worker II	1.00	1.00	1.05	1.0500
Municipal Services Assistant	0.10	0.10	0.10	0.1000
Office Assistant II	0.10	0.10	0.10	0.1000
Program Administrator	0.20	0.20	0.10	0.1000
PT Management Analyst	-	0.34	0.26	0.2625
Senior Maintenance Worker	1.00	1.00	0.50	0.5000
Street Maintenance	5.85	5.94	5.66	5.6625
Development Services Technician	0.10	0.10	0.10	0.10
Public Works Director/City Engineer	0.05	0.05	0.05	0.05
Senior Civil Engineer	0.10	0.10	0.10	0.10
Congestion Management	0.25	0.25	0.25	0.25
PT Public Safety Dispatcher	1.00	-	-	-
Public Safety Dispatcher	7.00	8.00	8.00	8.00
Dispatch Services	8.00	8.00	8.00	8.00
Accounting Assistant I/II	-	-	0.10	0.10
Assistant City Manager for Community Development	0.15	0.35	0.20	0.30
Assistant Planner	-	-	0.50	1.00
Associate Planner	0.95	0.95	1.00	1.00
Building Inspector I/II	-	-	-	-
City Manager	0.05	0.04	0.04	0.04
Community Development Business Assistant	0.10	0.10	0.10	0.10
Community Development Director	0.25	0.45	0.30	0.30
Development Services Technician	1.55	2.10	0.95	0.95
Economic Development Manager	0.40	0.60	0.50	-
Municipal Services Assistant	0.95	0.80	0.80	0.80
Office Assistant II	0.10	0.10	-	-
Senior Planner	1.20	1.30	2.00	2.00
Support Services Supervisor	0.10	0.10	0.10	0.10
Planning	5.80	6.89	6.59	6.69
Accounting Assistant I/II	-	-	0.10	0.10
Assistant City Manager for Community Development	0.15	0.20	0.10	0.10
Building Inspection Supervisor	-	-	1.00	1.00
Building Inspector I/II	2.00	2.00	2.00	2.00
Building Manager	0.86	0.86	0.74	0.74
City Manager	0.05	0.02	0.02	0.02
Code Enforcement Officer	0.50	0.60	0.60	0.60
Community Development Business Assistant	0.05	0.05	0.05	0.05
Community Development Director	0.25	0.45	0.20	0.20
Community Service Officer	-	-	-	-
Development Services Technician	1.35	1.40	1.85	1.85
Municipal Services Assistant	0.08	0.05	0.05	0.05
Office Assistant II	0.10	0.10	-	-
Support Services Supervisor	0.05	0.05	0.05	0.05
Building	5.44	5.78	6.76	6.76

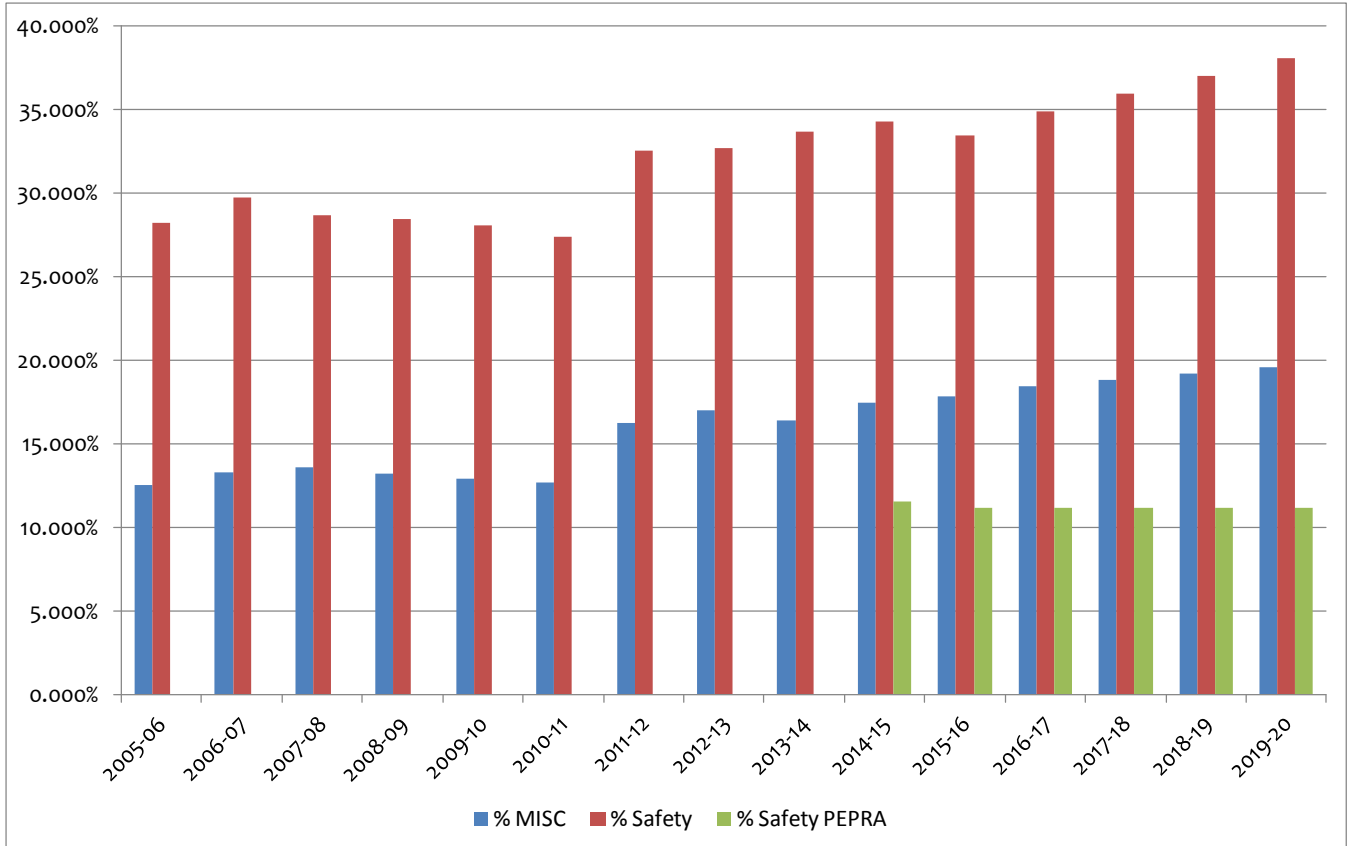
Personnel Detail by Program

Job Classification	12-13 Actual	13-14 Actual	14-15 Amended	15-16 Adopted
Accounting Assistant I/II	-	0.25	0.50	0.25
Assistant City Manager for Community Development	0.10	0.15	0.10	0.15
City Attorney	0.15	0.15	0.15	0.15
Code Enforcement Officer	0.50	0.30	0.30	0.30
Community Development Business Assistant	0.25	0.15	0.15	0.15
Community Development Director	0.20	-	-	-
Deputy City Attorney	0.02	0.02	0.02	0.02
Development Services Technician	-	0.30	0.10	0.10
Housing Manager	0.50	0.50	0.50	0.50
Municipal Services Assistant	0.25	-	0.05	0.55
Support Services Supervisor	0.05	-	-	-
Housing Mitigation	2.02	1.82	1.87	2.17
Accountant I	1.00	0.50	0.30	0.30
Assistant City Manager for Community Development	0.10	0.10	0.45	0.25
City Attorney	0.15	0.15	0.15	0.15
City Manager	0.25	0.20	0.20	0.20
Support Services Supervisor	0.05	-	-	-
Community Development Business Assistant	0.05	0.05	0.05	0.05
Deputy City Attorney	0.05	0.05	0.05	0.05
Economic Development Manager	0.20	-	0.30	0.20
Successor Agency Administration	1.85	1.05	1.50	1.20
Accounting Assistant I/II	0.25	-	-	-
Assistant City Manager for Community Development	0.05	0.15	0.10	0.10
City Manager	0.15	0.15	0.15	0.15
Code Enforcement Officer	-	0.10	0.10	0.10
Community Development Business Assistant	0.05	0.05	0.05	0.05
Community Development Director	0.20	-	0.05	0.05
Development Services Technician	-	0.10	-	-
Housing Manager	0.50	0.50	0.50	0.50
Municipal Services Assistant	0.55	0.10	0.05	0.55
Housing Successor Agency	1.75	1.15	1.00	1.50
Administrative Analyst	-	-	0.10	0.1000
Community Services Director	-	-	0.05	0.0500
Maintenance Manager	-	-	0.25	0.2500
Maintenance Worker I	-	-	1.10	1.0500
Maintenance Worker II	-	-	0.95	0.9500
Municipal Services Assistant	-	-	0.10	0.1000
Office Assistant II	-	-	0.10	0.1000
Program Administrator	-	-	0.10	0.1000
PT Management Analyst	-	-	0.19	0.1875
Senior Maintenance Worker	-	-	0.45	0.4500
Parks Maintenance	-	-	3.39	3.3375

Personnel Detail by Program

Job Classification	12-13 Actual	13-14 Actual	14-15 Amended	15-16 Adopted
Accounting Assistant I/II	2.25	2.25	2.20	2.2000
Administrative Services Director	0.25	0.15	-	-
Assistant City Manager - Administrative Services	-	-	0.15	0.1500
Assistant Finance Director	0.30	0.30	0.30	0.3000
Office Assistant II	0.20	0.20	-	-
Utilities Business Manager	0.10	0.10	0.10	0.1000
Utility Billing	3.10	3.00	2.75	2.7500
Community Services Director	0.05	0.05	0.05	0.0500
Program Administrator	0.10	0.10	0.10	0.1000
PT Municipal Services Assistant	0.05	0.05	0.05	0.0500
Water Conservation	0.20	0.20	0.20	0.2000
Administrative Services Director	-	0.05	-	-
Assistant City Manager - Administrative Services	-	-	0.10	0.1000
Communications and Engagement Manager	-	1.00	1.00	-
Information Services Manager	1.00	1.00	1.00	1.0000
Information Services Technician	2.00	2.00	2.00	2.0000
Programmer Analyst	-	-	1.00	1.0000
Information Services	3.00	4.05	5.10	4.1000
Communication and Engagement Manager	-	-	-	1.0000
Communications and Marketing	-	-	-	1.0000
Building Manager	0.02	0.02	0.02	0.0200
Facilities Maintenance Specialist	-	-	1.00	1.0000
Maintenance Manager	-	-	0.10	0.1000
PT Custodian	-	-	0.50	-
PT Management Analyst	-	-	0.08	0.0750
Building Maintenance - CCC	0.02	0.02	1.70	1.1950
Building Manager	0.02	0.02	0.02	0.0200
Facilities Maintenance Specialist	-	-	1.00	1.0000
Maintenance Manager	-	-	0.10	0.1000
PT Management Analyst	-	-	0.08	0.0750
Building Maintenance - Aquatics Center	0.02	0.02	1.20	1.1950
Building Manager	0.02	0.02	0.02	0.0200
Facilities Maintenance Specialist	-	-	1.00	1.0000
Maintenance Manager	-	-	0.15	0.1500
PT Management Analyst	-	-	0.11	0.1125
Building Maintenance - CRC	0.02	0.02	1.28	1.2825
Building Manager	0.02	0.02	0.05	0.0500
PT Custodian	0.50	0.50	0.50	0.5000
Building Maintenance - PD Support Services	0.52	0.52	0.55	0.5500
Building Manager	0.02	0.02	0.05	0.0500
PT Custodian	-	-	0.13	0.3750
Building Maintenance - CH/Others	0.02	0.02	0.18	0.4250

PERS Rate Employer Contribution (Safety, Miscellaneous, and Safety PEPPA)



City Council

Appropriations Summary

	12-13	13-14	14-15	14-15	15-16
	Actual	Actual	Amended	Year End Projection	Adopted
Employee Services	\$ 62,723	\$ 77,662	\$ 94,808	\$ 95,776	\$ 94,716
Supplies & Services	44,590	101,913	183,678	140,113	316,958
Capital Outlay	-	-	-	-	-
Debt Services	-	-	-	-	-
Internal Service	8,981	7,481	16,771	16,771	19,122
Transfers Out	520	496	1,829	1,829	1,829
TOTAL EXPENDITURES	\$ 116,815	\$ 187,552	\$ 297,086	\$ 254,489	\$ 432,624
FULL TIME EQUIVALENT EMPLOYEES	5.00	5.00	5.00	5.00	5.00

City Council [010-1100]

ACTIVITY DESCRIPTION

The City Council consists of the Mayor and four Council Members, elected at large by the citizens of Morgan Hill on a non-partisan basis. The City council is the policy making legislative body of the City. The Council adopts the annual budget, enacts ordinances and approves major contracts, acquisitions and leases, as well as major purchases of equipment and services required by the City. The Council also appoints the City Manager as the City's chief administrative officer and City Attorney as legal counsel.

With the advice and assistance of the City Manager, City Attorney, and employees, the City Council reviews proposals to meet community needs, initiates action for new policies, and allocates resources. Members of the City Council also represent the City on various outside agencies, commissions and committees.

Annually, the Council adopts its goals, priorities, and strategies for the organization and community. Included are its ongoing priorities of enhancing public safety, protecting the environment, maintaining fiscal responsibility, supporting youth, fostering a positive organizational culture, and in 2015, the Council added "preserving and cultivating public trust."

In addition to the City Council's ongoing priorities, eleven specific focus areas were recognized by the Council that will require significant resources in 2015:

- Stimulate economic development to increase jobs and expand the City's tax base
- Actively participate in regional issues for the benefit of Morgan Hill
- Develop an infrastructure funding and advocacy plan
- Evaluate, develop, and implement short and long term strategies to address the environmental and financial impacts of drought conditions
- Continue our General Plan Update, Morgan Hill 2035, including updating and incorporating the Residential Development Control System (RDSCS)
- Advance revitalization of our downtown by completing our significant public investment
- Implement Southeast Quadrant agricultural preservation and land use plans that satisfy the Council's goals by working cooperatively with landowners, public agencies, and other stakeholders
- Develop a plan for ongoing and comprehensive support of senior services
- Advance regional transportation decisions that are consistent with the Council's position to best serve Morgan Hill by working with regional and state organizations
- Measure the effectiveness of community engagement efforts
- Facilitate the enhancement of medical services in Morgan Hill

City Manager's Office

Appropriations Summary

	12-13		13-14		14-15		14-15 Year End		15-16	
	Actual		Actual		Amended		Projection		Adopted	
Employee Services	\$	187,040	\$	161,878	\$	242,476	\$	247,235	\$	560,504
Supplies & Services		37,802		64,319		151,999		129,580		154,700
Capital Outlay		-		9,006		-		-		5,000
Debt Services		-		-		-		-		-
Internal Service		7,957		18,835		25,962		25,962		33,062
Transfers Out		1,039		992		3,659		3,659		3,659
TOTAL EXPENDITURES	\$	233,838	\$	255,030	\$	424,096	\$	406,435	\$	756,925
FULL TIME EQUIVALENT EMPLOYEES		0.70		0.95		1.20		1.20		3.00

City Manager [010-2100]

ACTIVITY DESCRIPTION

The City Manager serves at the pleasure of the City Council and is responsible for implementing Council policy, providing leadership for the City's day-to-day operations, preparing and administering the annual budget, and managing the personnel system. The City Manager provides leadership and direction to the City's Leadership Team and employees in the Administrative Services Department, Community Development Department, Community Services Department, Fire Department, Police Department, and Public Works Department. In addition, the City Manager serves as the Personnel Officer, Purchasing Agent, the Director of Emergency Services, and serves as the Executive Director of the Successor Agency to the Redevelopment Agency (RDA).

A primary focus of the City Manager is to advance the City Council's policies, priorities, and goals and to instill them in all employees as they perform their daily jobs. The City Manager is committed to providing high quality and sustainable services to the Morgan Hill community based on the following ongoing Council priorities:

- Enhancing public safety
- Protecting the environment
- Maintaining fiscal responsibility
- Supporting youth
- Fostering a positive organizational culture
- Preserving and cultivating public trust

In addition to the City Council's priorities, eleven specific focus areas were recognized by the Council that will require significant resources in 2015:

- Stimulate economic development to increase jobs and expand the City's tax base
- Actively participate in regional issues for the benefit of Morgan Hill
- Develop an infrastructure funding and advocacy plan
- Evaluate, develop, and implement short and long term strategies to address the environmental and financial impacts of drought conditions
- Continue our General Plan Update, Morgan Hill 2035, including updating and incorporating the Residential Development Control System (RDCS)
- Advance revitalization of our downtown by completing our significant public investment
- Implement Southeast Quadrant agricultural preservation and land use plans that satisfy the Council's goals by working cooperatively with landowners, public agencies, and other stakeholders

City Manager (continued)

- Opened the new Council Chamber which has significantly improved the meeting experience and capabilities
- Implemented new technology in our administrative services areas to streamline processes and improve efficiency for our lean organization
- Provided regional leadership to advance the Silicon Valley Regional Interoperability Communication System

FY 15-16 ACTIVITY GOALS

- Advance the Council's 2015 priorities and goals
- Continue an evaluation of the organization's effectiveness in meeting the Council's priorities, including, but not limited to the organization's structure, policies, and processes
- Lead Successor Agency efforts to further the community's goals for the downtown and former redevelopment area by implementing the LRPMP, constructing a parking garage, and overseeing the downtown investment projects
- Provide guidance and support for the process to determine if the Council will place an infrastructure funding measure on November 2016 election ballot
- Actively participate in evaluating new water rate structure models that balance financial and environmental sustainability
- Oversee short and long-term water conservation efforts
- Work with the community to enhance Morgan Hill's quality of life
- Lead the organization in a manner that fosters teamwork, advances the organization's values, and improves services

FINANCIAL COMMENTS

The compensation of the City Manager is established by an employment agreement with the City Council and is available for review on the City's website. In addition, to further the City Council's economic development goals and spur private investment in Morgan Hill, the City's economic development funding for personnel, programs, and initiatives is included in the City Manager's budget. Beginning in FY 15-16, a new Economic Development Coordinator will be hired to assist the Economic Development Manager in developing a robust and effective program.

City Manager (continued)

activation opportunities that eliminate "dark areas", brightening them with lighting, art and placemaking opportunities that make access to parking and all areas of the Downtown more pleasant and safe

- **Supporting Youth**

- Work with the Morgan Hill Downtown Association (DTA) and Downtown Morgan Hill Property Based Improvement District (PBID) to enhance and improve the Downtown by encouraging placemaking activities and art for all ages, subsequently attracting families and residents of all ages to businesses Downtown
- Collaborate with Community Services and recreational interests to discuss additional outdoor facilities and connections that could encourage use of the Downtown for biking and hiking, and connect schools and transit to make access available for people of all ages by foot, bike or alternate modes of transportation

- **Preserving and Cultivating Public Trust**

- Work with community-based organizations, including the Morgan Hill Downtown Association (DTA), the Chamber of Commerce, the Hotel Coalition and the Tourism Alliance to broadly inform the community about efforts contemplated by the Economic Development team

- **Stimulate Economic Development to increase jobs and expand the City's tax base**

- Continue commercial, industrial and retail business attraction, expansion, and retention activities with a special focus on connecting with the top companies/employers to strengthen their presence in Morgan Hill
- Provide general business assistance information including the provision of economic, demographic, and general information to persons and companies interested in locating a business in Morgan Hill
- Provide "ombudsman" services for businesses in their interactions with various City Departments
- Offer business start-up counseling and referrals
- Assist site selection and development processing
- Manage downtown properties and leases
- Facilitate the development of Downtown via the specific plan and assisting planned private development
- Create policies to facilitate business development
- Work closely with brokers and developers to incentivize investment in Morgan Hill
- Develop marketing materials with updated demographics

- **Actively Participate in Regional Issues for the benefit of Morgan Hill**

- Participate in regional organizations to promote Morgan Hill, including SVEDA, CREW, ICSC, ULI and the Sili-

City Manager (continued)

area during construction. Twelve projects valued at approximately \$100,000 were approved by City Council.

- Contributed to the review and development of the design concepts for the Monterey Road Streetscape, parking garage and retail space
- Assisted with the development and implementation of the Complete Streets, a traffic calming project for Downtown to make downtown a pedestrian friendly shopping district by replacing traffic lanes with bike lanes. The small pilot project was executed successfully and a six month pilot implemented in February 2015.
- Developed and obtained support for the Downtown Morgan Hill Placemaking Investment Strategy, a 49-page document, that detailed an investment plan for \$25 million of bond monies for Downtown Projects
- Served as staff liaison to Morgan Hill Downtown Property Based Improvement District (MHDPBID), the Morgan Hill Downtown Association (MHDA) and the Chamber of Commerce Economic Development Committee
- Launched the first annual parklet project “Streets Scenes” by turning parking spaces into community spaces
- Worked closely with the Morgan Hill Economic Development Commission, the Downtown Association and the Chamber of Commerce representatives to develop the Long Range Property Management Plan, which has been approved by the Department of Finance
- Promoted the Downtown development opportunity sites at broker events, the City’s website, the Silicon Valley Business Journal ads and through mailers
- Assisted with the drafting of the Request for Qualifications/Proposals to assist with the development of the Downtown development sites
- Provided support for the Downtown Review Committee (the MHEDC, with representatives of the Chamber of Commerce and MH Downtown Association) for the review and recommendations of development proposals for Downtown Opportunity Sites 1, 2, 3 and 4
- Provided support for preparation of Purchase and Sale agreements and escrow management of Downtown Opportunity Site disposition

Business Attraction/Expansion/Retention

- Worked closely with property owners and brokers to facilitate sale and lease transactions, assisting the absorption of the industrial space supply resulting in reduction of vacancy to 3%
- Launched the Morgan Hill Manufacturing Stakeholder Group to identify opportunities for partnership to support and expand Morgan Hill’s manufacturing sector
- Assisted over twenty companies by scheduling appreciation visits, responding to business inquiries, working with brokers and developers to respond to requests for information and develop answers to zoning questions and fee estimates

City Manager (continued)

- Continued to work closely with local community-based organizations, including the PBID, the Downtown Association and the Chamber of Commerce
- Actively participated in regional organizations like the Silicon Valley Economic Development Alliance (SVEDA), International Council of Shopping Centers Alliance (ICSC) Programs and Retail Conferences, Joint Venture Silicon Valley and the Silicon Valley Manufacturing Roundtable, and the Farm Bureau of Santa Clara County
- Held leadership positions with SVEDA as Chair for 2013-14 and Co-Chair of the Silicon Valley Manufacturing Roundtable Subcommittee on Middle Jobs
- Held position on League of California Cities Housing, Community and Economic Development Policy Board

Marketing/Promotional Efforts

- Updated marketing collateral material for future long-term “timeless” use with updated demographics data and photographs
- Developed a comprehensive 16-page marketing brochure to promote Morgan Hill as a progressive, sophisticated and smart community with technology and an unparalleled quality of life. This branding too has a focus on positioning the community as a weekend destination for Bay Area residents. A key component of the brochure included a first-ever south county attractions map. The brochure included the participation of over one dozen companies and nearly \$17,000 in partnerships.
- Worked with the Tourism Alliance, assisted with development of Wine Trail signage development and installation
- Secured media economic development coverage by issuing press releases and packaging stories to the media, including coverage with the Silicon Valley Business Journal and The Registry - San Francisco
- Created a restaurant map to demonstrate the strength and depth of the restaurant market in Downtown
- Promoted Downtown development opportunity sites through the City’s website, the Silicon Valley Business Journal and the OppSites website
- Mailed a “Morgan Hill 2014 Wish List” holiday card to over 100 brokers, developers and contractors promoting development opportunities in Morgan Hill

FY 15-16 ACTIVITY GOALS

The FY 15-16 work program is driven primarily by the need to implement many aspects of the Downtown redevelopment projects –from streetscape projects to tenant relocations and redevelopment of the Opportunity Sites. A key impact to the work program is the economic upturn that has significantly changed the landscape of Morgan Hill from a year ago. This upswing in the economy requires strategic business retention and attraction actions in order to capture as much of this economic growth as possible. It is recommended that the Economic Development Division be

City Manager (continued)

- Continue to work with retail brokers to fill vacancies in major retail shopping centers, helping with the creation of marketing materials for key development sites.
- Target economic development activities citywide to grow and diversify the City’s tax base and provide employment opportunities for residents.
- Attend select trade shows throughout the year that are consistent with the City’s targeted industry sectors, with a particular focus on ICSC.
- Respond to Requests for Information from companies and site selection consultants; prepare proposals in response to specific projects.
- Continue to strengthen City’s efforts in business formation and small and medium business development, including additional outreach and access to resources.
- Continue to update economic development information in City’s website and increase presence in social media websites like Facebook and LinkedIn. (EDC)

3) Marketing and Promotions—creation and implementation of an overall marketing strategy branding the community as a destination.

- Distribute “Meet Morgan Hill” marketing material in local establishments, making it accessible online and explore ways to distribute regionally. (EDC)
- Collaborate with local organizations to increase tourism in Morgan Hill, including reaching out and developing new partnerships with the San Jose Convention and Visitors Bureau and the Gilroy Visitor Center. (EDC)
- Work with Hotel Coalition and Tourism Alliance to develop a marketing strategy and identify cross promotion opportunities. (EDC)
- Develop new marketing collateral for local and targeted regional distribution. (EDC)
- Promote the City as a pro-business location through partner leveraging activities, newsprint and web-based applications.
- Issue quarterly email status and happenings updates to the brokerage and development community.

4) Establishing Key Economic Development Drivers—developing financing infrastructure that add capacity to Morgan Hill’s business organizations by leveraging private dollars and establishing on-going sources of funding to promote economic development activities.

- Evaluate the effectiveness of investing in “Open Counter”, a business license, site selection and development business tool to assist the community gain access to information on-line, to facilitate city permitting and licensing process for new businesses, also making program accessible to Spanish-speaking business entrepreneurs.

City Manager (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	111,367	115,455	171,433	171,368	395,184
41271	SALARIES - PART-TIME TEMP	8,946	(7)	-	-	-
41320	EARNED LEAVE LIABILITY	17,141	4,181	7,272	7,272	10,408
41490	OVERTIME - GENERAL	27	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	71	-	-	-	-
41620	RETIREMENT - GENERAL	25,609	18,938	29,903	30,192	70,517
41690	DEFERRED COMPENSATION	5,673	4,817	10,098	10,181	10,146
41700	GROUP INSURANCE	9,223	9,823	12,255	16,474	41,228
41701	MEDICARE	2,621	1,667	2,530	2,302	5,792
41730	INCOME PROTECTION INS	865	903	1,682	1,682	3,183
41760	WORKERS COMP	2,129	2,839	4,252	4,250	19,759
41799	BENEFITS	3,367	3,261	3,051	3,513	4,287
Salaries Total		187,040	161,878	242,476	247,235	560,504
42214	TELEPHONE	1,245	935	927	1,200	955
42231	CONTRACT SERVICES	24,644	431	27,920	18,520	35,000
42244	STATIONERY & OFFICE SUPPLIES	676	494	1,030	600	1,061
42245	COMPUTER HARDWARE-NON CAPITAL	888	1,797	1,236	500	1,500
42248	OTHER SUPPLIES	42	9,368	-	1,013	1,030
42250	ADVERTISING	-	150	155	-	160
42252	PHOTOCOPYING	568	637	618	618	637
42254	POSTAGE & FREIGHT	243	83	515	515	530
42257	PRINTING	433	59	361	250	372
42261	AUTO MILEAGE	-	-	155	-	160
42299	OTHER EXPENSE	454	151	515	559	700
42408	TRAINING & EDUCATION	-	851	515	515	530
42410	PROFESSIONAL DEVELOPMENT	635	-	2,060	2,060	2,122
42415	CONFERENCE & MEETINGS	3,496	2,394	5,576	2,010	5,743
42417	ECONOMIC DEVELOPMENT PROGRAMS	-	45,913	104,750	95,500	98,365
42423	MEMBERSHIP & DUES	3,360	973	4,893	5,625	5,040
42435	SUBSCRIPTION & PUBLICATIONS	1,119	83	773	95	796
Supplies Total		37,802	64,319	151,999	129,580	154,700
43835	FURNITURE/OFFICE EQUIPMENT	-	-	-	-	5,000
43840	COMPUTER EQUIPMENT	-	9,006	-	-	-
Capital Total		-	9,006	-	-	5,000
45003	GENERAL LIABILITY INSURANCE	811	431	2,101	2,101	6,294
45004	BUILDING MAINT - CURRENT SERVICES	878	2,310	5,100	5,100	4,956
45005	BUILDING MAINT - FUTURE REPLACEMENT	1,065	1,065	1,065	1,065	1,096
45009	INFO SYSTEM SERVICES	5,203	15,029	17,697	17,697	20,715
Internal Services Total		7,957	18,835	25,962	25,962	33,062
49241	TRANSFER OUT-BOND/DEBT	1,039	992	3,659	3,659	3,659
Transfer Total		1,039	992	3,659	3,659	3,659
2100 - City Manager Total		233,838	255,030	424,096	406,435	756,925

City Attorney

Appropriations Summary

	12-13		13-14		14-15		14-15 Year End Projection		15-16	
	Actual		Actual		Amended		Projection		Adopted	
Employee Services	\$	353,889	\$	405,929	\$	430,104	\$	442,440	\$	460,276
Supplies & Services		257,381		42,855		103,212		42,980		103,519
Capital Outlay		-		-		-		-		-
Debt Services		-		-		-		-		-
Internal Service		11,991		14,977		26,725		26,725		29,157
Transfers Out		1,559		1,487		5,488		5,488		5,488
TOTAL EXPENDITURES	\$	624,820	\$	465,248	\$	565,528	\$	517,633	\$	598,440
FULL TIME EQUIVALENT EMPLOYEES		2.63		2.63		2.63		2.63		2.63

City Attorney [010-1500]

ACTIVITY DESCRIPTION

The City Attorney represents the City Council, its boards and commissions and all City officers and employees in matters of law pertaining to their City functions. The City Attorney reviews and/or prepares all ordinances, resolutions, contracts, bonds, real estate documents and other legal documents for the City. She prosecutes and manages the defense of the City in all litigation and prosecutes all violations of the Morgan Hill Municipal Code. Though the City Attorney reports directly to the City Council, she works as part of the City's leadership team and provides legal support to City employees in all aspects of City operations, including planning, police, fire, code enforcement, engineering, public works, water utility, housing, parks and recreation. In addition to being formal counsel at City Council meetings, the City Attorney also advises City commissions comprised of citizens and serves as legal counsel to the Successor Agency of the former Morgan Hill Redevelopment Agency. The City Attorney is supported by a Deputy City Attorney and a Paralegal.

The City's risk management function also is supervised and administered by the City Attorney's office. As the City's Risk Manager, the City Attorney reviews and assesses all claims for damages and, when appropriate, recommends settlement to resolve claims at an early stage to avoid costly litigation, oversees the general liability insurance fund budget, reviews all contract insurance and supervises ABAG risk management grants. The City Attorney also currently sits on the ABAG Plan Corporation Executive Committee, participating in the oversight of a municipal risk-sharing insurance pool for Bay Area cities, including City. The risk management function is supported by a part-time risk management analyst.

FY 14-15 HIGHLIGHTS

- Development of a pilot program to decriminalize some Municipal Code violations and institute an administrative citation program
- The City Attorney participated as a leadership coach in the Santa Clara County Leadership Academy
- Participation in an overall audit and review of City's housing program
- Development of an emergency operations binder for the City Attorney's office
- Performance of an overall review of risk management goals
- Enhancement of the risk management function, review and administration of insurance requirements of City through establishment of a part-time risk management analyst position
- Demolition of a dangerous building
- The City Attorney participated in quarterly discussions on regional municipal law issues with city attorneys within Santa Clara County and participated in regional negotiations on county-wide contracts
- Legal review, support and assistance for all major projects of the City were provided

City Attorney (continued)

- Capital Improvement Projects:
 - With the support of outside counsel, assisted engineering employees with matters related to construction claims. Notable projects include the Butterfield Boulevard South Extension and the Third Street Promenade
- Public Health and Safety:
 - Coordinated with police department on enforcement of animal control ordinances and prosecution of social host, nuisances and other code violations
- Employment and Personnel:
 - With the support of outside counsel, assisted human resources employees with several complex cases of employee relations and claims for workers' compensation and disability
 - Opposed motions for disclosure of confidential police personnel records
- Risk Management:
 - Serve as City's ABAG Plan Liaison (City Attorney sits on the ABAG Plan Board of Directors)
 - Intake of damage claims, work with ABAG claims adjuster to negotiate damage claims against the City, administer ABAG risk management grants and assess training and best practices needs to prevent injury and damage claims
 - Reviewed insurance requirements and documentation for City contracts
- City-wide:
 - Assist teammates in revising the City's Purchasing Code and the development of guidelines for a new Purchasing Policy

FY 15-16 ACTIVITY GOALS

- Provide legal counsel to the Successor Agency and the Oversight Board in the continued winding down of the Redevelopment Agency, disposition of assets and the satisfaction of enforceable obligations and implementation of the long range property management plan
- Review municipal code and update certain provisions to reflect current conditions and practices and to comply with current law
- Advise on General Plan Update, including possible revisions to growth control system to maintain growth control
- Assist in the negotiation for possible acquisition of property for new baseball field

Administrative Services

Appropriations Summary

	12-13	13-14	14-15	14-15	15-16
	Actual	Actual	Amended	Year End Projection	Adopted
Employee Services	\$ 1,799,759	\$ 1,923,454	\$ 2,182,182	\$ 2,177,492	\$ 2,314,378
Supplies & Services	437,748	417,371	547,866	564,114	483,678
Capital Outlay	-	4,876	31,400	55,810	20,100
Debt Services	-	-	-	-	-
Internal Service	124,983	174,961	277,011	277,011	306,835
Transfers Out	8,834	8,429	31,097	31,097	38,138
TOTAL EXPENDITURES	\$ 2,371,324	\$ 2,529,090	\$ 3,069,556	\$ 3,105,524	\$ 3,163,129

	12-13	13-14	14-15	14-15	15-16
	Actual	Actual	Amended	Year End Projection	Adopted
HUMAN RESOURCES	\$ 381,406	\$ 470,448	\$ 539,794	\$ 581,603	\$ 582,349
COUNCIL SVS & RECORDS MANAGEMENT	297,396	412,643	566,196	614,466	608,543
ELECTIONS	84,342	17,127	96,491	90,640	23,195
FINANCE	1,091,561	1,125,653	1,281,449	1,274,691	1,345,489
UTILITY BILLING	516,620	503,219	585,626	544,124	603,553
TOTAL EXPENDITURES BY PROGRAM	\$ 2,371,324	\$ 2,529,090	\$ 3,069,556	\$ 3,105,524	\$ 3,163,129

FULL TIME EQUIVALENT EMPLOYEES	16.30	18.25	18.40	18.40	19.15
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Human Resources [010-2200]

ACTIVITY DESCRIPTION

The purpose of the Human Resources Division is to attract, develop, and retain a quality workforce. It accomplishes this by designing and implementing recruitment and selection processes that are fair and transparent, cost effective, and result in hiring the best candidate. In addition, Human Resources is responsible for managing the following programs: training and development; benefit administration; employee recognition; workers' compensation through a third party administrator; classification and compensation; and provides assistance in all employment-related services. Though managed by Human Resources, workers' compensation and unemployment insurance details can be found in the Internal Services Funds section of the budget document.

Human Resources provides all employment-related services to City departments and employees. It implements Federal and State mandates, the City's Personnel Rules, and Memorandums of Understanding (MOUs) as related to employment. Human Resources is responsible for maintaining all employee personnel files, records, and documentation, including performance evaluation records.

In FY 11-12, the Human Resources Division became part of the Administrative Services Department Team and in FY 14-15, the Administrative Services Director position was reclassified to Assistant City Manager for Administrative Services. As a result of increased demands on Human Resources, an existing Human Resources Technician was increased to a full-time position (1.0 FTE) for FY 14-15 (October 2014). The increase in the Human Resources Technician hours improved service delivery and outreach to our internal and external customers by providing critical support for HR services, such as recruitment and hiring, benefits transactions, training assistance, personnel records management, compliance reports, and other HR-related activities.

In FY 14-15, Human Resources implemented an on-line Benefit Open Enrollment software that was primarily used by Human Resources and Payroll during the initial set-up and implementation phase. In FY 15-16, all benefitted employees will use the on-line Benefit Open Enrollment to make their own benefit elections 24 hours a day, 7 days a week during the open enrollment period. This feature will shorten processing time to meet tight deadlines, reduce processing errors when employees make benefit changes and when communicating with insurance carriers, and provide a simple, easy-to-use online enrollment method for employees.

Human Resources will be impacted by the Affordable Care Act (ACA) as the City will be required to offer enrollment for qualified medical benefit plans in 2016 to 70% of employees who meet the eligibility requirements and offer coverage to 95% of eligible employees in 2017. In November 2013, City Council approved the Affordable Care Act Safe Harbor Resolution and as a result, Human Resources will be recommending an Administrative Policy for analyzing the workforce, assessing data requirements and benefits, and determining which safe harbor method best meets the needs of the City. Also, California's new Paid Sick Leave Law (AB 1522) takes effect on July 1, 2015, which entitles most temporary, part-time, and seasonal employees to accrue and use up to three paid sick leave days in a 12-month period, as long as they work 30 days or more within a year of beginning employment.

FY 14-15 HIGHLIGHTS

- Organized Employee Recognition Event at which 25 various team members received awards for special achievement, in the categories of Challenge, Customer Service, Innovation, Professional Growth, Teamwork, and Employee of the Year. New categories included: Semper Gumby, SCUBA, Service with a Smile, and Team Leadership

Human Resources (continued)

- Support the Morgan Hill Fire Department as they lead the Citywide Safety Program

COUNCIL GOALS

Human Resources will continue to engage in activities that are aligned with the priorities, goals, and strategies the City Council has set for 2015:

- **Enhance Community Engagement and Diversity**
 - Continue to include Volunteers in Policing (VIPs) as proctors in recruitment selection processes
 - Continue to include leaders of community organizations or external subject matter experts as raters in recruitment selection processes
- **Participate in Regional Issues**
 - Continue representation of Morgan Hill through participation in regional associations relating to Human Resources such as: CalPELRA (California Public Employers Labor Relations Association), LABM (Local Agency Benefit Managers) and SCCHRD (Santa Clara County Human Resources Directors)
- **Maintain Fiscal Responsibility**
 - Hire a part-time, temporary, unbenefitted Human Resources Assistant to supplement the current HR team

FINANCIAL COMMENTS

The total fiscal impact for FY 15-16 to add a part-time, temporary, unbenefitted Human Resources Assistant is approximately \$25,000.

Council Services and Records Management [010-2410]

ACTIVITY DESCRIPTION

In conjunction with the City Manager, Council Services and Records Management works to prepare the City Council, Successor Agency, Financing Authority, Wastewater Facilities Financing Authority and Oversight Board meeting agendas and packets. Through an agreement with the Santa Clara Valley Habitat Agency, Council Services and Records Management also prepares the Santa Clara Valley Habitat Agency Governing Board, Implementation Board and Public Advisory Committee agendas and packets. This includes coordinating agenda material and distribution of the packets to the Council and Board Members, employees and the public. Following the Council and Board meetings, Council Services and Records Management creates the official record of the meetings consisting of transcribing and distributing minutes and ensuring that all legal documents are executed and recorded appropriately and in accordance to the law.

Council Services and Records Management administers the City wide records management program, overseeing proper maintenance, archiving, retention and destruction of City records and administers the City's document imaging system. Council Services and Records Management also serves as the filing office for filings such as those mandated by the Political Reform Act and AB1234 (Ethics Training), as well as subpoenas, claims, bid processes and other legal filings. In addition to ensuring compliance with the Public Records Act by coordinating with staff throughout the City to accurately locate, compile, review and provide responsive records, Council Services and Records Management also ensures compliance with the Brown Act and is responsible for the codification of ordinances and update of the Municipal Code. Council Services and Records Management serves as the link between citizens and the City Council and provides cross-departmental processing of incoming and outgoing mail and supports the Mayor and Council Members.

Council Services and Records Management also operates the City's Passport Acceptance facility. This service is available to any member of the public. As other agencies have closed their passport facilities, Morgan Hill has seen a steady escalation of passport activity over the past four years. In order to continue to provide a high level of passport service to the community, a 0.5 FTE Office Assistant II position was added to the Council Services and Records Management budget in fiscal year 2014/15. Since the addition of the 0.5 FTE Office Assistant II, passport services have continued to increase. In order to continue to provide a high level of service to both our internal and external customers, this position will be increased to 1.0 FTE and the passport operating model will move to by appointment only. This addition will allow Council Services and Records Management to both provide the continued excellent passport services, as well as, to increase service levels to both the community and City customers.

FY 14-15 HIGHLIGHTS

- Continued Partnership with the Santa Clara Valley Habitat Agency to provide the following services:
 - An Administrative Services Agreement to provide Agency Board clerk services, agendas and minutes; records management; Form 700 compliance; Public Records Act processing; AB 1234 ethics training coordination and as an agent for service of process for the Agency
 - An Administrative Services Agreement to provide an Administrative Assistant to the Santa Clara Valley Habitat Agency Executive Officer; maintain the Agency website; and to provide Information Services Support to the Agency staff

Council Services and Records Management (continued)

FY 15-16 WORKPLAN

Review and update index of records, convert all files to the standard filing system, review and recommend for storage of records and identify and recommend for destruction of inactive and transitory records including electronic files

Mentor and train employees in the processing of California Public Records Act requests, the Brown Act, website agenda posting, minutes production, City Council meeting follow-up, familiarity with Department's policies and procedures, indexing of historical documents

CITY COUNCIL GOALS

Council Services and Records Management will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Supporting Youth**
 - Continue to support youth by providing tours of City Hall and Council Chamber to the various schools and youth groups within the community
- **Preserving and Cultivating Public Trust**
 - Continue to provide the City Council agendas to the public in a variety of media
 - Work to enhance community engagement by exploring the possibilities of providing City Council agendas in Spanish
 - Utilize Granicus' Legistar which provides increased employee efficiency and transparency to the public
 - Continue to respond to Public Record Requests in a timely manner
- **Participating in Regional Issues**
 - Continue representation of Morgan Hill through participation in regional associations relating to Council Services and Records management such as; MMANC (Municipal Managers of Northern California), Northern Division CCAC (California City Clerk's Association), and Northern Division ARMA (Association of Records Managers and Administrators)
 - Continue partnership with the Santa Clara Valley Habitat Agency

FINANCIAL COMMENTS

Costs for positions are distributed between the Council Services and Records Management and Elections budgets. The Council Services Assistant position is funded 50% through an Administrative Services Agreement with the Santa Clara Habitat Agency. In FY15-16, 10% of the personnel cost of the Administrative Services Director will continue to be allocated to Council Services and Records Management. The City continues to serve as a Passport Acceptance Facility for the U.S. Department of State Passport Services.

Elections [010-2420]

ACTIVITY DESCRIPTION

This Division is headed by the Elected City Clerk, who serves as the Elections Official for the City of Morgan Hill and is also responsible for election procedures, including State of California campaign disclosure filings.

The City Clerk is elected by the citizens of Morgan Hill and administers oaths of office to City of Morgan Hill elected and appointed officials and to City employees.

FY 15-16 ACTIVITY GOALS

- Amend the City's Conflict of Interest Code Reporting Categories and Designated Filers; as warranted and required by the State of California Fair Political Practices Commission
- Process and track all campaign, candidate and committee filings
- Facilitate the use of City facility as a polling precinct, if requested by the Santa Clara County, Registrar of Voters

FINANCIAL COMMENTS

General Municipal Elections are held in even-numbered years. No funding is included for the election of officers or any local ballot measure for FY 15-16.

Finance [010-2510]

ACTIVITY DESCRIPTION

Finance maintains the financial records of the City and prepares financial and statistical data applicable to all funds of the City and the successor agency to the former Redevelopment Agency.

Responsibilities include cash management; investment; budgeting; financial forecasting; accounting; cashier operations; business license administration; debt management; payroll; purchasing; payables; receivables (including billing and collection of City accounts); financial system information and support to other departments.

Finance works closely with the elected City Treasurer to assure timely and appropriate investment of City funds, in compliance with the City's Investment Policy and Procedures.

FY 14-15 HIGHLIGHTS

- The City received an award from the Government Finance Officers Association (GFOA) for achieving the highest standards in governmental accounting and financial reporting for the FY 13-14 Comprehensive Annual Financial Report; the City has received the award 20 consecutive years
- The City received the GFOA and California Society of Municipal Finance Officers (CSMFO) awards for excellence in budgeting for the FY 14-15 budget document
- On behalf of the City Manager, conducted several reviews and revisions of the current- and five-year revenue, expenditure, and fund balance projections for the General Fund and the Community Development Fund in accordance with the City Council's sustainable budget strategy. As part of formulating the FY 15-16 Budget document, worked with the City Manager to create five-year projections of revenue, expenditures and fund balance for all major funds
- Coordinated, compiled, audited and submitted to the County and State two more semi-annual Recognized Obligation Payment Schedules and the corresponding true-ups of actual expenditures from prior "ROPS" periods
- Launched formal accounting and reporting procedures to City Council on post-issuance compliance for tax-advantaged bonds
- Purchased and implemented web based timecard entry and open enrollment sign up
- Purchased and implemented Tyler Output Processing System (TOPS) to generate electronic delivery of documents to employees and vendors (Example: Electronic Fund Transfer notifications to vendors, biweekly payroll earnings report, issue purchase orders electronically)

FY 15-16 WORK PLAN

- Support the City Manager and operating departments in refining the 5-year projections of revenues, expenditures and fund balances for all major funds
- Work with Information Services to refine reports within the financial accounting system

Finance (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	610,574	632,718	680,542	652,684	699,606
41210	SALARIES - ELECTED/APPOINTED	2,400	2,415	2,472	2,400	2,448
41271	SALARIES - PART-TIME TEMP	5,105	12,831	-	19,259	20,000
41320	EARNED LEAVE LIABILITY	27,885	14,541	11,244	11,244	9,322
41490	OVERTIME - GENERAL	1,675	1,143	2,500	7,800	2,575
41560	UNEMPLOYMENT INSURANCE	530	-	-	-	-
41620	RETIREMENT - GENERAL	127,657	105,180	118,707	116,461	108,891
41690	DEFERRED COMPENSATION	13,353	10,199	11,786	11,852	13,981
41700	GROUP INSURANCE	65,612	71,861	90,915	82,566	96,779
41701	MEDICARE	6,506	7,300	9,990	8,945	10,567
41730	INCOME PROTECTION INS	6,432	6,485	7,116	7,030	6,592
41760	WORKERS COMP	11,454	16,024	17,001	17,110	35,663
41799	BENEFITS	5,004	4,313	3,480	2,501	4,095
41900	CONTRACT LABOR	906	-	-	-	-
Salaries Total		885,093	885,010	955,753	939,852	1,010,519
42214	TELEPHONE	10,544	8,167	7,478	8,135	7,702
42231	CONTRACT SERVICES	72,252	63,670	69,161	80,654	69,105
42233	AUDIT FEES	31,275	32,075	33,552	32,805	34,559
42236	BANK CARD SERVICE FEES	18,015	24,247	22,887	15,857	23,574
42244	STATIONERY & OFFICE SUPPLIES	7,352	13,775	9,725	15,830	10,017
42245	COMPUTER HARDWARE-NON CAPITAL	161	1,577	8,100	8,100	4,000
42246	COMPUTER SOFTWARE-NON CAPITAL	270	-	-	300	-
42248	OTHER SUPPLIES	149	1,205	-	1,000	500
42250	ADVERTISING	176	161	227	175	234
42252	PHOTOCOPIING	3,161	5,021	2,910	3,314	2,997
42254	POSTAGE & FREIGHT	10,202	6,523	8,261	7,250	8,509
42257	PRINTING	461	2,590	451	1,600	465
42261	AUTO MILEAGE	31	96	515	515	530
42408	TRAINING & EDUCATION	1,155	877	7,200	3,000	7,416
42415	CONFERENCE & MEETINGS	947	402	2,100	1,845	2,163
42423	MEMBERSHIP & DUES	470	665	783	835	806
42435	SUBSCRIPTION & PUBLICATIONS	1,124	456	412	420	424
42531	MAINT - FURNITURE/OFFICE EQUIP	-	134	350	-	361
Supplies Total		157,745	161,642	174,112	181,635	173,362
43840	COMPUTER EQUIPMENT	-	4,388	-	-	-
43845	COMPUTER SOFTWARE	-	-	22,400	24,020	20,100
Capital Total		-	4,388	22,400	24,020	20,100
45003	GENERAL LIABILITY INSURANCE	8,627	3,650	14,271	14,271	17,622
45004	BUILDING MAINT - CURRENT SERVICES	4,388	11,550	33,999	33,999	33,039
45005	BUILDING MAINT - FUTURE REPLACEMENT	5,323	5,322	5,323	5,323	5,482
45009	INFO SYSTEM SERVICES	25,187	49,133	57,299	57,299	67,072
Internal Services Total		43,525	69,655	110,892	110,892	123,215
49241	TRANSFER OUT-BOND/DEBT	5,197	4,958	18,293	18,293	18,293
Transfer Total		5,197	4,958	18,293	18,293	18,293
2510 - Finance Total		1,091,561	1,125,653	1,281,449	1,274,691	1,345,489

Community Services Department

Appropriations Summary

	12-13		13-14		14-15		14-15 Year End		15-16	
	Actual		Actual		Amended		Projection		Adopted	
Employee Services	\$	3,539,903	\$	3,750,067	\$	3,674,770	\$	3,617,985	\$	4,186,528
Supplies & Services		3,273,137		3,474,603		4,961,001		4,831,075		3,762,255
Capital Outlay		-		6,373		20,000		20,000		-
Debt Services		-		-		111,184		27,796		111,184
Internal Service		1,726,753		1,890,007		2,807,031		2,886,498		2,757,113
Transfers Out		185,260		405,213		7,880		7,880		21,396
Project Expenditure		5,419		32,014		1,235,000		115,000		870,000
TOTAL EXPENDITURES	\$	8,730,471	\$	9,558,276	\$	12,816,865	\$	11,506,233	\$	11,708,475

MEMBERSHIP & PROGRAM SERVICES	\$	4,427,826	\$	4,512,262	\$	4,829,220	\$	4,815,751	\$	5,093,862
FACILITY SERVICES		908,958		1,022,644		1,215,864		1,243,760		1,165,700
COMMUNITY SERVICES		150,530		119,985		390,714		393,058		575,074
CABLE		37,021		39,273		63,164		43,014		43,649
PARKS MAINTENANCE (GENERAL FUND)		763,526		807,054		-		-		-
DOWNTOWN MAINTENANCE		44,910		38,180		44,620		30,500		104,156
ENVIRONMENTAL PROGRAMS		172,903		209,855		295,598		248,934		213,071
STREET MAINTENANCE		1,574,138		1,829,648		2,872,622		2,856,278		1,906,471
LIGHTING AND LANDSCAPING DISTRICT		179,760		158,908		188,808		178,114		185,541
COMMUNITY FACILITIES DISTRICT		-		3,230		7,770		7,770		30,284
BURROWING OWL		8,230		6,424		256,676		220,626		-
STORMWATER POLLUTION PREVENTION		125,235		139,935		205,802		136,822		301,956
PARKS MAINTENANCE (NON-GENERAL FUND)		195,823		444,538		1,057,503		1,030,008		920,767
OPEN SPACE FUND		73,910		142,426		1,248,900		126,443		979,706
WATER CONSERVATION		67,703		83,913		139,606		175,155		188,239
TOTAL EXPENDITURES BY PROGRAM	\$	8,730,471	\$	9,558,276	\$	12,816,865	\$	11,506,233	\$	11,708,475

FULL TIME EQUIVALENT EMPLOYEES		23.90		24.65		21.7875		21.7875		22.7875
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Community Services Department

The Community Services Department consists of three divisions responsible for public service delivery. The department's Recreation and Community Services Division operates the Centennial Recreation Center, Aquatics Center, Outdoor Sports Center, Community & Cultural Center, Amphitheater, Community Playhouse, Friendly Inn Non-Profit Service Center, Skate Board/BMX Park, and associated services. The Maintenance Division maintains 149 street miles; 125 sidewalk miles; 8 trail miles; 3,700 street lights; 470 open space/park acres; urban forestry; and a landscaping assessment district. The Environmental Services Division manages the Environmental Agenda, water conservation, stormwater pollution prevention, solid waste management and recycling, and telecommunications regulation. The three divisions were consolidated in to one department in FY 11-12 as a part of the organization's effort to streamline service delivery so that the Morgan Hill Community continues to receive the highest level of service possible.

Recreation and Community Services Team

Over the past 11 years the Recreation and Community Services Team has achieved significant success by managing the division with flexibility, creativity and a focus on cost recovery. As a result, recreation services have been provided to the Morgan Hill Community at near 100% direct cost recovery. In FY 14/15 the division placed a greater emphasis on maintenance of facilities, which resulted in more resources being allocated for maintenance, including several one-time maintenance projects. This focus accounts in part for the slightly lower percentage of direct cost recovery.

In FY 15-16 the division will focus on four key areas: a continued focus on maintenance of our recreation facilities, refinement of the collaborations with partner organizations, enhanced support of senior services, and community outreach to increase participation in recreation programs from all segments of the community. Resources are dedicated to some of these areas, accounts in part for a continued slightly lower percentage of direct cost recovery than in past years.

RCSD Budget Summary Table

	12-13 Actual*	13-14 Actual	14-15 Year End Projection	15-16 Adopted
RCSD Revenue	\$ 5,582,853	\$ 5,688,653	\$ 6,004,298	\$ 6,391,235
RCSD Expenditure	\$ 5,487,314	\$ 5,654,891	\$ 6,452,570,	\$ 6,834,635
Transfers In	\$ 115,637	\$ 33,000	\$ 50,000	\$ 60,000
RCSD Net Impact	\$ 211,176	\$ 66,762	\$ (398,272)	\$ (383,400)
Percent of Total Discretionary Budget	1.6%	.03%	-1.8%	-1.6%

**In FY 11- 12 - FY 12-13, the annual charges for contributions to the Building Repairs and Replacement Fund was eliminated. This was restored in FY 13-14.*

Membership and Program Services [010-2140]

ACTIVITY DESCRIPTION

The Membership and Program Services Division is responsible for managing the City's recreation facilities' membership model service delivery system and a wide range of recreation programs, activities, and events. Customers of all ages participate in classes, special events, sports leagues, youth camps, swim lessons, and many other activities. Resources are dedicated to attracting and retaining facility members, daily fee customers, and program participants.

Since 2001, the City has made a significant investment in constructing recreation facilities. Each facility was designed with the intent that complementary recreational programs and services would be offered to the Morgan Hill community. Today, the primary program areas include senior services, youth and teen programs, aquatics, special events, adult programs, preschool programs, health and wellness activities, culture and arts, sports leagues, sports camps, and special interest programs.

Division team members manage the City's active recreation services as one integrated system that serves as the hub for community health, wellness, and fitness. For FY 15-16, Centennial Recreation Center (CRC)/Aquatics Center (AC) monthly membership totals are projected to average 4,700 units and over 15,000 members. The membership provides members access to both the CRC and AC facilities for one price that can either be paid in full on an annual basis or paid incrementally on a monthly basis. Daily admission rates are also available at both facilities. Core membership services include access to the Fitness Center, Kids Club, recreation swim, fitness programs, lap swim, aqua fitness, gymnasium activities, and Skateboard/BMX Park, among others.

The "Spirit of Partnership" is the foundation for operations. The City works in partnership with the YMCA of Silicon Valley to provide a wide array of services to facility members and daily customers. Building on the initial success of the CRC, the partnership management team has an expanded role in membership services at the Aquatics Center as well. While full-time staff members oversee program operations, the actual program implementation is performed by part-time/seasonal employees or by contracted services.

The Division continues to support the Council's goal of "supporting youth" by being a partner in the community-oriented youth agenda with the Morgan Hill Police Department, Morgan Hill Unified School District, Mt. Madonna YMCA, Discovery Counseling Center and a long list of other local youth serving agencies. In order to promote asset development in young people, the Division continues to offer a myriad of programs and services for youth focused on building positive relationships.

FY 14-15 HIGHLIGHTS

- Maintained average monthly membership level at 4,631 units and concluded the year with 4,700 units (15,000 members)
- Increased the number of CRC group exercise classes offered by 25% and expanded class offerings at the CCC
- Continued to grow participation in Morgan Hill Splash aquatics programs, that includes a youth swim team, water polo club, and diving team, with average monthly membership of 120 youth

Membership and Program Services (continued)

- **Supporting Youth**

- o Educate the community on the 41 Developmental Asset model by providing staff training, promoting the asset of the month through signage and email blasts, and including information in the Department's Recreation Activity Guide
- o Offer programs that intentionally build youth assets, some of which include pre-school programs, after school programs, summer and school break camps, volunteer opportunities, CRC Girls' Club and Boys' Club, Splash Swim Team, swim lessons and Junior Lifeguard program
- o Actively participate in the Morgan Hill Community Asset Builders (CAB) collaborative whose mission is to promote and facilitate healthy youth values, leadership skills, and wellness through various community endeavors
- o Continue to promote the scholarship program, providing over \$130,000 annually in subsidies, with the YMCA providing an additional \$20,000 for non-residents.
- o Actively participate in the South County Youth Task Force

- **Stimulate Economic Development**

- o Continue to host approximately 10 swim meets per year at the Aquatics Center, which draw thousands of youth and families to Morgan Hill

- **Preserving and Cultivating Public Trust**

- o Continue to provide community gathering places that are enjoyed regularly by over 25% of the community
- o Continue to manage a responsive comment card system
- o Participate in an annual SEER Member Satisfaction Survey
- o Continuously seek improved streamlined membership processing
- o Evaluate opportunities to enhance the CRC's collaborative operating model

FINANCIAL COMMENTS

Prior to FY 08-09, the City operated the Centennial Recreation Center, Aquatics Center, and recreation programs as independent divisions. Once combined to operate as one integrated division, the City was able to reduce duplication, leverage resources, and add value to the community membership model. As a result, the annual tax investment for these services has been reduced.

Membership and Program Services (continued)

	FY 13-14 Actual	FY 14-15 Year End Projection	FY 15-16 Adopted
AC/CRC Membership	\$ 3,628,547	\$ 3,838,000	\$ 4,060,057
Recreation Programs	\$ 385,163	\$ 388,482	\$ 470,368
AC/CRC Daily and Season Passes	\$ 393,090	\$ 406,500	\$ 490,500
Aquatics Programming	\$ 408,792	\$ 416,000	\$ 427,000
AC/CRC Retail /Concessions	\$ 58,041	\$ 63,000	\$ 64,660

Partnership Summary Table

	CITY TOTAL REVENUE	CITY TOTAL EXPENDITURES	CITY PROJECTED NET GAIN
CRC/AC PARTNERSHIP	\$4,045,557	\$1,319,877	\$2,725,680
SENIOR SERVICES	\$0	\$0	\$0
MEMBERSHIP INITIATION FEE	\$80,000	\$40,000	\$40,000
TOTAL	\$4,125,557	\$1,359,877	\$2,765,680

DETAIL FOR CRC/AC PARTNERSHIP			
Health and Wellness	\$4,045,557	\$1,254,225	\$2,791,332
Teens	\$0	\$65,652	(\$65,652)

Membership and Program Services (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	527,172	525,209	440,250	438,623	450,145
41271	SALARIES - PART-TIME TEMP	801,741	825,185	846,860	833,000	986,628
41320	EARNED LEAVE LIABILITY	14,472	9,214	7,054	7,054	10,478
41490	OVERTIME - GENERAL	6,801	4,725	5,150	5,150	5,305
41560	UNEMPLOYMENT INSURANCE	825	-	-	-	-
41620	RETIREMENT - GENERAL	138,731	106,077	76,793	99,983	80,324
41690	DEFERRED COMPENSATION	10,262	7,939	7,036	5,381	7,115
41700	GROUP INSURANCE	60,680	63,299	61,255	45,653	45,523
41701	MEDICARE	19,174	19,108	18,456	15,918	20,947
41730	INCOME PROTECTION INS	6,317	6,006	5,617	5,617	5,268
41760	WORKERS COMP	50,274	70,882	31,545	28,897	47,107
41799	BENEFITS	1,314	1,015	867	2,255	2,562
41800	UNIFORM	190	200	-	-	-
Salaries Total		1,637,952	1,638,859	1,500,883	1,487,531	1,661,401
42214	TELEPHONE	21,288	21,351	20,806	20,200	21,430
42226	CONTRACT INSTRUCTORS	-	-	-	-	90,700
42228	GASOLINE & OIL	1,120	990	1,442	1,442	1,485
42231	CONTRACT SERVICES	115,734	118,345	117,725	128,927	63,467
42236	BANK CARD SERVICE FEES	35,030	37,227	43,990	43,990	45,310
42241	YMCA SERVICES	1,241,797	1,234,441	1,226,432	1,182,044	1,294,225
42244	STATIONERY & OFFICE SUPPLIES	14,980	18,097	13,390	13,390	13,792
42245	COMPUTER HARDWARE-NON CAPITAL	9,781	4,440	10,197	10,197	10,503
42248	OTHER SUPPLIES	74,794	69,911	81,075	84,475	73,801
42250	ADVERTISING	177	1,779	515	515	530
42251	MARKETING/PROMOTIONS	85,352	70,895	84,975	70,541	87,524
42252	PHOTOCOPIING	13,005	9,750	11,330	11,330	11,670
42254	POSTAGE & FREIGHT	4,075	1,761	4,575	4,575	4,712
42255	PURCHASES-CONCESSIONS	460	712	773	773	796
42256	PURCHASES-RETAIL	17,371	28,579	16,480	16,480	16,974
42257	PRINTING	1,578	3,385	1,545	1,545	1,591
42261	AUTO MILEAGE	566	456	824	824	849
42263	TB/DRUG/FINGERPRINTING	8,206	8,737	12,360	12,360	12,731
42299	OTHER EXPENSE	15,437	5,458	12,360	12,360	12,731
42306	YOUTH ADVISORY COM.	7,931	8,997	-	659	-
42408	TRAINING & EDUCATION	1,271	3,027	2,266	2,266	2,334
42415	CONFERENCE & MEETINGS	3,418	5,019	5,665	5,665	5,835
42423	MEMBERSHIP & DUES	1,814	1,460	3,090	3,090	3,183
42435	SUBSCRIPTION & PUBLICATIONS	43	275	155	300	160
42526	MAINT - AUTO/TRUCKS	417	-	1,030	1,030	1,061
Supplies Total		1,675,644	1,655,092	1,673,000	1,628,978	1,777,394
43825	MACHINERY/EQUIPMENT	-	-	20,000	20,000	-
Capital Total		-	-	20,000	20,000	-
45003	GENERAL LIABILITY INSURANCE	13,052	16,118	17,405	17,405	17,524
45004	BUILDING MAINT - CURRENT SERVICES	974,797	945,606	1,342,435	1,386,341	1,334,739
45005	BUILDING MAINT - FUTURE REPLACEMENT	53,795	145,939	145,939	145,939	150,317
45006	FLEET REPLACEMENT	3,984	7,609	7,608	7,608	9,737
45009	INFO SYSTEM SERVICES	68,601	103,039	121,949	121,949	142,749
Internal Services Total		1,114,229	1,218,311	1,635,337	1,679,243	1,655,067
2140 - Membership Services and Recreation Programs Total		4,427,826	4,512,262	4,829,220	4,815,751	5,093,862

Facility Services [010-2150]

ACTIVITY DESCRIPTION

The Facility Services Division is responsible for event management, facility leases, and daily reservations for use of the City's park and recreation amenities. Customer activities include social and business events at the Community & Cultural Center (CCC), City-wide events, and use of the City's athletic fields by local youth athletic associations among many others.

Balancing cost-recovery with community access and affordability is the foundation for all recreation service delivery. The Facility Rental Team strives to balance local and regional use in order to ensure that the Morgan Hill community's recreation facility needs are satisfied, while at the same time encouraging individuals and groups from the Bay Area to utilize the City's facilities. This provides the City with an opportunity to serve its local athletic groups and generate additional revenue from large tournament rentals, including sales and transient occupancy taxes.

The Facility Rental Team continually evaluates facility usage, user demand and CSD program needs. The team will be working on increasing rental of facilities during underutilized time periods. Two timeframes of focus are Friday evenings and Sunday afternoons. The team will also work towards increasing utilization by balancing membership, program and rental activities within the CCC.

FY 14-15 HIGHLIGHTS

- Began renting the newly renovated Council Chambers to churches and organizations on Saturdays and Sundays
- Enhanced customer service and facility maintenance by increased efforts to cross-train all part-time teammates at the Community and Cultural Center
- Implemented a pricing strategy to increase use of the CCC during hours of traditional low use
- Renamed the "Morgan Hill Downtown Amphitheater" to promote the facility as a venue for outdoor music events
- Reviewed Outdoor Sports Center Operations, extending agreement with MHYSA for one additional year and began work on a long-term operating partnership agreement

FY 15-16 WORKPLAN

- Implement a marketing strategy to increase rentals during hours of traditional low use
- Develop plan for enhanced operations of the Outdoor Sports Center through new or extended operating agreement
- Continue to review Aquatic Center lane and swim meet rental fees in coordination with community groups

Council Goals

The Facility Services Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

Facility Services (continued)

- **Supporting Youth**
 - o Provide low cost “community use” for a variety of youth serving organizations
- **Stimulate Economic Development**
 - o Continue to manage partnership with the operator at the OSC which brings in year-round sports events and tournaments
 - o Continue to pursue regional and national swim meets being held at the AC
- **Enhancing Community Engagement and Diversity**
 - o Continue to provide a community board/table for sharing of community information as well as managing community use of the digital display board at the CCC
- **Participate in Regional Issues**
 - o Continue to provide a venue of choice at the CCC for public meetings held by other agencies, such as Santa Clara Valley Water District (SCVWD)

FINANCIAL COMMENTS

The primary revenue sources for the Facility Rentals division include the Gavilan College lease, Community & Cultural Center room rentals, South Valley Civic Theater Playhouse lease, Aquatics Center pool rentals, and the Outdoor Sports Center concessionaire agreement with the Morgan Hill Youth Sports Alliance. In total, an estimated \$790,000 in revenue will be generated in FY15-16 to support service delivery. The following provides detail on the primary revenue categories:



Facility Services (continued)

	FY 13-14 Actual	FY 14-15 Year End Projection	FY 15-16 Adopted
Room Rentals	\$ 253,901	\$ 265,900	\$ 276,000
Gavilan College Lease	\$ 221,692	\$ 242,000	\$ 205,000
OSC Concessionaire Agreement	\$ 65,075	\$ 66,000	\$ 66,000
Playhouse Lease and Rentals	\$ 40,846	\$ 38,000	\$ 41,000
Park/Field/Tennis/Special Events	\$ 37,904	\$ 36,300	\$ 37,420
AC Lane Fees	\$ 65,408	\$ 50,000	\$ 50,000
Council Chamber Rental	-	\$ 29,250	\$ 32,000

Facility Services (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	273,668	336,383	258,346	244,509	256,942
41270	SALARIES - PART-TIME	22,502	24,050	-	21	-
41271	SALARIES - PART-TIME TEMP	70,621	68,042	103,662	103,670	111,022
41320	EARNED LEAVE LIABILITY	9,814	7,224	2,725	2,725	3,899
41490	OVERTIME - GENERAL	1,935	2,699	2,060	2,060	2,122
41560	UNEMPLOYMENT INSURANCE	483	-	-	-	-
41620	RETIREMENT - GENERAL	66,853	60,328	45,063	43,274	45,849
41690	DEFERRED COMPENSATION	5,221	4,456	4,433	2,502	4,348
41700	GROUP INSURANCE	30,204	37,218	39,911	32,043	32,031
41701	MEDICARE	5,273	5,880	5,284	4,824	5,394
41730	INCOME PROTECTION INS	3,610	4,207	2,887	2,887	2,649
41760	WORKERS COMP	10,439	16,209	9,029	8,707	15,653
41799	BENEFITS	1,452	950	339	1,674	1,929
Salaries Total		502,074	567,646	473,739	448,897	481,838
42214	TELEPHONE	8,273	7,000	8,755	8,755	9,018
42231	CONTRACT SERVICES	20,055	15,734	21,064	37,955	21,696
42236	BANK CARD SERVICE FEES	3,330	2,490	2,651	2,651	2,731
42244	STATIONERY & OFFICE SUPPLIES	2,107	4,918	2,575	3,000	2,652
42245	COMPUTER HARDWARE-NON CAPITAL	1,134	1,010	1,133	2,343	1,167
42248	OTHER SUPPLIES	2,681	1,147	3,296	3,296	3,395
42250	ADVERTISING	130	-	103	103	106
42252	PHOTOCOPIING	1,530	1,497	2,060	2,060	2,122
42254	POSTAGE & FREIGHT	129	58	103	103	106
42257	PRINTING	402	9	309	309	318
42261	AUTO MILEAGE	33	61	258	100	266
42299	OTHER EXPENSE	396	-	258	258	266
42408	TRAINING & EDUCATION	1,293	3,068	1,030	700	1,061
42415	CONFERENCE & MEETINGS	1,166	2,668	2,060	1,200	2,122
42423	MEMBERSHIP & DUES	290	363	515	515	530
42435	SUBSCRIPTION & PUBLICATIONS	140	88	206	206	212
Supplies Total		43,091	40,111	46,376	63,554	47,767
45003	GENERAL LIABILITY INSURANCE	5,095	2,245	5,166	5,166	6,189
45004	BUILDING MAINT - CURRENT SERVICES	342,791	315,053	587,013	622,574	516,936
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	65,000	65,000	65,000	67,821
45009	INFO SYSTEM SERVICES	15,908	32,589	38,570	38,570	45,149
Internal Services Total		363,794	414,887	695,749	731,310	636,095
2150 - Facility Services Total		908,958	1,022,644	1,215,864	1,243,760	1,165,700

Community Services [010-2180]

ACTIVITY DESCRIPTION

The Community Services Division is responsible for department-wide strategic planning, park planning and acquisition, working with the community's non-profit and public service organizations, and providing staff support to the Parks and Recreation Commission (PRC), and Library, Culture, and Arts Commission (LCAC), non-revenue generating program support, and managing tenant leases of the Friendly Inn Non-Profit Service Center.

The Community Services Division is responsible for management of several community support programs, including the Centennial Recreation Teen Center, Centennial Recreation Senior Center, Skate Park, and Youth Action Council. None of these programs are supported by program revenue.

The Friendly Inn is home to several non-profits who pay a use fee that is equal to each organizations share of the building maintenance and utility costs. The facility now also houses offices for over a half-dozen non-profit organizations. The Silicon Valley Chapter of the American Red Cross, Morgan Hill Home Group of Narcotics Anonymous, South Valley Fellowship of Alcoholics Anonymous, Advent Ministries Step Up Outpatient Adolescent Recovery Program, Cathedral of Faith Good Samaritan Project, Teen Force, California Youth Outreach, Work 2 Future, the Healthier Kids Foundation, and the State Employment Development Department offer services at the facility.

FY 14-15 HIGHLIGHTS

- Increased the activity at the Friendly Inn through the addition of new tenants
- The Youth Action Council organized a successful Youth Leadership Morgan Hill event and a sold out 10th Annual Senior Citizens Ball
- Increased annual attendance at the Skate/BMX Park by 23%
- Co-hosted the Morgan Hill Values Youth Fair
- Entered into an option to purchase agreement that met the Council's priority for the development of a youth baseball/softball complex
- Develop concept designs for downtown Parks and Trails
- Provided outreach events at local apartment complexes
- Engaged stakeholders to update and create a Senior Services Strategy

FY 15-16 WORKPLAN

- Complete the acquisition of park land according to established Council priorities
- Support the construction of parks and trails in the downtown
- Support the development and completion of the PRC's and LCAC's Council work plans

Community Services (continued)

- Continue to support the Healthy Kids Foundation in implementation of the Council's Youth Health Initiative
- Continue to co-host the Morgan Hill Values Youth Fair
- Provide an afterschool program at Village Avante Apartments utilizing CalGRIP Grant funds
- Engage the Crest Avenue neighborhood and host a Summer Fun in the Parks Series

COUNCIL GOALS

The Community Services Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Enhancing Public Safety**
 - o Engage the Crest Avenue neighborhood to host a Summer Fun in the Parks Series
- **Supporting Youth**
 - o Continue to coordinate the Council's annual community promotion funding which provides
 - o support to several major family oriented/youth friendly community events
 - o Continue to partner with the YMCA to offer teen activities at the CRC Teen Center
 - o Continue to provide staff support to the City's Youth Action Council
 - o Co-host the Morgan Hill Values Youth Fair
 - o Operate the afterschool program at Village Avante Apartments utilizing CalGRIP Grant funds
 - o Continue to manage and operate the Non-Profit Service Center at the Friendly Inn
- **Stimulate Economic Development**
 - o Continue to coordinate the Council's annual community promotion funding which provides support to several major community events which draw visitors to Morgan Hill
 - o Continue park planning and acquisition efforts
 - o Actively pursue the design and development of downtown parks and trails in cooperation with other City Departments and the Community
 - o Continue to coordinate the Council's annual community promotion funding



Community Services (continued)

- **Preserving and Cultivating Public Trust**
 - Continue providing Staff Liaison support to LCAC and PRC
- **Develop a Plan for Ongoing and Comprehensive Support for Senior Services**
 - Continue to engage stakeholders in implementing the Senior Services Strategy for the Morgan Hill Community
 - Implement a new operating model for operations at the Senior Center

FINANCIAL COMMENTS

The Community Services Division operations are primarily supported by General Fund discretionary revenues while staff time spent on park acquisition activities is funded with capital fund resources.



Cable Services [010-5140]

ACTIVITY DESCRIPTION

The Environmental Programs Division is responsible for supporting cable television customer service, administering the public access contract, overseeing the City's cell tower licenses, and responding to customer concerns with other telecommunications providers.

The Media Access Coalition of Central California, through their Morgan Hill Access Television Project, has been the City's public access provider for many years. Their contract was renewed in 2013 and does not expire until August, 2016. Cable television services in Morgan Hill are provided by the State's franchised provider, Charter Communications. The City has several site licenses with cellular phone companies using City-owned land for their transmission facilities.

FY 14-15 HIGHLIGHTS

- Assisted customers in obtaining customer service from Charter Cable and Verizon

FY 15-16 ACTIVITY GOALS

- Monitor changes in the telecommunications regulatory arena and access services
- Respond to queries for new cell tower site opportunities on City properties and negotiate agreements as needed

COUNCIL GOALS

The Cable Services Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Enhancing Community Engagement and Diversity**
 - o Public access television services provide a forum for all members of the community to express themselves

FINANCIAL COMMENTS

No significant changes are proposed for the funding for this activity. Payments for access television support received from Charter Cable of approximately \$49,000 are split equally between the City, for governmental access purposes, and the City's public access provider. Cell site license revenues of approximately \$130,000 are received annually and are distributed to the park maintenance fund and water fund accordingly.

Cable Services (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	10,703	11,260	11,479	11,765	11,502
41320	EARNED LEAVE LIABILITY	752	507	864	864	909
41560	UNEMPLOYMENT INSURANCE	10	-	-	-	-
41620	RETIREMENT - GENERAL	2,048	1,860	2,002	2,059	2,052
41690	DEFERRED COMPENSATION	432	224	230	219	230
41700	GROUP INSURANCE	768	1,068	1,224	1,279	1,229
41701	MEDICARE	150	158	167	156	168
41730	INCOME PROTECTION INS	112	115	142	142	132
41760	WORKERS COMP	196	276	285	292	575
41799	BENEFITS	51	52	51	53	51
	Salaries Total	15,223	15,521	16,444	16,829	16,848
42214	TELEPHONE	137	302	206	980	212
42231	CONTRACT SERVICES	20,605	22,414	45,000	24,000	25,000
42415	CONFERENCE & MEETINGS	-	-	309	-	318
42435	SUBSCRIPTION & PUBLICATIONS	940	992	1,030	1,030	1,061
	Supplies Total	21,682	23,707	46,545	26,010	26,591
45003	GENERAL LIABILITY INSURANCE	116	45	175	175	210
	Internal Services Total	116	45	175	175	210
5140	Cable Television Total	37,021	39,273	63,164	43,014	43,649



Park Maintenance [302-8030]

ACTIVITY DESCRIPTION

Funding for park maintenance in FY 15-16 will continue to be funded directly in the Park Maintenance Fund with an annual transfer from the General Fund to offset some of the expenses. This practice was initiated in the last fiscal year, with the goal to slowly draw down the balance in the Park Maintenance Fund over a 20-year period in order to allow the City to increase service levels in all areas requiring General Fund support.

Under this budget activity, the Community Services Maintenance Team is responsible for the maintenance of approximately 60 maintained acres consisting mainly of city parks, bicycle trails, and the Civic Center. The Team also manages maintenance of over 300 acres of city owned open space, primarily weed abatement for fire prevention. In the past year, volunteers have made a substantial contribution to the neatness and beauty of the city parks; they have planted trees, raked leaves, weeded, picked up litter, spread mulch, painted backstops and many other valuable tasks.

FY 15-16 budget will continue the practice of contracting parks mowing and the maintenance of the Civic Center campus. The time savings realized by this approach permits City teammates to focus on higher-level park maintenance activities that results in more sustainable park infrastructure, enhanced park safety, and higher user satisfaction.

FY 14-15 ACCOMPLISHMENTS

- Reduced the water consumption for City Parks by over 20% in response to the level 1 drought conditions
- Entered into new contracts for the maintenance of the park turf
- Completed resurfacing and restriping of Community Park tennis courts
- Supported volunteer park adoption and cleanup activities
- Enhanced park safety by adding speed bumps in the Community Park parking lot.
- Updated Integrated Pest Management Plan to include notifications at areas that are primarily used by children and communicated information to staff and contractors who perform weed abatement
- Completed park asset inventory and developed a funding needs analysis to support the preparation of the Infrastructure Report

FY 15-16 ACTIVITY GOALS

- Continue the focus on park safety including repairs to play equipment, irrigation systems and ball field maintenance
- Continue to monitor and manage landscape water use, maintaining compliance to measures which support the City Council declaration of a Level 2 Water Supply Shortage.
- Engage with the Public Works department and contractors to ensure new downtown park plans include sustainable park infrastructure, park safety and user satisfaction

Park Maintenance (continued) [302-8030] Non-General Fund

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	-	-	265,913	265,913	270,967
41271	SALARIES - PART-TIME TEMP	-	-	33,171	33,171	34,166
41320	EARNED LEAVE LIABILITY	-	-	6,441	6,441	6,168
41490	OVERTIME - GENERAL	-	-	13,390	13,390	13,792
41620	RETIREMENT - GENERAL	-	-	46,383	46,383	48,351
41690	DEFERRED COMPENSATION	-	-	4,686	4,686	4,753
41700	GROUP INSURANCE	-	-	58,826	58,826	57,954
41701	MEDICARE	-	-	4,539	4,539	4,637
41730	INCOME PROTECTION INS	-	-	2,953	2,953	2,861
41760	WORKERS COMP	-	-	7,749	7,749	14,738
41799	BENEFITS	-	-	558	580	876
41800	UNIFORM	-	-	4,120	4,120	4,244
Salaries Total		-	-	448,729	448,751	463,506
42208	ELECTRIC	-	-	19,055	19,055	19,627
42210	WATER/SEWER	-	-	82,400	60,000	84,872
42214	TELEPHONE	-	-	1,674	1,674	1,724
42228	GASOLINE & OIL	-	-	10,300	8,500	10,609
42231	CONTRACT SERVICES	366	2,371	219,692	219,692	172,600
42236	BANK CARD SERVICE FEES	859	849	718	200	739
42240	RENTALS - OUTSIDE	-	-	3,000	3,000	3,090
42244	STATIONERY & OFFICE SUPPLIES	-	-	1,030	1,030	1,061
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	2,294	1,000	1,591
42248	OTHER SUPPLIES	-	126	40,268	40,268	41,184
42250	ADVERTISING	-	-	103	400	106
42254	POSTAGE & FREIGHT	-	-	103	40	106
42257	PRINTING	-	-	515	500	530
42281	SMALL TOOLS	-	-	1,030	1,030	1,061
42299	OTHER EXPENSE	-	-	515	500	530
42408	TRAINING & EDUCATION	-	-	2,575	2,575	2,652
42423	MEMBERSHIP & DUES	-	-	618	500	637
42435	SUBSCRIPTION & PUBLICATIONS	-	-	103	103	106
42523	MAINT - MACHINE/EQUIPMENT	-	-	3,090	1,500	3,183
42526	MAINT - AUTO/TRUCKS	-	-	3,090	3,090	3,183
Supplies Total		1,225	3,346	392,173	364,657	349,192
45003	GENERAL LIABILITY INSURANCE	-	-	11,352	11,352	12,090
45004	BUILDING MAINT - CURRENT SERVICES	-	-	7,064	7,064	7,255
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	-	347	347	357
45006	FLEET REPLACEMENT	-	-	21,568	21,568	15,148
45009	INFO SYSTEM SERVICES	-	-	4,538	4,538	5,312
45010	GF ADMIN	4,958	4,958	52,511	52,511	55,136
Internal Services Total		4,958	4,958	97,380	97,380	95,298
49210	TRANSFER OUT-010 (GENERAL FUND)	180,000	400,000	-	-	-
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	4,221	4,221	4,221	4,221	4,221
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	8,550
Transfer Total		184,221	404,221	4,221	4,221	12,771
86360	CONSTRUCTION	5,419	32,014	115,000	115,000	-
Project Total		5,419	32,014	115,000	115,000	-
8030 - Park Maintenance Total		195,823	444,538	1,057,503	1,030,008	920,767

Downtown Maintenance [010-5460]

ACTIVITY DESCRIPTION

The activities accomplished with this budget address maintenance of the special features and amenities that the City and Redevelopment Agency have constructed in the Downtown area to support commerce, public gatherings, and numerous events. These special features and amenities include numerous parking lots, the large medians, the newly constructed parking structure and the downtown streetscape.

By December of 2015, the City will complete major improvement projects in the downtown area, constructing a new parking garage and making major improvement to the streetscape. These improvements will require a higher level of maintenance support than previously needed downtown. Following the loss of Redevelopment Agency and the recent dissolution of the Downtown Property Based Improvement District (PBID) the City now maintains many areas formerly maintained by those organizations.

FY 14-15 HIGHLIGHTS

Continued to provide expanded maintenance services to absorb functions previously completed by PBID

- Initiated maintenance of East 3rd Street
- Installed planters to replace easterly bollards on 3rd Street for added visibility
- Repaired failing brick planters and planter irrigation
- Repaired failing sections of 3rd Street
- Installed new mulch covering on Monterey median
- Reinstated monthly meetings with Downtown Planters volunteer leadership

FY 15-16 ACTIVITY GOALS

- Work cooperatively with PBID, when re-established, and volunteer groups on maintenance issues
- Develop and implement plan to maintain the newly constructed parking structure
- Provide maintenance services to new and refurbished streetscape elements
- Complete monthly inspection reports of major maintenance issues and issue corrective work orders
- Plan for maintenance of downtown park facilities to be opened in FY 16-17

FY 15-16 WORKPLAN

- Prepare report that identifies, quantifies, and prioritizes the needs to maintain downtown infrastructure

Downtown Maintenance (continued)

- Prepare maintenance plan for new parking garage anticipated to open in December 2015
- Prepare maintenance plan for new streetscape elements anticipated to be completed by December 2015
- Prepare maintenance plan for new downtown parks anticipated to open in July 2016

COUNCIL GOALS

The Downtown Maintenance Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Stimulate Economic Development**
 - o Maintaining the special features in the Downtown is a key strategy to support the Council's goals for stimulating economic development
- **Finance and Advocate for Infrastructure Improvements**
 - o Maintaining Downtown infrastructure and addressing the long-term infrastructural needs is a component of the this activity

FINANCIAL COMMENTS

In addition to the actual costs of maintenance, this budget also includes funding for the City's share of the taxes paid to the PBID. If the taxes are not collected due to a continuation of the suspension of PBID activities, staff will use the tax appropriation to conduct some of the maintenance activities that would have been completed by PBID. Beginning in FY 15-16, funds have been allocated to pay for the operation and maintenance of the new public parking garage and park/trail amenities in the City's financial forecast.

Environmental Programs [010-5800]

ACTIVITY DESCRIPTION

The City Council has adopted an Environmental Agenda designed to guide programs and policy development in support of a healthier community. In the past several years, the Environmental Team has focused the Environmental Agenda implementation on activities that reduce the City operations' carbon footprint directly. Work on a Community Climate Action Plan was begun in FY 12-13 in support of the Planning Division and continues.

The Environmental Services Division is responsible for oversight of the City's franchise agreement for solid waste management services and waste reduction programs needed to meet the legal requirements of the California Integrated Waste Management Act of 1989 (AB 939). These programs include source reduction, recycling, composting, public education, and household hazardous waste management. Ensuring that solid wastes and household hazardous wastes are properly collected, recycled, and managed is a core service protecting public health. Nearly every household participates in the recycling program and nearly 10% of all households now participate annually in the household hazardous waste management program.

The City has been contracting with Recology South Valley and its related predecessors for over 60 years. With the current franchise due to expire in 2015, the City renegotiated a franchise extension in 2014 that provided the City with an opportunity to reduce the City's operational carbon footprint while continuing to ensure that Recology's Morgan Hill customers receive outstanding services at affordable rates.

FY 14-15 HIGHLIGHTS

- Presented Environmental Agenda workshop to City Council that resulted in adoption of tactical Environmental Strategy
- Began process of evaluating community choice aggregation programs
- Supported Planning Division's efforts to develop Climate Action Plan
- Executed franchise amendments for the cities of Morgan Hill and Gilroy with Recology South Valley
- Negotiated landfill disposal agreement for the cities of Morgan Hill and Gilroy pilot-level intensive energy analysis project at City facility
- Provided service to the City of Gilroy on solid waste management issues on a fee basis
- Continued to promote a variety of recycling programs for businesses and residents to maintain compliance with State regulatory requirements for waste diversion
- Held City Beautification Day, Second Chance Week, and litter cleanup events

Environmental Programs (continued)

FY15-16 ACTIVITY GOALS

- Continue promoting waste reduction programs to support State regulations
- Administering the solid waste franchise to ensure that excellent customer service is provided
- Continue to support the development and implementation of a Community Climate Action plan in cooperation with the Planning Division and Santa Clara County
- Assist with implementation of energy efficiency and production measures for City facilities

FY15-16 WORK PLAN

- Present an update on community choice aggregation options to the City Council

COUNCIL GOALS

The Environmental Services Division will implement policies and activities that are aligned with the priorities the City Council has set for 2015:

- **Protect the Environment**
 - o All of the work of this Division directly supports the City Council’s ongoing priority to protect the environment

FINANCIAL COMMENTS

In addition to the General Fund, other revenue sources for this program include waste fees of \$70,000, governmental grants of \$10,000, and \$28,000 in service contract fees from the City of Gilroy. Costs for Household Hazardous Waste Services are expected to range between a total of \$95,000 and \$105,000 in FY 15-16. It is anticipated that this entire amount will be funded directly by solid waste tipping fees that get paid to the County and not by City funds. In total, an estimated \$118,000 in revenue will be generated in FY 15-16 to support service delivery.

The following provides detail on the primary revenue categories:

	13-14 Actual	14-15 Year End Projection	15-16 Adopted
Solid Waste Management AB939	85,754	96,229	90,000
Gilroy Environmental Programs	30,000	28,000	28,000
Recycling State Funding	10,800	10,000	0

Environmental Programs (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	58,386	65,017	103,633	106,264	105,016
41271	SALARIES - PART-TIME TEMP	2,212	22,456	-	-	-
41320	EARNED LEAVE LIABILITY	4,305	2,307	7,607	7,607	8,101
41490	OVERTIME - GENERAL	32	137	-	-	-
41560	UNEMPLOYMENT INSURANCE	58	-	-	-	-
41620	RETIREMENT - GENERAL	11,624	10,759	18,077	18,593	18,739
41690	DEFERRED COMPENSATION	2,000	1,217	1,996	1,926	2,015
41700	GROUP INSURANCE	4,098	5,508	11,026	11,523	11,067
41701	MEDICARE	864	1,230	1,510	1,408	1,533
41730	INCOME PROTECTION INS	641	671	1,176	1,176	1,070
41760	WORKERS COMP	1,177	3,088	2,570	2,635	5,251
41799	BENEFITS	349	247	489	629	684
Salaries Total		85,746	112,637	148,084	151,760	153,476
42214	TELEPHONE	51	43	82	70	84
42228	GASOLINE & OIL	-	-	-	90	-
42231	CONTRACT SERVICES	72,237	70,981	117,402	80,000	27,053
42244	STATIONERY & OFFICE SUPPLIES	241	70	206	100	212
42245	COMPUTER HARDWARE-NON CAPITAL	1,327	735	103	-	106
42248	OTHER SUPPLIES	10	7,100	103	50	106
42250	ADVERTISING	1,368	1,572	10,300	1,325	10,609
42252	PHOTOCOPYING	24	41	1,030	100	1,061
42254	POSTAGE & FREIGHT	445	1,104	206	150	212
42257	PRINTING	632	2,190	2,060	2,000	2,122
42261	AUTO MILEAGE	855	1,015	1,030	900	1,061
42299	OTHER EXPENSE	1,207	3,089	3,090	500	3,183
42408	TRAINING & EDUCATION	140	-	515	350	530
42415	CONFERENCE & MEETINGS	1,034	726	515	600	530
42423	MEMBERSHIP & DUES	265	375	309	375	318
42435	SUBSCRIPTION & PUBLICATIONS	-	238	-	-	-
Supplies Total		79,834	89,278	136,951	86,610	47,188
45003	GENERAL LIABILITY INSURANCE	695	272	1,488	1,488	1,783
45009	INFO SYSTEM SERVICES	6,628	7,668	9,075	9,075	10,623
Internal Services Total		7,323	7,940	10,563	10,563	12,406
5800 - Environmental Services Total		172,903	209,855	295,598	248,934	213,071

Street Maintenance: Lighting, Vegetation Control, Storm Drain, and Pavement Repair [010-6100]

ACTIVITY DESCRIPTION

Under this budget activity, the Community Services Maintenance Team’s mission is to maintain the City’s roadway system in good repair to provide safe and serviceable roadways at all times. This activity supports the Council goals of enhancing public safety and stimulating economic development. Activities that support this mission are maintenance of sidewalks, curb & gutter, storm drain infrastructure, 3,700 street lights, 45 traffic signals and beacons, street signing, pavement, pavement markings and street trees. The Team also provides roadside weed abatement for fire prevention, debris removal, winter storm response and assistance to the Police Department with traffic control and accident cleanup.

FY14-15 ACCOMPLISHMENTS

- Began annual program to seal and refresh City owned parking lot facilities
- Completed street name sign installation with signs that are larger, more legible and more reflective
- Substantially completed winter storm system maintenance work, including inspecting and cleaning catch basins, storm hot spot locations, and other storm system infrastructure
- Completed priority areas of weed abatement for fire prevention within the city right of way
- For a fourth year, used goats to remove vegetation from the Butterfield Channel to maintain channel capacity. Grazing has been found to be a highly cost effective method of vegetation control
- Completed the retrofit for the City’s remaining street lights from high pressure sodium to LED
- Supported the development of the City’s Infrastructure Report identifying future maintenance needs

FY 15-16 ACTIVITY GOALS

- Continue to monitor landscape water use in medians and linear parks and minimize water usage to support the City Council declaration of a Level 2 Water Supply Shortage
- Continue annual program to seal and refresh City owned parking lot facilities, completing projects at the Community and Cultural Center and Corporation Yard
- Continue replacing traffic signs found to be below retroreflectivity standards

FY 15-16 WORKPLAN

- Develop a formalized annual maintenance plan for managing regularly scheduled maintenance tasks

Street Maintenance (continued)

COUNCIL GOALS

The Street Maintenance Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Stimulate Economic Development**
 - o Street maintenance activities support economic development by renewing infrastructure and eliminating sub-standard conditions that would hinder private investment
- **Enhancing Public Safety**
 - o Street maintenance activities provide for maintaining safe conditions for motorists, bicyclists and pedestrians utilizing the City's roadways and sidewalks

FINANCIAL COMMENTS

Funding for Street Maintenance comes primarily from the City's share of state gas taxes and transfers from the sewer and water enterprises reflecting their responsibility for wear and tear on the streets. Since gas taxes are collected based on gallons and not on the price of gas the amount of gas tax revenue received by the City has remained more or less flat while the cost of street maintenance has increased over time due to inflation.

With funds for Streets maintenance currently insufficient to maintain existing infrastructure in good repair, the City's streets infrastructure is on a path toward continued deterioration. To address this critical issue, a "Safe and Sustainable Streets" analysis was completed in FY12-13. This study has determined that an increase in the annual budget allocation of approximately \$420,000 in this budget activity (Street Maintenance) and an additional approximately \$2 million in street pavement investments annually (Street CIP Projects) will put the City's streets on a safe and sustainable path. This analysis was updated in October of 2014 and this activity is now only underfunded by \$170,000. The decrease is due to investments made by the Council in funding tree trimming, safety street painting, parking lot sealing, and capital projects repairing City sidewalks.

The biennial street condition analysis completed in March 2014 indicated that the City's weighted average pavement condition index (PCI) is 70. Given the City's current planned expenditures in the Pavement Rehabilitation Program budget in the CIP, the PCI will fall below 65 in 2019 and deferred maintenance will exceed \$28 million. In order to maintain a PCI of 70, it will be necessary to increase the City's annual capital expenditures to \$3 million. While this level of investment would stabilize the PCI over the next 5 years, it would still result in an increase in deferred maintenance to \$21 million by 2019. Annual expenditures of over \$4.5 million annually would be required to begin to address the City's deferred maintenance backlog and would also result in a projected increase in the City's PCI to 75 by 2018.

Lighting and Landscape District [229-8351]

ACTIVITY DESCRIPTION

Lighting and Landscape District (LAD) funds are derived from special property assessments to support City maintenance services in park and landscape areas within residential developments that were originally included in the District. Proper maintenance of the properties benefits the owners. Assessment charges are collected by the County on property tax rolls and remitted to the City. There are currently 20 subareas in the LAD that include a total of 757 properties. Each lot within a specific subarea is assessed the same amount.

The City manages the expenses of each of the subareas to maintain a positive fund balance and avoid, as long as possible, the need for assessment rate increases. Nevertheless, over the past several years accumulated increases in maintenance costs have necessitated an increase in assessment rates. To date, the majority of rate increases have been within the original range of assessment rates set at the time of annexation. For FY15-16, it is proposed that the assessment be raised for five subareas, all of which are within each areas current range. For one subarea, Sunnyside, a reduction in assessment is proposed.

District maintenance is done almost exclusively by contract. The level of maintenance at each subarea varies based upon the needs of the subarea and funding available. In three of the 20 subareas, a negative fund balance exists. Pursuant to Prop 218, ballot measures were conducted in the past, but neither passed thus disapproving an increase in the assessment rate. As a result, maintenance services in these three subareas continue at a reduced level limited to annual weed abatement only. This strategy is working to reduce these negative fund balances.

FY 14-15 ACCOMPLISHMENTS

- Continued to improve the financial strength of the District by aligning costs and expenses per sub areas
- Installed significant improvements, where funds allowed, in the landscapes and hardscapes of several subareas

FY 15-16 ACTIVITY GOALS

- Make improvements in each subarea where positive fund balances exist
- Conduct additional outreach activities, when needed, to better connect residents with their District

COUNCIL GOALS

The Lighting and Landscape District will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Supporting Youth**
 - o Park maintenance activities provide a safe and supportive community that provides opportunities for Morgan Hill's youth to succeed and develop their full potential

FINANCIAL COMMENTS

Maintenance services are provided through contract services and are paid by annual assessments from the property owners benefiting from the improvements. There is no impact to the City's General Fund or other funds.

Lighting and Landscape District (continued)

Expenditure Details		12-13	13-14	14-15	14-15 Year End	15-16
Object	Description	Actual	Actual	Amended	Projection	Adopted
41100	SALARIES - GENERAL	17,427	24,473	19,957	20,491	20,037
41320	EARNED LEAVE LIABILITY	572	507	578	578	464
41490	OVERTIME - GENERAL	3,670	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	15	-	-	-	-
41620	RETIREMENT - GENERAL	3,749	4,059	3,481	3,597	3,575
41690	DEFERRED COMPENSATION	557	531	288	436	285
41700	GROUP INSURANCE	1,266	2,492	3,376	3,493	3,213
41701	MEDICARE	282	336	290	275	292
41730	INCOME PROTECTION INS	151	251	239	239	219
41760	WORKERS COMP	476	659	495	508	1,002
41799	BENEFITS	51	122	60	116	111
Salaries Total		28,217	33,430	28,764	29,733	29,198
42208	ELECTRIC	3,446	3,982	3,914	3,914	4,031
42210	WATER/SEWER	46,162	41,423	41,664	30,000	42,914
42231	CONTRACT SERVICES	88,193	67,046	100,840	100,840	94,543
42248	OTHER SUPPLIES	2,943	2,448	2,433	2,433	2,506
42250	ADVERTISING	-	-	2,060	2,060	2,122
42254	POSTAGE & FREIGHT	109	25	-	-	-
Supplies Total		140,852	114,923	150,911	139,247	146,116
45003	GENERAL LIABILITY INSURANCE	237	102	546	546	596
45010	GF ADMIN	10,453	10,453	8,587	8,587	9,017
Internal Services Total		10,690	10,555	9,133	9,133	9,613
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	614
Transfer Total		-	-	-	-	614
8351 - Lighting And Landscape District Total		179,760	158,908	188,808	178,114	185,541



Stormwater Pollution Prevention [232-5810]

ACTIVITY DESCRIPTION

The Stormwater Pollution Prevention program is responsible for ensuring that the City is implementing its Stormwater Pollution Prevention Plan. As mandated by the Federal Clean Water Act and enforced by the State's Regional Water Quality Control Board, stormwater pollution prevention activities are designed to keep a broad range of pollutants away from local streams and creeks. In addition to public education activities, the stormwater program addresses street sweeping, places rules on the design and construction of new development, and requires that the City ensure that City operations reduce or eliminate stormwater pollution.

In FY 10-11, the City entered into a regional plan, with the County and Gilroy, to manage these issues regionally. The team began implementing this plan actively in FY 10-11. In addition, the State adopted a new General Permit that also applies to the City and the City must implement both requirements simultaneously. During FY 14-15, the City Council authorized the hiring of an Environmental Programs Coordinator to support the increasing requirements of the State and implementing the plan. This position also supports stormwater pollution prevention for the City of Gilroy, which through an agreement for service funds 50% of the costs of this position.

The City has been participating in a larger regional effort ("Joint Effort") to quantify stormwater flows as a tool for establishing appropriate post-construction limits on new development. The Regional Board has adopted the requirements that resulted from this effort and new development in Morgan Hill must now comply with these requirements as well.

The Regional Board adopted a Total Maximum Daily Load for fecal coliform that requires the City to actively monitor water quality in streams both within and outside of the City limits. The City has established a cooperative agreement to monitor several of these sites with neighboring jurisdictions in order to share costs and avoid duplication.

FY 14-15 HIGHLIGHTS

- Worked with the County and City of Gilroy in implementing regulatory requirements
- Submitted Annual Report to the State on implementation
- Continued fecal coliform monitoring
- Developed an agreement with the City of Gilroy to fund a shared position to support management of storm water pollution prevention

FY 15-16 ACTIVITY GOALS

- Begin expanded water quality monitoring programs and other implementation programs as required by the Regional Board
- Implement third year activities required by State General Permit

Stormwater Pollution Prevention (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	58,087	64,033	95,772	65,123	153,886
41271	SALARIES - PART-TIME TEMP	1,197	10,284	-	-	-
41320	EARNED LEAVE LIABILITY	3,626	2,266	4,056	4,056	4,171
41490	OVERTIME - GENERAL	1,615	519	-	1,000	-
41560	UNEMPLOYMENT INSURANCE	48	-	-	-	-
41620	RETIREMENT - GENERAL	11,557	10,591	16,705	11,432	27,459
41690	DEFERRED COMPENSATION	1,994	1,207	1,839	1,132	2,992
41700	GROUP INSURANCE	5,072	6,770	15,640	7,699	28,060
41701	MEDICARE	843	1,031	1,393	887	2,238
41730	INCOME PROTECTION INS	528	555	1,359	1,359	1,311
41760	WORKERS COMP	1,321	2,527	2,375	1,628	7,694
41799	BENEFITS	412	305	297	428	492
Salaries Total		86,300	100,087	139,436	94,743	228,303
42231	CONTRACT SERVICES	6,506	9,142	17,510	17,000	18,035
42236	BANK CARD SERVICE FEES	63	296	257	30	265
42248	OTHER SUPPLIES	179	331	1,957	1,000	2,016
42250	ADVERTISING	800	1,200	515	500	530
42254	POSTAGE & FREIGHT	14	23	515	100	530
42257	PRINTING	978	836	5,150	1,000	5,305
42261	AUTO MILEAGE	90	153	103	50	106
42299	OTHER EXPENSE	2,531	465	18,540	-	19,096
42408	TRAINING & EDUCATION	27	7	-	-	-
42423	MEMBERSHIP & DUES	12,131	12,131	14,420	15,000	14,853
Supplies Total		23,320	24,585	58,967	34,680	60,736
45003	GENERAL LIABILITY INSURANCE	579	227	1,751	1,751	3,147
45010	GF ADMIN	15,036	15,036	5,648	5,648	5,930
Internal Services Total		15,615	15,263	7,399	7,399	9,077
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	3,840
Transfer Total		-	-	-	-	3,840
5810 - Stormwater Pollution Prevention Total		125,235	139,935	205,802	136,822	301,956

Open Space Fund (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
42231	CONTRACT SERVICES	71,396	139,453	123,011	123,000	106,090
42236	BANK CARD SERVICE FEES	1,169	1,628	2,445	-	-
Supplies Total		72,565	141,081	125,456	123,000	106,090
45010	GF ADMIN	1,345	1,345	3,443	3,443	3,616
Internal Services Total		1,345	1,345	3,443	3,443	3,616
86360	CONSTRUCTION	-	-	1,120,000	-	870,000
Project Total		-	-	1,120,000	-	870,000
8063 - Open Space Total		73,910	142,426	1,248,900	126,443	979,706

Water Conservation (continued)

- Drought - Protecting the Environment and Maintaining Fiscal Responsibility
 - The Morgan Hill community will continue to be leaders in the state responding to drought conditions and will support water rate increases to ensure system reliability.

FINANCIAL COMMENTS

The source of funding for this activity is the Water Operations Fund which is supported by water service charges paid by Morgan Hill residents and businesses. As water conservation activities reduce water demand, quantity-based revenues from water sales decline accordingly. However, with the State’s limited water supplies and ongoing water delivery challenges, water conservation will remain an essential community program. The City’s Environmental Agenda recognizes the need for these activities in its Water Supply Subject Goal of “Maximize the efficient use of water and the development of alternative water supplies.”



Water Conservation (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	23,543	26,477	26,966	27,864	28,017
41271	SALARIES - PART-TIME TEMP	-	-	-	2,100	10,640
41320	EARNED LEAVE LIABILITY	1,912	896	1,706	1,706	1,902
41560	UNEMPLOYMENT INSURANCE	18	-	-	-	-
41620	RETIREMENT - GENERAL	4,155	4,365	4,704	4,873	4,999
41690	DEFERRED COMPENSATION	874	460	462	458	475
41700	GROUP INSURANCE	1,774	2,317	2,642	2,761	2,651
41701	MEDICARE	325	370	393	373	565
41730	INCOME PROTECTION INS	225	252	264	264	231
41760	WORKERS COMP	430	650	669	691	1,665
41799	BENEFITS	247	136	132	256	327
Salaries Total		33,505	35,923	37,938	41,346	51,472
42214	TELEPHONE	63	19	124	50	127
42231	CONTRACT SERVICES	5,458	1,791	6,865	7,000	15,071
42254	POSTAGE & FREIGHT	1	256	412	10,000	10,424
42257	PRINTING	-	2,550	1,236	20,000	21,273
42261	AUTO MILEAGE	218	238	206	1,300	712
42299	OTHER EXPENSE	20,137	34,783	86,948	90,000	82,436
42408	TRAINING & EDUCATION	-	-	412	-	424
42415	CONFERENCE & MEETINGS	-	174	206	200	212
Supplies Total		25,877	39,810	96,409	128,550	130,680
45003	GENERAL LIABILITY INSURANCE	232	91	350	350	420
45010	GF ADMIN	8,089	8,089	4,909	4,909	5,154
Internal Services Total		8,321	8,180	5,259	5,259	5,574
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	512
Transfer Total		-	-	-	-	512
5760 - Water Conservation Total		67,703	83,913	139,606	175,155	188,239

Fire

Appropriations Summary

	12-13	13-14	14-15	14-15	15-16
	Actual	Actual	Amended	Year End Projection	Adopted
Employee Services	\$ 40,552	\$ 47,356	\$ -	\$ -	-
Supplies & Services	4,865,517	4,131,423	5,045,399	4,603,352	5,185,836
Capital Outlay	5,532,947	16,025	395,800	170,458	-
Debt Services	18,111	164,530	-	-	-
Internal Service	289	142,693	142,932	142,932	143,319
Transfers Out	-	-	-	-	-
TOTAL EXPENDITURES	\$ 10,457,415	\$ 4,502,027	\$ 5,584,131	\$ 4,916,742	\$ 5,329,155
FULL TIME EQUIVALENT EMPLOYEES	0.25	0.25	0.00	0.00	0.00

Fire [010-3510]

ACTIVITY DESCRIPTION

The Morgan Hill Fire Department, through a contract with CAL FIRE, provides fire department services and emergency response for the citizens of Morgan Hill. Core services provided include emergency response, community education, business inspections, and fire prevention. The department offers services from two fire engine companies and a third through a boundary drop agreement with the South Santa Clara County Fire District, in which the city partially funds staffing.

The Morgan Hill Fire Department’s fire and rescue personnel work a 72 hour shift. Minimum staffing is nine line personnel and one chief officer. The Fire Marshal and EMS/Training Captain are available for additional response when needed.

Morgan Hill Fire Department utilizes the closest engine concept to respond to calls within the City’s jurisdiction. In order to make this possible Morgan Hill Fire works closely with surrounding fire agencies through Auto Aid Agreements. Morgan Hill Fire currently has reciprocal Auto-Aid agreements with South Santa Clara County Fire District, Gilroy City Fire, San Jose City Fire and a Mutual Threat Zone Agreement with CAL Fire for the areas in the Wildland Urban Interface (WUI).

FY14-15 HIGHLIGHTS

- Expanded the fire explorer program
- Purchase of a new Type VI fire apparatus
- 2404 public education contacts
- Performed 1305 business inspections
- Implemented County wide Electronic Patient Care Reporting (EPCR) program
- Insurance Service Office (ISO) rating- completed the ISO review to maximize city benefit
- Completed evacuation and pre-attack plans for Holiday Lakes/Jackson Oaks
- Implemented a quarterly public CPR class
- Continued participation in the EOC
- Maintained greater than 95% EMS response time

FY 15-16 WORKPLAN

- Implement a volunteer firefighting program
- Develop a Public Safety Master Plan
- Improve water conservation landscaping and irrigation at the Dunne Hill Fire Station

Fire (continued)

- Fire Explorers- Continue to recruit and train cadets
- Mapping (ongoing) - Update and share data with other departments. Take advantage of technology to increase information available in mapping programs
- Participate and be a signatory to the County wide Community Wildfire Protection Plan (CWPP)
- Explore traffic preemption feasibility for emergency response

COUNCIL GOALS

The Fire Department will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for 2015

- **Enhance public safety**
 - o Continue to focus on preparedness and capacity for emergency response through technology, equipment, and staffing alternatives
 - o Work collaboratively with other city departments to enhance city response capabilities
 - o Continue to train the public in emergency response preparedness.
 - o Increase response capacity through funding of the volunteer firefighter program
 - o Continue to facilitate training and participate in the Emergency Operations Center
- **Enhance Community Engagement and Diversity**
 - o Continue to be proactive in public education events
 - o Continue to support local community groups
 - o Continue to support CERT training and related programs
- **Supporting youth**
 - o Continue with school site visits and station tours for fire prevention activities
 - o Continue to expand the fire explorer program

FINANCIAL HIGHLIGHTS

South County Fire District Engine 1 Allocation: Since the City entered into contract with CAL Fire in January 2013, the City Council agreed to pay for 1/3 of the South County Engine 1 due to its proximity and a good portion of Morgan Hill's reliance on its service. Two plus years have passed, Morgan Hill has grown, and a full boundary drop plan has been implemented (where the closest resource responds regardless of jurisdictional boundaries to ensure as short as possi-

Fire (continued)

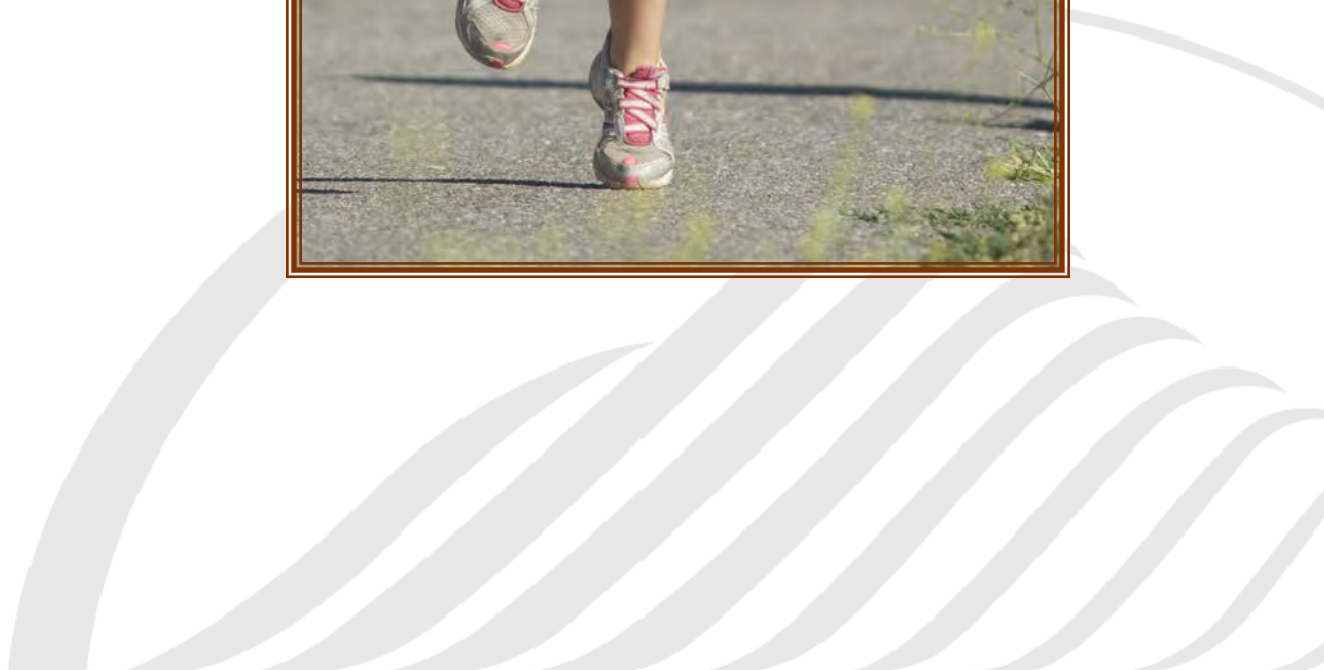
ble response times), therefore Morgan Hill's reliance on South County Engine 1 has increased. The proposed FY 15-16 Budget includes an increase to the City's share from 1/3 to 1/2 (\$185,000) of the personnel and maintenance expenses associated with the operation of this engine. The additional expense is offset by the significant savings to date because fire personnel costs have been lower than budgeted.

Public Safety Master Plan: Per Section 17.8 of the General Plan, the proposed FY 15-16 budget includes \$100,000 to develop a Public Safety Master Plan to guide the future delivery of Police and Fire services. South County Fire will also be participating and paying its share of the plan as they are critical partners in our public safety region due to the growth of our community. The Master Plan will also address the construction and staffing of a third Morgan Hill fire station. The City has 9 years to complete this project or the dedicated land near the courthouse must be sold and proceeds distributed to the underlying taxing jurisdictions.



Fire (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	28,305	37,116	-	-	-
41320	EARNED LEAVE LIABILITY	3,150	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	17	-	-	-	-
41620	RETIREMENT - GENERAL	4,644	6,104	-	-	-
41690	DEFERRED COMPENSATION	384	392	-	-	-
41700	GROUP INSURANCE	2,178	1,798	-	-	-
41701	MEDICARE	392	522	-	-	-
41730	INCOME PROTECTION INS	242	362	-	-	-
41760	WORKERS COMP	516	911	-	-	-
41799	BENEFITS	725	150	-	-	-
Salaries Total		40,552	47,356	-	-	-
42208	ELECTRIC	6,287	12,743	15,000	15,000	15,450
42210	WATER/SEWER	1,072	2,285	2,000	2,000	2,060
42214	TELEPHONE	11,494	15,712	12,000	13,650	12,360
42228	GASOLINE & OIL	13,219	44,573	49,440	30,000	50,923
42231	CONTRACT SERVICES	4,468,500	36,275	43,501	43,501	79,806
42238	CONTRACT SERVICES-CALFIRE	-	3,512,730	4,225,738	3,800,000	4,331,381
42244	STATIONERY & OFFICE SUPPLIES	11,944	9,152	8,652	7,000	8,912
42245	COMPUTER HARDWARE-NON CAPITAL	17,102	3,682	5,000	4,000	5,150
42248	OTHER SUPPLIES	285,915	92,941	111,000	100,000	89,380
42249	ALS SUPPLIES AND SERVICES	20,511	43,806	35,000	50,000	50,000
42250	ADVERTISING	261	215	300	300	309
42254	POSTAGE & FREIGHT	836	607	515	515	530
42257	PRINTING	3,538	920	3,000	3,000	3,090
42281	SMALL TOOLS	65	1,776	1,030	1,030	1,061
42299	OTHER EXPENSE	2,258	1,019	1,030	1,000	1,061
42301	REIMBURSEMENTS	-	50	-	123	-
42408	TRAINING & EDUCATION	4,295	11,925	16,000	16,000	16,480
42410	PROFESSIONAL DEVELOPMENT	500	-	-	-	-
42415	CONFERENCE & MEETINGS	908	-	1,000	1,100	1,030
42423	MEMBERSHIP & DUES	445	1,702	2,060	2,000	2,122
42510	MAINT - BLDGS/IMPROVEMENTS	2,126	24,933	25,750	25,750	26,523
42523	MAINT - MACHINE/EQUIPMENT	1,013	3,218	2,500	2,500	2,575
42526	MAINT - AUTO/TRUCKS	7,109	15,805	25,000	25,000	25,750
42536	MAINT - OTHER	6,119	-	-	-	-
42546	FIRE STATION ACQUISITION PAYMENT	-	163,181	259,295	259,295	259,295
42556	APPARATUS LEASE	-	132,173	200,588	200,588	200,588
Supplies Total		4,865,517	4,131,423	5,045,399	4,603,352	5,185,836
43820	OTHER IMPROVEMENTS	2,763,800	-	-	-	-
43825	MACHINERY/EQUIPMENT	32,737	16,025	-	11,857	-
43830	AUTO/TRUCKS	2,536,410	-	395,800	158,601	-
43835	FURNITURE/OFFICE EQUIPMENT	200,000	-	-	-	-
Capital Total		5,532,947	16,025	395,800	170,458	-
44991	INTEREST	18,111	164,530	-	-	-
Debt Total		18,111	164,530	-	-	-
45003	GENERAL LIABILITY INSURANCE	289	30,113	30,000	30,000	30,000
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	60,000	60,000	60,000	60,000
45006	FLEET REPLACEMENT	-	50,663	50,663	50,663	50,663
45009	INFO SYSTEM SERVICES	-	1,917	2,269	2,269	2,656
Internal Services Total		289	142,693	142,932	142,932	143,319
3510 - Fire Administration Total		10,457,415	4,502,027	5,584,131	4,916,742	5,329,155



Police

Appropriations Summary

	12-13		13-14		14-15		14-15 Year End		15-16	
	Actual		Actual		Amended		Projection		Adopted	
Employee Services	\$	9,504,400	\$	10,321,790	\$	11,038,272	\$	10,820,534	\$	11,545,199
Supplies & Services		1,253,527		1,269,187		1,240,345		1,119,101		1,085,120
Capital Outlay		51,901		33,560		79,600		163,908		16,000
Debt Services		-		-		-		-		-
Internal Service		794,727		1,098,227		1,265,000		1,265,000		1,319,856
Transfers Out		211,079		210,394		214,613		214,613		216,463
TOTAL EXPENDITURES	\$	11,815,634	\$	12,933,158	\$	13,837,830	\$	13,583,156	\$	14,182,637
PD ADMINISTRATION	\$	845,279	\$	873,125	\$	1,123,579	\$	924,058	\$	1,247,208
PD FIELD OPERATIONS		5,769,449		6,612,043		6,823,213		6,656,541		6,676,893
PD SUPPORT SERVICES		1,453,316		1,581,258		1,857,488		1,925,311		2,006,458
PD EMERGENCY SERVICES		149,454		179,868		165,228		165,938		171,609
PD SPECIAL OPERATIONS		1,863,788		1,859,810		2,187,473		2,312,781		2,677,095
DOMESTIC VIOLENCE GRANT		517,922		533,702		336,843		237,067		-
DISPATCH SERVICES		1,216,426		1,293,352		1,344,006		1,361,461		1,403,374
TOTAL EXPENDITURES BY PROGRAM	\$	11,815,634	\$	12,933,158	\$	13,837,830	\$	13,583,156	\$	14,182,637
FULL TIME EQUIVALENT EMPLOYEES		55.50		56.50		58.50		58.50		59.50



Police Administration [010-3205]

ACTIVITY DESCRIPTION

The Administration Division of the Police Department provides leadership and general direction for law enforcement efforts of City government. The Chief of Police, who reports directly to the City Manager, oversees all Department functions and guides Department managers, supervisors and all personnel in a collaborative effort in order to achieve the Department Mission.

Administration provides planning and coordination; budget management; coordination of internal affairs matters; special events planning and management; and other administrative needs to the Department.

During FY14-15 the Police Department continued to implement its Outcome Based Strategic Plan for Public Safety (Strategic Plan). The Strategic Plan was developed in FY11-12 to serve as a road map for public safety strategies through 2016. The Plan includes four outcomes with specific measures and action items to assess level of achievement. The four outcomes are below:

1. Reduce Incidents of Crime and Traffic Collisions
2. Increase Trust and Confidence in the Police Department
3. Increase Feeling of Safety
4. Increase Proficiency of Staff

To fully implement the Strategic Plan, baseline levels of feelings of safety and trust in our Police Department within our community needed to be established. A two-part community survey was conducted in 2012 and 2013 to assess feelings of safety and levels of trust and confidence in the Police Department. The firm Godbe Research conducted a telephone survey in fall 2012 of Morgan Hill residents in both English and Spanish. The survey results were positive with 81.1% of residents indicating they felt the city was headed in the right direction and 92% of residents indicating they feel safe in their neighborhoods. The top public safety issue identified by the survey respondents was gangs and youth violence. In summer 2013, the non-resident survey was completed. This survey assessed some of the same areas from the perspective of visitors to Morgan Hill and examined how visitors to Morgan Hill spend their income in order to learn if there are ways to expand economic development. The survey was conducted in both English and Spanish on-site at the Aquatics Center and Outdoor Sports Center during larger events and Downtown on weekend evenings. The overall results were positive and indicated that over 70% of respondents visiting Morgan Hill felt safe at our facilities and in our downtown. The survey findings prompted the Police Department to implement programs to address gang and youth violence by providing positive alternatives to at-risk youth through active participation in the South Valley Youth Task Force. The Department is also working to strengthen positive results such as increasing trust and confidence by strengthening community partnerships through expansion of our Neighborhood Watch and Officer Adopt-a-School programs.

FY14-15 HIGHLIGHTS

As noted, the Department has implemented a strategic plan for fiscal years 2013-2016. FY14-15 highlights are aligned to

Police Administration (continued)

each of the 4 goals listed below.

GOAL 1 – REDUCE incidents of crime and traffic collisions

- Responded to 37,349 calls for service and self-initiated contacts during 2013 calendar year resulting in 1,413 arrests; this reflects a 8% increase in calls for service and self-initiated contacts from calendar 2013
- The Department responded to a total of 209 traffic collisions in 2014 which tracks evenly with our three year historical average
- Experienced an 8% decrease in Part 1 property crimes from calendar year 2013 and a 12% decrease from 2012
- Successfully deployed VIPs at larger events in an effort to deter crime and provide support to Field Operations during events
- Continued to utilize Predictive Policing software for intelligent-led policing
- Traffic division prepared and distributed quarterly newsletters internally documenting the top 5 collision locations and the primary collision factors (PCFs) at each location
- Traffic division communicated top collision locations and PCFs to community on quarterly basis along with tips and information on driving safety, including distracted driving

GOAL 2 – INCREASE TRUST AND CONFIDENCE IN THE POLICE DEPARTMENT

- Recovered two prototype Specialized bicycles that were stolen from the corporate office valued over \$22,000 each
- Continued Volunteers in Policing Program and expanded program to 24 trained volunteers
- Proactively enhanced community engagement through regular posts and tweets via Facebook and Twitter regarding department activities and public safety
- Expanded number of subscribers to e-newsletter to nearly 2,000
- Developed and implemented automated email system to provide personalized email to crime victims from responding officer with links to crime prevention and victim assistance information
- Since the implementation of the Strategic Plan in 2012, citizen complaints have decreased from a 3 year average of 11 to 5

GOAL 3 – INCREASE FEELING OF SAFETY

- Expanded Adopt-A-School program to all Morgan Hill schools; Officers volunteer to serve as primary contact at each elementary and middle school and serve as a resource for students, faculty and parents

Police Administration (continued)

- Conduct cyber-bullying /internet safety presentations at local schools
- Achieved a crime rate of 2,177 crimes per 100,000 population; Average is 2,491 for county
- Achieved a 57% clearance rate for violent crimes*; Pacific Region average is 44%
- Achieved a 14% clearance rate for property crime **; Pacific Region average is 14%

* Homicide, rape, robbery, aggravated assault

** Burglary, larceny, auto theft, arson

Clearance rate = arrest/solve rate

GOAL 4 – INCREASE PROFICIENCY OF STAFF

- Continued mandatory use of VieVu (personally worn) cameras to all patrol staff, which resulted in a 1,498 hours of body-worn camera recordings
- Hired 5 new police officers to replace sworn staff who retired from Department
- Delivered secure internet access to mobile computers
- Successfully transitioned the Property/Evidence program to a new employee after retirement of long-term incumbent
- Completed revised promotional testing process resulting in the promotion of one Sergeant and one Corporal
- Completed camera feeds into dispatch for remote monitoring of crime hot-spots

Police Department statistics reflect calendar year 2014

FY15-16 ACTIVITY GOALS

In FY15-16, the Police Department and Fire Department will work to develop a Public Safety Master Plan (Master Plan) to be adopted by City Council. The Master Plan will include three specific elements addressing Fire, Police and Emergency Medical Services to ensure that the City has adequately planned for the construction and maintenance of public safety services.

The three elements are listed below:

1. The Fire Protection Element of the Master Plan shall address the need for timing and location of future fire stations, methods for providing preferred levels of service and fire prevention programs
2. The Police Service Element of the Master Plan shall address police staffing levels, performance standards, and

Police Administration (continued)

Academy

- o Offer Citizens Police Academy once a year to provide Morgan Hill residents with an opportunity to learn more about the inner workings of the Police Department and build community relations that will result in enhanced trust and confidence in the Department
- o Expand Community Emergency Response Team (CERT) training to include Teen CERT, CERT offered in Spanish, and Advanced CERT training

● Participating in Regional Issues

- o On-going participation in the South Valley Youth Task Force to implement a regional approach to youth crime and violence in Southern Santa Clara County
- o Continued participation on the Santa Clara County Specialized Enforcement Team and the Regional Auto Theft Taskforce
- o Participate in radio upgrade project with Silicon Valley Interoperability Authority to enhance communication between and among law enforcement agencies in Santa Clara County

FINANCIAL COMMENTS

In FY15-16, the Police Department will hire 1 FTE Police Records Specialist to augment our current Records team of 3.5 FTE. The new Records Specialist will provide for increased customer service by extending the availability of Records personnel, provide consistency in the areas of subpoena processing and tracking, perform data entry for offender booking, and process requests for police reports.

The Police Department submitted for renewal of the Domestic Violence grant in September of 2014. Unfortunately, we were unsuccessful in renewing the grant and have subsequently deleted the Domestic Violence Grant from our budget. The expenses previously associated with the grant were off-set from \$62,500 in new revenue from a Community Solutions grant and \$32,000 in new revenue from the City of Gilroy. The costs associated with the Domestic Violence/Missing Persons Detective are paid through the General Fund.

Police Administration (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	137,965	168,290	191,740	194,333	198,475
41160	SALARIES - SAFETY	177,780	184,440	322,825	188,618	336,049
41320	EARNED LEAVE LIABILITY	14,974	8,217	22,240	22,240	29,855
41560	UNEMPLOYMENT INSURANCE	296	-	-	-	-
41620	RETIREMENT - GENERAL	34,634	27,620	33,445	33,382	35,416
41630	RETIREMENT - SAFETY	58,563	62,467	113,686	64,814	112,287
41690	DEFERRED COMPENSATION	11,486	6,915	7,570	7,384	7,705
41700	GROUP INSURANCE	20,753	27,454	48,356	33,916	48,540
41701	MEDICARE	4,392	4,762	7,473	4,967	7,763
41730	INCOME PROTECTION INS	2,903	2,967	3,001	3,001	2,793
41760	WORKERS COMP	11,468	21,173	12,761	10,010	26,726
41799	BENEFITS	4,816	1,230	840	878	840
41800	UNIFORM	1,100	1,360	2,870	2,870	2,956
	Salaries Total	481,130	516,895	766,807	566,413	809,405
42231	CONTRACT SERVICES	131,582	106,010	97,500	97,500	150,425
42236	BANK CARD SERVICE FEES	845	1,086	1,473	1,473	1,517
42248	OTHER SUPPLIES	9,988	9,065	11,250	11,250	11,588
42250	ADVERTISING	451	1,601	1,000	1,000	1,030
42252	PHOTOCOPYING	76	6	77	77	79
42254	POSTAGE & FREIGHT	-	-	-	130	-
42261	AUTO MILEAGE	51	131	206	206	212
42299	OTHER EXPENSE	26	105	206	206	28,000
42408	TRAINING & EDUCATION	1,994	2,882	3,090	3,090	3,183
42415	CONFERENCE & MEETINGS	3,375	2,641	5,000	5,000	5,150
42423	MEMBERSHIP & DUES	1,190	1,210	927	927	955
42435	SUBSCRIPTION & PUBLICATIONS	385	805	258	1,000	266
42531	MAINT - FURNITURE/OFFICE EQUIP	-	-	206	206	212
	Supplies Total	149,962	125,541	121,193	122,065	202,617
45003	GENERAL LIABILITY INSURANCE	7,933	20,296	20,966	20,966	18,723
	Internal Services Total	7,933	20,296	20,966	20,966	18,723
49246	TRANSFER OUT-441 (PD BOND DEBT SERVICE)	1,382	-	-	-	-
49247	TRANSFER OUT-441 (PD BOND DEBT SERVICE)	-	210,394	214,613	214,613	216,463
49248	TRANSFER OUT-441 (PD BOND PRINCIPAL)	80,240	-	-	-	-
49249	TRANSFER OUT-441 (PD BOND INTEREST)	124,632	-	-	-	-
	Transfer Total	206,254	210,394	214,613	214,613	216,463
3205	- PD Administration Total	845,279	873,125	1,123,579	924,058	1,247,208

Police Field Operations [010-3210]

ACTIVITY DESCRIPTION

The Field Operations Division is guided by the department's four year Public Safety Strategic Plan created in partnership with the community, City Council and City Staff. The Strategic Plan consists of four outcomes: Reduce Incidents of Crime; Increase Trust and Confidence in Police Department; Increase Feelings of Safety; and Increase Proficiency of Staff. Our outcomes are accomplished through partnerships with our community, data-driven deployment and proactive police work.

The Field Operations Division consists of twenty-six sworn patrol officers: one Captain, four Patrol Sergeants, four Patrol Corporals, one Traffic Corporal, one Traffic officer, one K-9 Officer and six Reserve Officers. The civilian component of the division consists of three Multi-Service Officers (MSO). The MSOs are responsible for the enforcement of animal control provisions mandated by state law and local ordinance, and for administering animal licensing for the City of Morgan Hill. They also take police reports, provide vehicle abatement, jail management and other duties as assigned.

In addition to patrol duties, Police Officers have collateral duties such as field training officer (FTO), bicycle officer, motorcycle officers, special weapons and tactics team (SWAT), hostage negotiations, peer support, K-9, crime scene investigator (CSI), volunteer in policing staff (VIP), citizen police academy instructor and special event assignments.

The Reserve Officer Program in this division consists of paid part-time employees who are trained to augment regular patrol activities as a second officer in a vehicle.

FY 14-15 HIGHLIGHTS

The department implemented the Public Safety Strategic Plan for years 2013-2016. This plan consists of 4 major outcomes that include their own measurements and action items as means to track and achieve each one. These outcomes are listed below and include the FY2014-2015 highlights associated to each goal.

OUTCOME 1 – REDUCE INCIDENTS OF CRIME AND TRAFFIC COLLISIONS

- Responded to 37,349 calls for service and self-initiated contacts during the 2014 calendar year resulting in 1,413 arrests. This reflects an 8% increase in calls for service and self-initiated contacts from 2013
- Responded to 209 traffic collisions; a 1% increase from the prior 3 year average
- VIPs strategically deployed radar trailer in areas known for speeding over 50 times
- Continued to deploy VIPs in neighborhoods that had an increase in theft related crimes as required
- Continued officer deployment in data-driven crime areas through Predictive Policing software resulting in over 3,633 patrol checks
- Traffic Division created and distributed quarterly newsletters documenting the top 5 Primary Collision Factors and their locations throughout the city

Police Field Operations (continued)

- Deploy officers for DUI saturation patrol during major holidays
- Maintain use of VieVu cameras
- Maintain POST training standards compliance
- Increase capacity to monitor public camera systems installed throughout city
- Continue to provide collision data quarterly to assist in deployment of staff and collision prevention
- Continue to provide quarterly public safety message regarding safe driving practices and other crime prevention tips
- Target hotspot crime areas using Predpol's analytical data
- Maintain clearance rate above regional average for property and violent offenses
- Maintain 100% compliance with Lexipol Daily Training Bulletins
- Continue weekly patrol officer deployment at schools to meet with students and staff

CITY COUNCIL GOALS

During FY15-16, the Field Operations Division will continue to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Supporting Youth**
 - o Continue to support youth by working closely with the Special Operations Division to implement participation on the South Valley Youth Safety Task Force to address the influences and impacts of gang activity in Morgan Hill
 - o Patrol officers will continue to visit schools to interact with students
- **Enhance Community Engagement and Diversity**
 - o Continue to communicate with Morgan Hill residents on regular basis via Facebook and Twitter regarding Police Department activities
 - o Continue to implement Neighborhood Watch
 - o Continue to conduct outreach to all segments of the community for participation in the Citizens Police Academy
 - o Continue to offer Citizens Police Academy once a year, providing Morgan Hill residents with an opportunity to learn more about the inner workings of the Police Department. The Academy is an opportunity to build community resulting enhanced trust and confidence in the Department

Police Field Operations (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	120,629	173,218	251,490	251,270	262,484
41160	SALARIES - SAFETY	2,817,792	3,169,261	3,372,342	3,235,399	3,322,156
41271	SALARIES - PART-TIME TEMP	36,006	29,279	41,129	41,129	42,362
41280	SALARIES - P.T. REIMBURSEMENT	9,397	11,330	10,815	10,815	11,139
41310	SALARIES - OTHER	720	2,562	-	2,600	-
41320	EARNED LEAVE LIABILITY	98,003	65,555	115,040	115,040	120,208
41490	OVERTIME - GENERAL	12,368	14,762	15,525	15,525	15,991
41500	OVERTIME - SAFETY	375,299	301,771	284,625	284,625	293,164
41505	OVERTIME - SAFETY-SPECIAL PROJECTS	18,197	24,065	47,007	47,007	42,855
41520	OVERTIME - REIMBURSABLE	49,142	52,836	51,750	51,750	53,303
41560	UNEMPLOYMENT INSURANCE	2,600	-	-	-	-
41620	RETIREMENT - GENERAL	19,779	30,556	43,867	44,029	46,838
41630	RETIREMENT - SAFETY	1,011,332	1,128,306	1,143,105	1,027,019	999,634
41690	DEFERRED COMPENSATION	7,540	3,398	3,227	3,266	3,227
41700	GROUP INSURANCE	347,557	425,254	501,448	517,666	454,792
41701	MEDICARE	41,870	49,454	59,029	47,926	58,667
41730	INCOME PROTECTION INS	13,899	15,123	7,862	14,000	7,497
41760	WORKERS COMP	179,742	351,409	100,918	97,028	190,611
41799	BENEFITS	2,870	2,010	1,680	2,755	2,520
41800	UNIFORM	34,106	41,103	47,123	47,123	48,537
41810	UNIFORM-RESERVES	-	-	390	390	402
Salaries Total		5,198,850	5,891,251	6,098,371	5,856,362	5,976,386
42214	TELEPHONE	526	287	-	100	-
42228	GASOLINE & OIL	105,517	103,975	98,880	98,880	101,846
42231	CONTRACT SERVICES	49,470	54,049	72,125	72,125	62,289
42248	OTHER SUPPLIES	84,256	125,084	109,300	109,300	100,679
42261	AUTO MILEAGE	-	67	-	-	-
42299	OTHER EXPENSE	-	307	-	-	-
42408	TRAINING & EDUCATION	5,662	1,713	-	-	-
42411	POST TRAINING	35,789	36,210	62,573	62,573	64,450
42415	CONFERENCE & MEETINGS	1,013	3,323	6,360	6,360	2,122
42423	MEMBERSHIP & DUES	125	1,461	618	900	637
42435	SUBSCRIPTION & PUBLICATIONS	105	3,670	515	2,000	530
42523	MAINT - MACHINE/EQUIPMENT	104	1,091	3,090	3,090	3,183
42526	MAINT - AUTO/TRUCKS	66,262	90,590	62,000	105,000	75,000
Supplies Total		348,829	421,828	415,461	460,328	410,736
43825	MACHINERY/EQUIPMENT	5,577	-	15,600	15,600	16,000
43830	AUTO/TRUCKS	-	-	-	30,470	-
Capital Total		5,577	-	15,600	46,070	16,000
45003	GENERAL LIABILITY INSURANCE	88,852	162,368	157,246	157,246	135,742
45006	FLEET REPLACEMENT	122,516	136,597	136,535	136,535	138,029
Internal Services Total		211,368	298,965	293,781	293,781	273,771
49250	TRANSFER OUT-790 (EQUIP REPLACEMENT)	4,825	-	-	-	-
Transfer Total		4,825	-	-	-	-
3210 - PD Field Operations Total		5,769,449	6,612,043	6,823,213	6,656,541	6,676,893

Police Support Services (continued)

FY 15-16 ACTIVITY GOALS

- Complete and consolidate department records procedure manual
- Schedule RMS training at team briefings
- Update DVRs at the police department to provide for effective view of security cameras throughout city
- Participate in ongoing interoperability projects, such as ARIES, Coplink, CJIC Roadmap and South County Regional Interoperability projects
- Expand online report review with the District Attorney's office for specific report types
- Investigate online access of digital evidence for the District Attorney's office
- Provide access to public to view online traffic collision reports
- Replace user end radio equipment using SVRIA guidelines to include all field radios and dispatch consoles
- Replace outdated digital recording devices
- Recruit, hire and train new Records Specialist

FY 15-16 WORK PLAN

- Work with Building Maintenance to replace current business phone system with internet based system
- Develop Capital Improvement Schedule for Department Radios

CITY COUNCIL GOALS

During FY 14-15, the Support Division will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Participating in Regional Issues**
 - o On-going participation in regional interoperability projects, such as ARIES, Coplink, and CJIC Roadmap to provide for seamless information sharing with other jurisdictions regarding law enforcement activities

Police Emergency Services [010-3230]

ACTIVITY DESCRIPTION

This unit operates under Special Operations and serves the entire City of Morgan Hill. It maintains the City of Morgan Hill's Office of Emergency Services (OES), oversees the Homeland Security Grant Program , Pre-disaster Mitigation Operation, and coordinates disaster preparedness programs including Community Emergency Response Team (CERT) training.

Since January 2014, a renewed organizational focus on emergency preparedness has strengthened our citywide Disaster Service Workers' resilience and ability to respond to a large scale emergencies and events. As such, 2014 was deemed the "Year of Preparedness." This renewed focus strengthened our Emergency Operations Center (EOC) team's activation capabilities. The interdepartmental EOC team consists of a cross-section of City of Morgan Hill team mates. Each has a specific role and key responsibilities as a member of the team. Throughout 2014, the team learned their individual responsibilities and participated in a variety of trainings. This resulted in a greater understanding of the management and coordination of emergency and disaster response. The "Year of Preparedness" efforts will continue into the future and serve as the foundation for the operations and focus of the Office of Emergency Services.

The Emergency Operations Center (EOC) team structure follows the Incident Command System with a Director of Emergency Services (DES), Deputy DES, and Section Coordinators overseeing Operations, Planning, Logistics and Finance. Within the Operations Section a Law Enforcement and Fire Rescue Branch are staffed respectively by a MHPD Police Captain and a Morgan Hill Fire (Cal Fire) Chief. Partner agencies are also integral to the EOC organization and include; the Morgan Hill Unified School District and American Red Cross.

Staff coordinates with the Morgan Hill Amateur Radio Emergency Services (MHARES-Ham operators) for auxiliary communications in the City EOC when activated. The Office of Emergency Services also plays an integral role in Santa Clara County Homeland Security and disaster preparedness as one of the Operational Area Liaison Agencies. OES staff also works with other State, Federal and Local emergency preparedness agencies.

The Office of Emergency Services maintains the City's Emergency Operations Plan (EOP). The EOP was updated and approved by City Council on June 6, 2013. The EOP prescribes the functioning of all City Departments during emergency/disaster conditions to ensure the continuation of government and the delivery of essential City services to the residents and business community. These activities include the discharge of State and Federal Homeland Security Initiatives; mitigation of disasters to protect lives and reduce property damage; preparation of damage assessment reports and documentation; coordination of City employee training as Disaster Service Workers (DSWs); and implementation of community disaster preparedness programs to the public.

Morgan Hill OES Coordinator represents the City as a member of the Santa Clara County Emergency Manager's Association (EMA) and the California Emergency Services Association (CESA). OES monitors the activities of the Santa Clara County Emergency Planning Council.

Police Emergency Services (continued)

FY 14-15 HIGHLIGHTS

- Coordinated volunteer/disaster service worker programs (CERT, ARES, OES)
- Oversaw three 8-week CERT training sessions
- Promoted Map Your Neighborhood (MYN) program
- Represented Police Chiefs Association on the Santa Clara County Hospital Council for Disaster Preparedness
- Served a Second term as Secretary for the Coastal Region of California Emergency Services Association (CESA)
- Enhanced EOC Readiness by reestablishing EOC team assignments and improved training
- Served as Alert SCC program lead
- Obtained additional Point of Dispensing (POD) supplies through Department of Public Health
- Secured homeland security funds used to purchase equipment to enhance EOC operations
- Served as Finance Section Chief for Annual Countywide CERT Exercise
- Served Second term as EMA CERT Subcommittee Chair
- Served as Fiscal agent for creation and reproduction of SCC Police Chief’s endorsed Active Shooter Video for SCC Schools
- Stocked basic supplies at Westhills Community Church for EOC (backup) activation
- Served first term as Member at Large of Santa Clara County’s Emergency Management Association
- Held emergency preparedness workshop for private businesses
- Represented Morgan Hill OES at the Interfaith Council

FY 15-16 ACTIVITY GOALS

- Ensure city-wide Standardized Emergency Management System (SEMS) and National Incident Management System (NIMS) compliance
- Execute Memorandum of Understanding with West Hills Community Church to store emergency supplies in a (city owned) shipping container on their premises
- Become a member of Morgan Hill Police Department’s Peer Support Team
- Continue term as CERT Subcommittee Chair; Santa Clara County

Police Emergency Services (continued)

- Continue term as CESA Coastal Chapter Secretary
- Continue term as EMA Board Member at Large

COUNCIL GOALS

OES will seek opportunities and align activities with the priorities, goals, and strategies the City Council has set for 2015.

- **Supporting Youth**
 - Continue to support youth by participating/presenting to the Youth Advisory Council (YAC), running Teen CERT programs, and emergency preparedness to elementary schools, City sponsored YMCA afterschool programs, and scouting programs
- **Enhancing Community Engagement and Diversity**
 - Continue to offer and encourage participation in Emergency Preparedness and CERT training to all members of the community with the end result of greater awareness and community resiliency for the next large scale emergency
- **Participating in Regional Issues**
 - Continue to participate in the Coastal Chapter of California Emergency Services Association, the Santa Clara County Emergency Managers Association, and Santa Clara County Hospital Emergency Preparedness Council

FY 15-16 WORKPLAN

- Enhance EOC staff to prepare and respond to a large scale event (disaster) in compliance with ICS/SEMS/NIMS.
- Update Morgan Hill's Local Hazard Mitigation Plan in accordance with State and Federal guidance and approval

FINANCIAL COMMENTS

In FY2015-16 OES will seek state homeland security grant program (SHSGP) opportunities for EOC staff training and EOC equipment enhancements.

Police Special Operations [010-3245]

ACTIVITY DESCRIPTION

The Special Operations Division is led by the Special Operations Captain. The division is guided by the department's Public Safety Strategic Plan. The Plan outlines 4 outcomes: Reduce Incidents of Crime, Increase Trust and Confidence in Police Department, Increase Feelings of Safety and Increase Proficiency of Staff. The Special Operations Division is responsible for coordinating major investigations and special enforcement activities. The Division provides police services to the City's schools and coordinates internal investigations.

There are six detectives, a school resource officer and one part-time graffiti civilian assigned to this Division who perform varied tasks that include investigation of: person crimes, property crimes, domestic violence, narcotics and gangs, special event coordination, media information, task force assignments, graffiti removal and school resource officer services.

The Special Operations Division provides a School Resource Officer dedicated to the Morgan Hill Unified School District (District). The officer is assigned to the two public high schools: Sobrato and Live Oak. The officer works on school campus directly with students and faculty to prevent or intervene in on-campus incidents. The District contributes \$90,000 annually toward this officer's total compensation.

In FY14-15, the Police Department added a new Administrative Sergeant position mid-year that reports to the Special Operations Captain. The Administrative Sergeant started the new assignment in January 2015. This position is responsible for the Department's training program, officer scheduling and the Volunteers in Policing (VIP) program, Internal Affairs and special projects. This position aligns to the Department's Strategic Plan to enhance trust and confidence in the Police Department and the increase staff proficiency within the Department.

During FY14-15, the Department actively worked to increase its presence at the regional level through participation in three multi-jurisdictional task forces:

- 1) A new 1FTE officer was hired to allow the Department to assign a Detective to the federal San Jose Drug Enforcement Task Force (DEA);
- 2) An existing 1FTE officer was re-assigned from the United Narcotic Enforcement Team (UNET) to the Santa Clara County Special Enforcement Team (SCCSET); and
- 3) A new 1FTE officer was assigned to the Regional Auto Theft Task Force (RATTF). Membership in these task forces has already benefitted the Department by providing enhanced investigative and personnel resources in addition to revenue to partially offset the cost of the three positions.

Due to the above listed re-assignments, we lost one part-time Street Crimes Detective to the SCCSET task force. As a result, the department assigned a Corporal to serve in the function of a Property Crimes/Street Crimes Detective and as a liaison with our hotels.

Police Special Operations (continued)

- 3 Officers were assigned to the regional task forces
- Recovered two prototype Specialized bicycles that were stolen from the Specialized corporate office valued over \$22,000 each
- Over 100 CalGRIP referrals from the SRO to Community Solutions

OUTCOME 1 – REDUCE INCIDENTS OF CRIME AND TRAFFIC COLLISIONS

- Utilized crime statistics and technology to increase property crime clearance rates to meet the clearance rate for the pacific region
- Continued use of PredPol predictive policing software in collaboration with probation/parole and warrant information in order to strategically apprehend offenders

OUTCOME 2 – INCREASE TRUST AND CONFIDENCE IN THE POLICE DEPARTMENT

- Conducted two Citizen Police Academy sessions
- Utilized VIPs to work surveillance operations, neighborhood patrol checks and special events
- Used social media, such as Facebook, Twitter and Nixle to educate the community and inform them of police activity

OUTCOME 3 – INCREASE FEELING OF SAFETY

- Detectives hosted monthly apartment managers meetings
- Street Crimes updated gang files and monitored activity and routinely contacted gang members
- Graffiti abatement totaled clean-up of 951 incidents of graffiti in the City

OUTCOME 4 – INCREASE PROFICIENCY OF STAFF

- Completed mandatory POST compliance trainings
- Ensure 100% compliance with Lexipol Daily Training Bulletins
- Officers are providing training to staff upon return from specialized training

FY 15-16 ACTIVITY GOALS

- Target hotspot crime areas using analytical data to inform community and conduct parole/probation AB109 and warrant searches

Police Special Operations (continued)

GRIP funding

- Provide training to the community including schools, businesses and city staff in “Run, Hide, Defend” Active Shooter Training
- Expand job opportunities for Volunteers in Policing
- **Maintaining fiscal responsibility**
 - San Jose DEA – Anticipate \$50,000 through asset seizure sharing agreement
 - SCCSET - \$70,000 contribution toward officer’s compensation
 - RATTF – 42% of the officer’s compensation

FINANCIAL COMMENTS

In FY15-16, the San Jose DEA, SCCSET and RATTF task forces will contribute toward the assigned officer’s compensation:

- San Jose DEA – Anticipate \$50,000 through asset seizure sharing agreement
- SCCSET - \$70,000 contribution toward officer’s compensation
- RATTF – 42% of the officer’s compensation

The intent of each task force is to conduct in-depth investigations leading to the arrest and prosecution of offenders committing drug offenses, robberies, homicides, auto thefts and other related crimes. The efforts of these multi-jurisdictional units will have a direct effect on the reduction of crime across the region and specifically in Morgan Hill.

A dedicated SRO works directly with students, faculty and parents on high school and middle school campuses. The District contributes \$90,000 toward this officer’s total compensation. During FY14-5, the SRO continued to be supplemented by patrol officers that adopted specific schools in order to provide the same services as an SRO. This strategy allowed for a greater opportunity for contacts with students, parents and faculty.

Police Special Operations (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	-	-	-	-	-
41160	SALARIES - SAFETY	1,016,397	981,536	1,149,141	1,244,386	1,449,186
41271	SALARIES - PART-TIME TEMP	24,774	32,122	31,930	31,930	32,888
41310	SALARIES - OTHER	232	124	-	-	-
41320	EARNED LEAVE LIABILITY	26,308	24,877	39,386	39,386	40,575
41490	OVERTIME - GENERAL	107	192	-	-	-
41500	OVERTIME - SAFETY	70,947	54,836	79,104	79,104	81,477
41505	OVERTIME - SAFETY-SPECIAL PROJECTS	4,893	3,855	15,450	15,450	15,914
41520	OVERTIME - REIMBURSABLE	25,357	39,789	20,600	21,500	21,218
41560	UNEMPLOYMENT INSURANCE	942	-	-	-	-
41620	RETIREMENT - GENERAL	-	406	-	-	-
41630	RETIREMENT - SAFETY	343,739	335,711	404,682	426,792	484,231
41690	DEFERRED COMPENSATION	2,112	3,160	3,227	3,266	3,227
41700	GROUP INSURANCE	112,449	108,467	172,584	173,767	222,004
41701	MEDICARE	15,437	13,312	18,811	17,483	23,228
41730	INCOME PROTECTION INS	3,868	3,800	2,604	5,000	2,618
41760	WORKERS COMP	58,791	101,305	32,146	36,505	76,216
41799	BENEFITS	191	945	1,079	1,431	1,260
41800	UNIFORM	8,613	10,073	9,558	9,558	9,845
Salaries Total		1,715,154	1,714,511	1,980,302	2,105,560	2,463,886
42231	CONTRACT SERVICES	99,294	75,490	124,833	124,833	128,578
42248	OTHER SUPPLIES	21,397	26,823	29,550	29,550	30,437
42252	PHOTOCOPYING	316	-	361	361	372
42408	TRAINING & EDUCATION	1,556	-	-	50	-
42415	CONFERENCE & MEETINGS	289	191	412	412	424
42423	MEMBERSHIP & DUES	395	455	309	309	318
42435	SUBSCRIPTION & PUBLICATIONS	-	3,101	1,545	1,545	1,591
Supplies Total		123,248	106,060	157,010	157,060	161,720
45003	GENERAL LIABILITY INSURANCE	25,386	39,239	50,161	50,161	51,488
Internal Services Total		25,386	39,239	50,161	50,161	51,488
3245 - PD Special Operations Total		1,863,788	1,859,810	2,187,473	2,312,781	2,677,095



Police Dispatch Services [010-8270]

ACTIVITY DESCRIPTION

The Dispatch Communications Unit, within the Support Services Division, receives all 911 emergency calls, including wireless 911, originating within Morgan Hill, as well as non-emergency calls for police services.

Emergency calls requiring fire and/or paramedic responses are passed through the Morgan Hill Center to Cal-Fire for apparatus dispatch and to County Communications for emergency medical pre-arrival instructions/ambulance dispatch. Situations originating in Morgan Hill, which require multiple agency response, are coordinated through our dispatch center.

Communications personnel receive and dispatch calls received after normal business hours for the city's public works activities. They also receive animal related calls for service within the City and dispatch appropriate personnel. The 911 dispatchers assigned to this division provide a wide variety of support to the officers. They monitor the holding facility, conduct investigations via multiple automated systems, compile photo line-ups and research historical data during patrol responses.

FY 14-15 HIGHLIGHTS

The department implemented the Public Safety Strategic Plan for years 2013-2016. This plan consists of 4 major outcomes that include their own measurements and action items as means to track and achieve each one. The Dispatch Services Division upholds the following three outcomes: Increase Trust and Confidence in the Police Department; Increase Feeling of Safety; and Increase Proficiency of Staff by completing the following highlighted tasks:

- Continued participation of two Tactical Dispatchers assigned to the Regional SWAT team
- Met POST requirements for dispatcher training
- Continued participation in peer support group
- Processed 11,608 911 calls and 39,794 non-emergency phone calls
- Replaced 911 Public Safety Answering Point (PSAP) equipment using state 911 funds
- Purchased radio console equipment using Silicon Valley Interoperability Authority (SVRIA) guidelines
- Completed CAD- to-CAD integration using SVRIA guidelines
- Participated in patrol ride-alongs

FY 15-16 ACTIVITY GOALS

- Maintain upkeep and accuracy of GIS database in CAD
- Implement Quality Assurance (QA) system

Police Dispatch Services (continued)

- Hold quarterly division meetings
- Attend the California Law Enforcement Telecommunications System (CLETS) Users Group training
- Attend Advanced Tactical Dispatcher training
- Attend California Emergency Number Association conference

CITY COUNCIL GOALS

The Dispatch Division will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for FY 15-16:

- **Supporting Youth**
 - Dispatchers volunteer their time to present 9-1-1 for Kids to kindergarteners through second graders in Morgan Hill public schools. 9-1-1 for Kids not only provides age-appropriate information on the proper use of 9-1-1 for young children, but also provides them with valuable skills of knowing what to do in a case of an emergency
- **Participating in Regional Issues**
 - On-going participation in regional interoperability projects, such as Silicon Valley Regional Interoperability Authority (SVRIA), Coplink, California Sex and Arson Registry and the Sheriff's Law Enforcement Technology System to provide seamless data and information sharing with other jurisdictions regarding law enforcement activities

During FY14-15 the Police Department developed a funding strategy for participation in the Silicon Valley Regional Communications Systems project (Radio Project). City Council approved the funding strategy in the amount of \$325,767 to purchase 3 dispatch consoles in the current fiscal year. The new consoles will replace the existing ones with state-of-the-art communications equipment as part of a larger group purchase by public safety agencies in Santa Clara County. The City of Morgan Hill, along with neighboring communities, has entered into an agreement to purchase and install radio digital systems to augment interoperability. Through this agreement, public safety agencies will implement the build-out of a regional communication infrastructure to be phased in over the next 3 years. The goal of the Radio Project is to develop a county-wide interoperable radio system that will enhance the ability of agencies to communicate with each other routinely as well as during critical events. Currently public safety agencies work on different radio systems that do not “talk” with one another. The Morgan Hill Fire Department is also participating in this project to increase communication capabilities among and between all member public service agencies.

Police Dispatch Services (continued)

Expenditure Details		12-13	13-14	14-15	14-15 Year End Projection	15-16
Object	Description	Actual	Actual	Amended		Adopted
41100	SALARIES - GENERAL	699,775	740,200	805,103	822,810	839,806
41271	SALARIES - PART-TIME TEMP	29,610	19,390	29,824	29,824	30,719
41310	SALARIES - OTHER	1,081	576	-	-	-
41320	EARNED LEAVE LIABILITY	16,693	15,185	32,209	32,209	36,482
41490	OVERTIME - GENERAL	150,945	150,821	82,400	90,000	84,872
41500	OVERTIME - SAFETY	19,165	13,943	4,403	4,403	4,535
41560	UNEMPLOYMENT INSURANCE	718	-	-	-	-
41620	RETIREMENT - GENERAL	116,058	123,096	140,434	144,523	149,855
41630	RETIREMENT - SAFETY	933	-	-	-	-
41700	GROUP INSURANCE	68,785	72,002	95,707	87,089	83,319
41701	MEDICARE	9,112	9,288	13,377	8,710	13,937
41730	INCOME PROTECTION INS	6,854	6,866	7,303	7,303	6,532
41760	WORKERS COMP	20,207	28,074	22,859	23,820	44,969
41799	BENEFITS	945	863	840	1,223	1,260
41800	UNIFORM	4,620	7,358	5,438	5,438	5,601
Salaries Total		1,145,503	1,187,660	1,239,898	1,257,353	1,301,887
42231	CONTRACT SERVICES	31,273	53,214	40,237	40,237	41,444
42245	COMPUTER HARDWARE-NON CAPITAL	6,933	2,152	10,300	10,300	10,609
42248	OTHER SUPPLIES	4,202	4,337	4,326	4,326	4,456
42261	AUTO MILEAGE	-	-	103	103	106
42408	TRAINING & EDUCATION	3,013	2,692	5,150	5,150	5,305
42415	CONFERENCE & MEETINGS	117	-	-	-	-
42523	MAINT - MACHINE/EQUIPMENT	-	-	2,060	2,060	2,122
Supplies Total		45,537	62,394	62,176	62,176	64,041
45003	GENERAL LIABILITY INSURANCE	25,386	43,298	41,932	41,932	37,446
Internal Services Total		25,386	43,298	41,932	41,932	37,446
8270 - Dispatch Services Total		1,216,426	1,293,352	1,344,006	1,361,461	1,403,374

Community Development

Appropriations Summary

	12-13		13-14		14-15		14-15 Year End Projection		15-16	
	Actual		Actual		Amended		Projection		Adopted	
Employee Services	\$	2,675,537	\$	2,947,876	\$	3,344,826	\$	3,330,976	\$	3,274,918
Supplies & Services		12,795,605		4,518,164		2,833,119		3,883,649		2,071,014
Capital Outlay		-		-		90,850		91,235		360,925
Debt Services		3,440,189		100,669,200		6,937,403		6,942,303		6,924,744
Internal Service		454,476		505,868		564,236		564,236		621,736
Transfers Out		318,296		434,949		461,133		461,133		521,501
Project Expenditure		11,081,130		2,491,421		21,176,578		19,662,854		4,618,061
TOTAL EXPENDITURES	\$	30,765,233	\$	111,567,478	\$	35,408,145	\$	34,936,386	\$	18,392,898
PLANNING		1,729,996		1,798,830		2,485,683		2,599,302		2,500,756
BUILDING		1,016,654		1,202,273		1,394,135		1,365,481		1,464,791
LONG RANGE PLANING		540,300		674,745		1,052,412		974,686		689,761
CDBG FUND		62,988		-		142,000		142,000		77,000
MOBILE HOME PARK RENT		952		1,501		763		763		801
SENIOR HOUSING TRUST		18		-		-		-		-
HOUSING MITIGATION		2,159,597		1,264,088		4,968,345		3,364,356		3,344,055
COMH SUCCESSOR TO MHRDA DEBT SERVICE		3,569,300		102,644,202		6,937,403		6,942,303		6,924,744
COMH SUCCESSOR TO MHRDA ADMINISTRATION		11,842,313		354,377		1,036,195		2,169,394		981,064
COMH SUCCESSOR TO MHRDA CIP BOND PROCEEDS		9,228,982		2,141,157		17,085,578		17,101,854		2,040,000
SUCCESSOR HOUSING AGENCY		614,133		1,486,303		305,630		276,246		369,927
TOTAL EXPENDITURES BY PROGRAM	\$	30,765,233	\$	111,567,478	\$	35,408,145	\$	34,936,386	\$	18,392,898
FULL TIME EQUIVALENT EMPLOYEES		20.33		20.08		22.67		22.67		22.62

Community Development Department (continued)

March 2015, of the Sale of Downtown Opportunity Sites 2, 3, and 4. Former RDA bond funded capital projects are scheduled to be complete by December 31, 2015, with the largest project, the construction of a 273 space parking garage leading the way. Demolition/construction on the project began in February.

With the sale of three opportunity sites, it is expected that significant time will be spent on the process of development of those sites and the disposal of the remaining former Redevelopment Agency assets, and other "opportunity sites" located Downtown. Any disposition of former RDA assets requires Oversight Board and Department of Finance approval.

The FY 15-16 Budget responds to the increase in permit activity experienced in calendar year 2014-15, anticipated to stay robust through FY 15-16. Minor changes to the Building Division organization are being proposed, including the elimination of the .5 part time temporary Fire Inspector, while making permanent the 2 year full-time inspector position added in FY 14-15. It is proposed this permanent position share the fire inspector and building inspector duties. This shift is proposed primarily in response to the need to be competitive to hire the qualified talent in the market when competing with full-time job offers.

Minor Changes to the Planning Division are also being proposed. FY 15-16 proposes use of one part-time contract planner to support planning functions for approximately 6 months as Community Development transitions to a fully automated, GIS based "Track-it" system. This initiative, beginning with purchase and installation of software in FY 14-15, will be the full integration of a geo-based computer based planning, building and business license system that will manage the entitlement and permit system. The City acquired Tidemark, many years ago, which is now obsolete and no longer maintained. Track-it will move all permits and case files to a GIS based system that will fully engage all entitlement, permit and license activity, linked to a specific parcel. The installation of Track-it will require the part time dedication of the Associate Planner. Therefore, contract services are included in the FY 15-16 budget to augment the team.

The City's Affordable Housing focus will be in two areas; protecting and rehabilitating the community's existing affordable housing supply and creating a path to develop additional new affordable units that meet the general and special needs of Morgan Hill residents. Assisting with regional efforts to collaborate to meet the County's affordable housing needs, will also be a high priority. High on the priority list will be helping to implement the EAH scattered site affordable housing project of a total of 46 units. In FY 14-15, the project was fully allocated and received an \$818,000 additional funding commitment from the Santa Clara County Community Development Block Grant (CDBG) program. The project has received a commitment to support 6 transitional age youth (TAY-youth aging out of Foster care at age 18) residences as well. A manpower change is being proposed for the Housing Division, adding one FTE Municipal Services Assistant (MSA) to support the Housing Manager.

In FY 15-16 it will be important to focus economic development activity to help facilitate City development priorities and identify the development needed to assist with the retention and attraction of high-quality jobs, the development of vacant industrial and office acreage, expansion needs of existing business and the supply and balance of housing types required to accommodate all members of the business and residential community regardless of age, income and or physical ability. Partnerships with our existing business community will be key. The 15-16 budget anticipates the addition of one FTE Economic Development Coordinator to provide key assistance, provide for expansion of activities and sustainability of the City's robust, responsive and fast-paced economic development efforts.

Community Development Department (continued)

This budget proposes continued implementation activities fostering development on former Downtown “opportunity sites”, and familiarization of potential users and their brokers with service void areas, including boutique hotel, hospitality, and retail with the strengthened market demographics and opportunities in Morgan Hill. These development amenities are critical to the support of further investment in the industrial park areas and Downtown, will enhance the City’s quality of life and support the sports, recreation, leisure and tourism goals of Morgan Hill.

As a special revenue fund, the Planning, Building, and Engineering Divisions (Engineering is in the Public Works Department) fees must cover all operating expenses. For FY 15-16 this is forecasted to occur. However, in FY 16-17 and beyond, the fund is projected to experience structural imbalance. The FY 15/16 work program includes measures to complete and implement an updated fee study begun in FY 14-15 by NBS, and to recommend updated fees by no later than the end of 2015.



Planning [206-5120]

ACTIVITY DESCRIPTION

The current planning program is responsible for oversight and implementation of the City's land use development regulatory permit system. Current planning includes reviewing proposed plans for compliance with the zoning section of the Municipal Code, Specific Plans, and the General Plan. Current planning activities directly support or play a role in the City Councils' following ongoing priorities:

- Enhancing public safety
- Protecting the environment
- Maintaining fiscal responsibility
- Preserving and cultivating public trust

Current Planning teammates administer the City's land use planning entitlement process for the review of new construction projects, building remodels, use permits, signage installations and other land use development activities subject to the City's General Plan and Zoning and Subdivision ordinances. This includes the following activities:

- Conducting the annual Residential Development Control System (RDSC) process for the allotment of residential units consistent with the City's growth management program
- Evaluating all development applications, working with applicants on suggested changes, and preparing and presenting staff reports, issues of concern, findings, recommendations, draft resolutions, and ordinances to the Planning Commission and City Council
- Providing information and customer support to assist residents, business persons, property owners and developers to administer planning and environmental review processes
- Coordinating City staff and outside agency review of all development proposals
- Enabling community participation in the planning process, including notifying all property owners within a certain distance of proposed development projects and staffing the public information counter
- Preparing Planning Commission agendas and minutes
- Coordinating and managing consultants as needed for planning and/or environmental review of projects
- Reviewing and approving final construction plans to ensure all imposed planning conditions are addressed

Planning (continued)

FY 14-15 HIGHLIGHTS

- Conducted annual review of RDCS scoring criteria
- Conducted the 2014 Residential Development Control System (RDCS) Competition for 15 projects, including coordination of multiple departments to score each project, conduct of three Planning Commission hearings (preliminary scoring, final scoring and allotments), and City Council hearings of appeals for scoring and allotments
- Conducted the review process for 20 General Plan amendments; 17 approved by the City Council, 1 denied and 2 tabled for later consideration
- Completed Zoning Amendment / Development Agreement / Subdivision process for 9 residential projects
- Completed Site Review for commercial projects including 3rd Street Garage, Honda of MH Expansion, Mast-Star Concrete, Condit-Stone Park Hotel, Condit-Kenworth expansion, and Butterfield Mini-Storage projects
- Completed RFP processes for permit tracking software and cost-recovery fee analysis

FY 15-16 WORKPLAN

- Provide a high level of customer service for public information and permit processing programs
- Manage the entitlement process for economic development and residential projects consistent with the City's design standards and customer service delivery goals
- Continue conduct of the RDCS and other land use entitlement processes
- Fully engage on update of the RDCS
- Update Planning Permit fees to reflect 100% cost recovery
- Maintain land use and permit data and respond to data requests from the public or to support regional planning efforts
- Implement a new permit tracking system for the Community Development program

FY 15-16 ACTIVITY GOALS

- Conduct penultimate RDCS competition prior to comprehensive update of the RDCS, including annual review of RDCS scoring criteria
- Process project applications, conduct California Environmental Quality Act (CEQA) reviews, administer development agreements, and conduct plan checks and final inspections for proposed and approved projects

Planning (continued)

- Process project applications, conduct California Environmental Quality Act (CEQA) reviews, administer development agreements, and conduct plan checks and final inspections for proposed and approved projects
- Work with selected consultant to review and adjust Current Planning fees to fully implement a 100% cost recovery model
- Work with the selected consultant to set up and begin use of new permit tracking system for the Community Development program
- Continue work on CEQA Thresholds of Significance and standardized mitigation measures and conditions of approval
- Conduct post-competition update of the RDCS Standards and Criteria
- Continue to work on streamlining the development approval processes at the Development Services Center
- Continue participation in the One Bay Area, Sustainable Communities Strategy, and Regional Housing Needs Allocation through MTC and ABAG; continue participation in LAFCO TAC.

FINANCIAL COMMENTS

Development processing activities are funded by the Community Development Fund, from development processing fees that pay for service. These funds are accounted for separately from the General Fund. On January 18, 2012, the City Council adopted a revised fee schedule to help ensure full cost recovery for building, planning and engineering services provided to the community. Engineering and Building fees are keeping pace with activity. However, Planning fees continually fall short of total cost recovery. The City has selected a consultant (NBS) to conduct a comprehensive review of Planning fees for cost recovery, including a technology surcharge to cover the costs of maintaining an electronic permit tracking system. This study is anticipated to be completed and implemented in FY 15-16.

In order to maintain excellent customer service, and help expedite the development entitlement process, Planning will continue to make use of outside consultants to supplement existing in-house staff resources. The cost of this service will be fully borne by the development community that takes advantage of this service on a project by project basis, with no impact to City funds.

Planning (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	516,943	668,463	699,243	758,643	703,731
41271	SALARIES - PART-TIME TEMP	73,003	81,299	136,751	100,000	20,000
41320	EARNED LEAVE LIABILITY	10,467	9,766	18,358	18,358	21,986
41490	OVERTIME - GENERAL	508	836	515	3,800	530
41560	UNEMPLOYMENT INSURANCE	601	-	-	-	-
41620	RETIREMENT - GENERAL	110,781	112,386	121,969	132,775	125,890
41690	DEFERRED COMPENSATION	15,585	13,102	13,934	15,489	13,386
41700	GROUP INSURANCE	49,874	76,306	80,363	111,327	103,006
41701	MEDICARE	8,313	10,318	12,181	11,366	10,562
41730	INCOME PROTECTION INS	5,607	6,974	6,577	6,577	5,941
41760	WORKERS COMP	10,827	18,616	20,745	21,255	35,696
41799	BENEFITS	2,297	4,832	3,571	4,700	4,129
Salaries Total		804,808	1,002,898	1,114,207	1,184,290	1,044,857
42214	TELEPHONE	9,233	7,018	12,360	8,000	12,731
42228	GASOLINE & OIL	579	-	824	400	849
42231	CONTRACT SERVICES	533,482	73,936	128,134	25,000	43,027
42236	BANK CARD SERVICE FEES	6,165	8,455	10,943	10,000	11,271
42237	CONTRACT SERVICES-PLANNING REQUESTS	121,352	358,770	333,002	800,000	200,000
42239	CONTRACT SERVICES-ENVIRONMENTAL REQUESTS	-	-	300,000	-	300,000
42244	STATIONERY & OFFICE SUPPLIES	2,845	887	2,549	2,500	2,625
42245	COMPUTER HARDWARE-NON CAPITAL	-	2,718	7,500	1,936	2,500
42246	COMPUTER SOFTWARE-NON CAPITAL	1,231	1,086	2,575	2,309	2,652
42248	OTHER SUPPLIES	1,484	420	5,150	350	5,305
42250	ADVERTISING	9,724	9,334	10,300	18,000	10,609
42252	PHOTOCOPIING	9,845	7,280	11,330	5,000	11,670
42254	POSTAGE & FREIGHT	1,212	1,183	3,605	3,600	3,713
42257	PRINTING	809	902	2,060	250	2,122
42261	AUTO MILEAGE	1,043	1,090	979	1,000	1,008
42297	PRIOR YEAR EXPENSE	-	27,939	-	-	-
42299	OTHER EXPENSE	46	3,483	5,400	2,500	5,940
42408	TRAINING & EDUCATION	167	116	4,738	4,700	4,880
42415	CONFERENCE & MEETINGS	5,534	4,499	4,738	5,300	4,880
42423	MEMBERSHIP & DUES	10,540	1,610	14,832	14,000	15,277
42435	SUBSCRIPTION & PUBLICATIONS	326	355	515	400	530
42526	MAINT - AUTO/TRUCKS	46	-	361	-	372
Supplies Total		715,664	511,079	861,894	905,245	641,962
43840	COMPUTER EQUIPMENT	-	-	-	-	9,000
43845	COMPUTER SOFTWARE	-	-	90,850	91,035	346,925
Capital Total		-	-	90,850	91,035	355,925
45003	GENERAL LIABILITY INSURANCE	6,729	3,065	11,554	11,554	14,049
45004	BUILDING MAINT - CURRENT SERVICES	3,511	20,579	27,199	27,199	26,431
45005	BUILDING MAINT - FUTURE REPLACEMENT	4,258	4,258	4,258	4,258	4,386
45009	INFO SYSTEM SERVICES	20,547	34,084	40,340	40,340	47,220
45010	GF ADMIN	87,977	87,977	133,066	133,066	139,719
Internal Services Total		123,022	149,963	216,417	216,417	231,805
49224	TRANSFER OUT-740 (BUILDING MAINTENANCE)	-	-	56,758	56,758	63,524
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	82,345	130,923	130,923	130,923	130,923
49241	TRANSFER OUT-BOND/DEBT	4,158	3,967	14,634	14,634	14,634
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	17,125
Transfer Total		86,503	134,890	202,315	202,315	226,206
5120 - Planning Total		1,729,996	1,798,830	2,485,683	2,599,302	2,500,756

Building [206-5130]

ACTIVITY DESCRIPTION

The Building Division ensures compliance with State, County and local regulations. This provides minimum standards to safeguard life, health, and public welfare by regulating the use, occupancy, location, and maintenance of all buildings and structures. The division activities include, plan review, permits, Fire Prevention and Code Enforcement.

Building Division reviews construction plans, issues permits, and provides field inspections for all construction and property development activities to ensure compliance with mandated regulations. The Building Division is responsible for fire prevention activities including plan review and inspections, and complaint based Code Enforcement activities, which include investigation, case maintenance, case resolution, annexation inspections and business license reviews and Certificate of Occupancy inspections for zoning and building compliance. In FY 15-16, it is proposed that the division eliminate the .5 temporary Fire Inspector position, while making permanent the 2 year Building Inspector II position added in FY 14-15. This proposed shift phases out the .5 temporary Fire Inspector position by FY 16-17, thus allowing time for training. Having full-time staff available to perform the functions of fire plan review and inspections, results in enhanced service for division customers.

FY 14-15 HIGHLIGHTS

- Established an administrative citation process to help adjudicate noncompliant code enforcement cases. Penalties collected from this process are retained by the Building Division
- Interviewed software providers for a new permit tracking and plan review system
- Upgraded the Building Inspectors' iPads giving them additional capabilities by having full access to the division network. This enhancement reduces office research time
- Records scanning continues as an on-going function of the division. The purchase of an electronic scanner has increased the ability to perform multiple functions.

FY 15-16 WORKPLAN

- Create and use electronic iPad templates that will be utilized in the field for code enforcement violations
- Train the building inspectors for fire inspection activities shift of responsibility
- Explore a web based building permit section allowing the applicant to electronically submitted drawings and apply for a permit without visiting the office

Building (continued)

FINANCIAL COMMENTS

The Building Division is funded by development processing fees and includes a Building Manager, one part-time Fire Inspector, two Building Inspectors, one part-time Building Inspector, one Code Enforcement Officer and two Development Services Technicians.

Building permit activity continues to increase. During FY 14-15, inspection activities increased to 270 inspections per week, up from an average of 250 inspections per week in FY 13-14. Residential plan review and permits continue to dominate the division work load, however, commercial permit activity has increased, accounting for about 20% of building permit activity.

Fire inspection plan review and inspection activities increased during FY 14-15 with an average of 25 inspections each week. Most residential developers indicate they will continue building single family homes during FY 15-16 as long as real estate sales remain strong.



Building (continued)

Expenditure Details		12-13	13-14	14-15	14-15 Year End	15-16
Object	Description	Actual	Actual	Amended	Projection	Adopted
41100	SALARIES - GENERAL	519,022	606,790	699,331	684,130	722,435
41271	SALARIES - PART-TIME TEMP	44,665	104,493	79,362	79,362	42,000
41320	EARNED LEAVE LIABILITY	23,767	14,398	26,527	26,527	31,073
41490	OVERTIME - GENERAL	20,422	29,845	12,000	15,000	12,000
41560	UNEMPLOYMENT INSURANCE	526	-	-	-	-
41620	RETIREMENT - GENERAL	121,552	103,164	121,976	119,798	129,228
41690	DEFERRED COMPENSATION	10,983	12,620	14,718	14,055	13,293
41700	GROUP INSURANCE	56,782	71,056	97,120	92,881	93,847
41701	MEDICARE	6,868	8,714	11,496	8,815	11,290
41730	INCOME PROTECTION INS	5,121	5,604	5,914	5,914	5,712
41760	WORKERS COMP	14,281	24,029	19,608	18,786	37,461
41799	BENEFITS	2,072	3,519	2,218	2,263	2,218
41800	UNIFORM	574	688	721	826	743
Salaries Total		826,635	984,920	1,090,991	1,068,357	1,101,300
42214	TELEPHONE	12,998	11,340	13,390	13,500	13,792
42228	GASOLINE & OIL	8,320	8,969	5,665	6,500	5,835
42231	CONTRACT SERVICES	15,422	15,375	12,360	14,000	26,064
42236	BANK CARD SERVICE FEES	11,828	14,064	17,940	14,000	18,478
42244	STATIONERY & OFFICE SUPPLIES	7,039	1,566	3,605	2,500	3,713
42245	COMPUTER HARDWARE-NON CAPITAL	-	2,210	12,900	5,500	5,787
42246	COMPUTER SOFTWARE-NON CAPITAL	1,925	1,086	3,090	3,000	3,183
42248	OTHER SUPPLIES	6,587	706	1,545	6,100	1,591
42250	ADVERTISING	300	118	309	-	318
42252	PHOTOCOPYING	2,442	2,947	2,060	1,500	2,122
42254	POSTAGE & FREIGHT	781	819	824	900	849
42257	PRINTING	1,550	1,090	1,545	1,000	1,591
42261	AUTO MILEAGE	34	-	103	-	106
42299	OTHER EXPENSE	215	-	309	500	318
42408	TRAINING & EDUCATION	3,176	4,130	7,725	5,500	7,957
42415	CONFERENCE & MEETINGS	1,088	814	2,060	2,800	2,122
42423	MEMBERSHIP & DUES	1,354	2,881	515	500	530
42435	SUBSCRIPTION & PUBLICATIONS	4,144	3,270	515	1,500	530
42526	MAINT - AUTO/TRUCKS	740	6,687	2,060	3,000	2,122
Supplies Total		79,943	78,074	88,520	82,300	97,009
43840	COMPUTER EQUIPMENT	-	-	-	200	-
Total		-	-	-	200	-
45003	GENERAL LIABILITY INSURANCE	6,678	3,462	10,837	10,837	14,767
45004	BUILDING MAINT - CURRENT SERVICES	3,072	19,424	23,799	23,799	23,127
45005	BUILDING MAINT - FUTURE REPLACEMENT	3,726	3,726	3,726	3,726	3,838
45006	FLEET REPLACEMENT	-	-	-	-	14,997
45009	INFO SYSTEM SERVICES	27,838	44,072	54,429	54,429	63,713
45010	GF ADMIN	47,489	47,489	83,301	83,301	87,466
Internal Services Total		88,803	118,173	176,092	176,092	207,907
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	17,635	17,635	25,727	25,727	28,466
49241	TRANSFER OUT-BOND/DEBT	3,638	3,471	12,805	12,805	12,805
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	17,304
Transfer Total		21,273	21,106	38,532	38,532	58,575
5130 - Building Total		1,016,654	1,202,273	1,394,135	1,365,481	1,464,791

Long Range Planning (continued)

The Long Range Planning program will also play a key role in the other two 2014 focus areas:

- Advance revitalization of our downtown by completing our significant public investment
- Facilitate maintaining and enhancing the provision of medical services in Morgan Hill

FY 14-15 HIGHLIGHTS

- Completed third phase , development of a preferred land use plan, for the Morgan Hill 2035 project (a comprehensive update of the City's General Plan, Zoning Code and Residential Development Control System). This work included multiple levels of continued community engagement, including conduct of Community Workshops, joint City Council/Planning Commission Study Sessions, Stakeholder meetings and General Plan Advisory Committee meetings including special meetings focused upon agriculture, demographics and housing needs.
- Released a Notice of Preparation (NOP) for the Morgan Hill 2035 General Plan update draft Environmental Impact Report
- Began work on the update to policies for the General Plan Update
- Completed updates to the City's General Plan Housing Element and Safety Element to comply with State law
- Adopted an Agricultural Land Use Preservation Program and SEQ Area Plan
- Continued preparation of a Climate Action Plan in partnership with other public agencies
- Updated the City's Sign Code to allow electronic signage at service stations
- Updated zoning ordinance to prohibit payday lending institutions
- Updated Municipal Code to allow detached sidewalks
- City awarded a Station Area Planning Grant for planning work in the Downtown

FY 15-16 WORKPLAN

- Complete next phase of Morgan Hill 2035 project, including the General Plan Update, including preparation of a Draft Environmental Impact Report, proposed changes to the Residential Development Control System (RDCS), proposed changes to the City's Zoning Code, and the development of General Plan policies
- Continue to work with County, LAFCO, property owners and other stakeholders to develop land use policies to promote agricultural preservation within the SEQ and to implement the City's Agricultural Lands Preservation Program
- Complete the Climate Action Plan

Long Range Planning (continued)

- Evaluate changes in the State law related to transportation planning and CEQA thresholds of significance and develop policies for Morgan Hill that leverage those changes
- Continue to work on updates to Title 18 (Zoning Code) of the Municipal Code, as they arise, and as part of the comprehensive Morgan Hill 2035 project
- Continue to apply for grants to fund land use and transportation planning projects that support the development of the City's Downtown and the use of various modes of transportation throughout Morgan Hill.

FINANCIAL COMMENTS

Long range planning activities are funded by a combination of General Fund, Park Funds, Community Development, Drainage Impact, Sewer, Water Funds, and the Long Range Planning fee. These funds help pay for all long range planning activities, including the next General Plan Update. On March 21, 2012 the City Council adopted a resolution that increased this fee to 15% of the cost of other required permits for planning and many building and engineering projects. This revision is more appropriately funding the long range planning projects that have an estimated five year cost of over \$2.5 million.

LONG RANGE PLANNING PROJECTS

The Long Range Planning group is currently engaged in several significant projects of citywide importance. The following provide a more detailed description of these projects.

General Plan Update

State Law requires each city to adopt a General Plan for the physical development of the city, and any land outside its boundaries which relates to its planning. The General Plan communicates the City's development goals and policies for the distribution of future public and private land uses and provides the community with a key opportunity to express a vision for its future quality of life as it is shaped by land uses and the delivery of municipal services. State Law requires that cities update their housing elements every five years. Other elements of the Plan must be reviewed periodically and updated as deemed necessary by the City.

The last comprehensive update of the Morgan Hill General Plan was completed in 2001. The Housing Element and Circulation Element were updated and adopted in 2010. The next Housing Element Update is due by December 2014. Adoption of the Downtown Specific Plan in FY 09-10 involved a General Plan Amendment, and several private applications for General Plan and Zoning amendments are currently in process.

On April 25, 2012, the City Council directed staff to commence a General Plan Update process derived from the Vision of the existing General Plan. The Morgan Hill 2035 project was initiated in January 2013 following City Council approval on December 19, 2012 of authorization for the City Manager to execute a Consultant Agreement with The Planning Center/DCE (now called PlaceWorks) for preparation of: a General Plan Update (GPU) consisting of comprehensive updates to the Community Development (Land Use), Economic Development, Housing, and Circulation (as needed) Elements of the General Plan, including: integration of a growth control system into the General Plan; a Zoning Code

Long Range Planning (continued)

Update; Infrastructure Master Plan; Telecommunications Plan; and Environmental Impact Report. Since the Vision and many of the goals of the Plan remain relevant today, a focused update and public outreach effort were planned. The GPU will also integrate the Climate Action Plan that is currently underway (see below). The update of the Economic Development Element is one of the key areas of focus for Morgan Hill 2035. Through this update, the City will examine the optimization of land uses for the purposes of facilitating the best possible future fiscal and economic health for Morgan Hill. This will help identify the right mix, amount, types, and location of land uses; and a population level and densities that would yield the best possible development scenario with a realistic jobs/housing balance goal. The Economic Development Element update will influence the Housing, Land Use and potentially Circulation Elements.

The total cost for the Morgan Hill 2035 project is \$1,527,154. This includes \$317,134 associated with the Infrastructure Master Plan, \$121,400 for the comprehensive Zoning Code Update, and a 10% total budget contingency. The Infrastructure Master Plan will be funded by the Public Works Capital Improvement Plan (CIP) Fund. The GPU will be funded by Long Range Planning Fee Fund 207, growth and inter-fund transfers, a one-time infusion of housing in-lieu funds, and approved transfers from Community Development Fund 206.

The Morgan Hill 2035 project is scheduled to take approximately 3+ years to complete, although the intent is to move forward quickly, and shorten that time if possible. Any necessary General Plan Growth Control Ballot Measure is anticipated to occur in June or November 2016. Below is a list of future FY 15-16, and 16-17 milestones for Morgan Hill 2035, pending any changes due to unforeseen circumstances.

Milestone	Anticipated Date
Public Outreach, Plan Preparation and Environmental Review	Ongoing, 2014-2016
Policy Development	Summer 2014 - August 2015
Draft General Plan	October 2015
Draft Zoning Ordinance	December 2015
Infrastructure Master Plan	December 2015
Draft EIR	January 2016
Final General Plan	August 2016
Growth Management Ballot Measure	November 2016
Final Zoning (Including RDCS)	December 2016

Medical Services Planning

As part of the General Plan update process, the City will review land available for future medical uses and General Plan policies for consistency with the City's recent healthcare needs analysis.

Long Range Planning (continued)

Downtown Revitalization

The Long Range Planning team plays a key role in the City's Downtown Revitalization focus area. In addition to supporting the City's infrastructure and urban design improvement projects and the disposition of City properties through the Long Range Property Management Plan, the Planning team is proactively evaluating land uses and urban design for the Monterey Corridor and is working with Economic Development staff to participate in regional land use / transportation planning efforts that focus upon the Downtown. The City is in the process of applying for grants that will help to fund this activity.

Station Area Master Plan

The Long Range Planning program has received grant funding to develop a Station Area Master Plan. The Plan will provide detailed planning and conceptual design with an implementation strategy to achieve the transit-supporting amenities that are as user and pedestrian friendly and as possible. The Plan will include:

- Landmark-quality design with planning for sight lines, aesthetics, and public art
- Amenities including electric charging stations, bike rentals, repair services and lockers, and public restrooms
- Integration of Downtown cultural, recreational, retail, and service amenities through expanded downtown signage and information kiosks
- Improved walkability due to continuous street front development
- Parking access and management for public lots as well as the City's new 273-space garage.

The Plan will also provide conceptual design and formal Bicycle, Pedestrian and Accessibility Master Plans for the City's Priority Development Area (PDA, generally consistent with the boundaries of the Downtown Specific Plan Area), including identifying and closing gaps in existing pedestrian and bicycle trails that reach key employment, residential, and recreational destinations within and beyond the PDA.

The Agricultural Lands Preservation Program and Southeast Quadrant (SEQ) Land Use Plan

The ongoing *Agricultural Lands Preservation Program and Southeast Quadrant Land Use Plan* process is the result of actions placed in the Open Space and Conservation Element of the 2001 General Plan Update. Specifically those actions (2.1) directed the development of a greenbelt plan, for the area along the expected edge of the urbanized area of the city, (2.2) the evaluation of appropriate land uses in the rural County areas surrounding the city, including specifically the potential for an industrial park southeast of the tenant/Highway 101 interchange. Also included, was (2.4) consider a "variety of tools to create a greenbelt including public acquisition, land use regulation, urban development policy, economic incentives to landowners, open space easements, transfer of development rights and cluster development, assessment districts and dedication of additional lands upon development. Lastly, the actions (2.8) referred to the previously adopted South County Joint Area Plan (1982) that directed the establishment of a permanent greenbelt between Morgan Hill and Gilroy continuing such land uses as low density rural residential, agricultural activities and recreation areas".

Long Range Planning (continued)

The City has been working to establish the Urban Limit Line/Greenbelt since the last update of the General Plan was completed in 2001 and in April of 2008 approved the preparation of Project alternatives for both Sports/Recreation/Leisure an agriculture preservation plan in the SEQ, the initiation of a CEQA document, and exploration of additional information about the feasibility of agriculture mitigation and long term viability of agricultural lands within Morgan Hill's Sphere of Influence (SOI). The Agricultural Preservation Program and associated General Plan amendments were approved by the City Council in November of 2014 and February of 2015. The City is continuing to work on additional land use planning to support agricultural preservation and which will be incorporated into the General Plan update.

Climate Action Plan (CAP)

The City is in the process of preparing a Climate Action Plan through a collaboration of Joint Venture Silicon Valley, the City of Morgan Hill's Environmental Services, the County of Santa Clara and other communities in Santa Clara Valley. This collaborative approach is designed to identify and adopt as policy strategies for Morgan Hill to address regional greenhouse gas emissions consistent with the City's goals for environmental leadership and with efforts underway in neighboring communities. Adoption of a CAP can facilitate future land use entitlement activity by providing a clear explanation of the City's policy requirements while streamlining the environmental review process for individual project entitlements.

The Habitat Conservation Plan (HCP)

The Habitat Conservation Plan was approved by the major implementing agencies including the cities of Morgan Hill, Gilroy and San Jose. Partners include VTA, SCVWD, the regional open space and water resources agencies and federal as well as local wildlife protection agencies. Morgan Hill, both elected officials and staff, have devoted hundreds of hours to the collaboration resulting in the HCP. The City is actively participating in the ongoing work of implementation of the HCP including the review of new development projects for consistency with HCP policies and the collection of HCP fees to fund habitat preservation efforts.

Long Range Planning (continued)

Expenditure Details		12-13	13-14	14-15	14-15 Year End	15-16
Object	Description	Actual	Actual	Amended	Projection	Adopted
41100	SALARIES - GENERAL	163,159	158,094	251,732	223,283	212,156
41271	SALARIES - PART-TIME TEMP	53,186	75,618	-	25,000	-
41320	EARNED LEAVE LIABILITY	3,721	4,550	2,623	2,623	4,386
41490	OVERTIME - GENERAL	275	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	139	-	-	-	-
41620	RETIREMENT - GENERAL	28,338	26,755	43,910	39,095	37,857
41690	DEFERRED COMPENSATION	6,861	2,934	4,312	6,980	6,295
41700	GROUP INSURANCE	10,340	13,518	34,342	20,374	18,873
41701	MEDICARE	3,101	3,458	3,689	3,449	3,124
41730	INCOME PROTECTION INS	1,782	1,594	2,473	2,473	1,547
41760	WORKERS COMP	4,087	5,797	6,243	6,265	10,608
41799	BENEFITS	1,105	1,653	2,682	3,338	3,312
Salaries Total		276,094	293,971	352,006	332,880	298,158
42214	TELEPHONE	1,416	1,225	1,236	1,000	1,273
42231	CONTRACT SERVICES	244,280	362,984	663,728	600,000	350,000
42236	BANK CARD SERVICE FEES	637	1,124	1,133	1,000	1,167
42248	OTHER SUPPLIES	-	60	-	-	-
42297	PRIOR YEAR EXPENSE	-	244	-	-	-
42415	CONFERENCE & MEETINGS	-	492	-	5,500	-
42423	MEMBERSHIP & DUES	2,161	-	1,803	1,800	1,857
Supplies Total		248,493	366,129	667,900	609,300	354,297
45003	GENERAL LIABILITY INSURANCE	1,679	612	3,852	3,852	3,252
45010	GF ADMIN	14,034	14,034	28,654	28,654	30,087
Internal Services Total		15,713	14,646	32,506	32,506	33,339
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	3,968
Transfer Total		-	-	-	-	3,968
5170 - Long Range Planning Total		540,300	674,745	1,052,412	974,686	689,761



Housing Programs [Funds 234, 235, 236, and 255]

ACTIVITY DESCRIPTION

The Housing department is still dealing with the effects of the elimination of the Redevelopment Agency and the resulting loss of \$4 million in annual funding to support the rehabilitation and development of affordable housing in Morgan Hill. These housing funds were one of the significant cornerstones of the City's very successful housing program, and made most of the City's housing programs, serving low and very low income residents, possible.

The City's primary housing mission is to continue the on-going efforts to improve, preserve, and assist in the production of safe and decent housing in Morgan Hill, and to provide housing opportunities at all income levels for the residents and the employees of local businesses. As a result of the elimination of redevelopment agencies statewide, the Housing Program's accepted secondary responsibility is to serve as the successor to the former Morgan Hill Redevelopment Agency's housing functions and administer its legacy housing assets pursuant to Resolution 6504 adopted by the City Council on January 18, 2012. The City has accepted the housing assets of the former Redevelopment Agency and beginning in FY 12-13 operated a limited housing program utilizing and leveraging other housing resources.

The Morgan Hill Redevelopment Agency was the largest funding source for the City's affordable housing programs and housing development projects. With the elimination of the Agency, the City restructured its housing programs to reflect the services that can be provided based on the limited staff resources and funding. Housing activity has become less programmatic and more strategic in scope and function. The housing functions provide coordination of new unit production activity, implementation of the Housing Element, achievement of the Regional Housing Needs Allocation requirement (RHNA) and provision of local housing related services that in some instances has resulted in leveraging or purchasing "local access" to existing programs, rather than maintaining a separate City program.

In FY14-15 Housing efforts were focused on implementing new strategies, policies and procedures, for the provision of local housing related services with some ongoing Housing programs being administered via contract with a third party entity. Morgan Hill contracts with the BMR Program Administrator, Neighborhood Housing Services of Silicon Valley (NHSSV), and in November of 2014 Council approved a contract with the Housing Trust of Silicon Valley to administer a BMR Rehabilitation Program to preserve the BMR housing stock. Housing efforts were also focused on negotiating with EAH Housing Developers for the purpose of constructing a multi site family affordable housing development with a Transitional Age Youth (TAY) component.

For FY 15-16, Housing will bring forward an Affordable Housing Program update and discuss with the City Council key City and regional housing priorities, steps to begin planning for the City's next affordable housing project, the evaluation of the BMR in lieu fee, as well as exploring options for creating sustainable Programs to respond to the housing needs of residents. After several years of winding down and completing the previous RDA's projects and programs, the housing department has accumulated significant funds. Potential exists to subsidize 1 or 2 new developments, or institute new housing programs to help mitigate the effects of the increase in both home prices and rental rates. Staff will provide ongoing oversight of the EAH multi-site, new construction development, scheduled to begin construction by the summer of 2016. Housing efforts will include identifying regional opportunities for the future of Statewide Affordable Housing Funding.

Housing Programs [Funds 234, 235, 236, and 255]

Given that the City of Morgan Hill has made a major commitment to affordable homeownership, staff will work towards creating a sustainable framework that prioritizes the preservation of the BMR housing stock, and considers the regional needs of affordable homeownership. Having invested over 25 years building the affordable housing program with one of the highest per capita affordable housing ratios in the State, preservation and sustainability have continued to be a concern. In the “Post-RDA Era”, cities have been required to use creative means to continue to fund their programs and manage their existing housing stock, work to strike a balance between cost, efficiency, responsive service and the multiple components of administering a large BMR portfolio from new construction, sales, resales, to ongoing monitoring and compliance. In 2012, the City collaborated with Neighborhood Housing Services Silicon Valley (NHSSV) for administration of its BMR Program. This enabled the City to blend the need to conserve staff and overhead costs and lay the groundwork for contracting with an outside agency to administer the Program. In the next phase of the partnership, Staff will refine and solidify internal processes, coordinate efforts between the administrator and the City, and establish independent program components that will allow the City to sustain any organizational changes in nonprofits, furthering efforts to protect the BMR portfolio. There are several major components to this effort, including establishing a Regional Working Group around affordable homeownership to explore strategies to preserve affordable housing stock, seeking legislative solutions, and examining opportunities and strategies to build additional affordable housing supply.

In addition, the FY 15-16 budget proposes to add one Municipal Services Assistant (MSA) to augment the Housing Manager functions. The various components of the BMR Program require consistent and parallel coordination between the City and the administrator. The sheer number of loans, size of the existing BMR portfolio, as well as the ongoing new construction of BMRs requires significant oversight to ensure a timely response to the Developer, the administrator (NHSSV), homeowner and new homebuyers. The additional MSA will also respond to walk-ins and calls from residents requesting housing related assistance.

HOUSING FUNDS

To implement its housing mission the Community Development Agency administers the following housing related funds:

Fund 234 – 8250 Mobile Home Rent Commission

Funds are collected from an annual fee charged to mobile home park owners with month-to-month rental spaces affected by the City’s Mobile Home Rent Ordinance (Municipal Code Chapter 5.36). The City Council convenes an ad hoc committee of the Planning Commission whenever a petition is received for a rent increase.

Fund 235-Senior Housing Trust

This fund was established by a one-time developer in-lieu contribution and is intended to be used for senior housing or senior housing-related support services. Approximately \$120,000 remains in the fund. Given the elimination of the RDA and the Senior Rehab Grant Program, staff will explore the possibility of using this fund to cover the cost of retaining a non-profit partner to provide “life line” or emergency repairs for fixed income seniors. The City is starting a

Housing Programs (continued)

limited rehabilitation program open to both seniors and current BMR homeowners and funds from this trust may be used to expand that program.

Fund 236- RDCS Housing In-lieu Fee

Prior to issuance of occupancy permits, housing in-lieu funds are collected from market rate housing developers who make development agreement commitments to pay an in-lieu housing fee instead of constructing low- or median- income Below Market Rate (BMR) units. This fund is the only major source of funding left for the City's housing programs. When active, an average of \$1,00,000 is received annually. These fees were suspended for qualified housing allocations as a result of the BMR waiver and reduction program, intended to help stimulate housing construction during the recent national economic crisis. Beginning in October of 2012, 50% fees were again being assessed from the RDCS process, and full fee collection began again in July, 2014.

Fund 255- Housing Fund (formerly known as the Successor Agency Housing Fund)

The legacy housing obligations of the Morgan Hill Redevelopment Agency have associated implementation and delivery costs that are not eligible for reimbursement from RDA Housing dissolution revenues, but can be recovered from residual receipts and loan repayment from previously constructed projects and loans executed. In addition, beginning in FY 15-16, former RDA Housing funds used in prior years to make ERAF and SERAF payments to the State of California, will be scheduled to be returned to the City's Housing Fund for use to develop new affordable housing units and preserve housing assets. The calculated repayment amount for the Morgan Hill Successor Agency is \$1,177,918 for FY 2015-16.

FY 14-15 HIGHLIGHTS

- Create procedures of BMR Program Administration with Neighborhood Housing Services of Silicon Valley (NHSSV), continued monthly and weekly meetings to create best practices, to administer the City's Below Market Rate (BMR) Program
- Coordinated NHSSV audit and monitoring of BMR inventory; executed First Time Homebuyer and Foreclosure Prevention education workshops
- Monitored RHNA progress for housing element and assisted with the preparation of the Housing Element update
- Followed up on direction provided by City Council at May 7, 2014 Housing strategy update meeting
- Continued negotiations with EAH developer for the family and Transitional Age Youth affordable housing development, scheduled to begin new construction in FY 15-16
- Facilitated Urban County CDBG grant award for Galvan Park rehabilitation project, approximately \$71,337 in park

Housing Programs (continued)

refurbishment

- Provided support for the implementation of the new Housing Rehab Program administered by the Housing Trust of Silicon Valley
- Provided support for the wind down of South County Housing and transfer of Housing assets and functions to EDEN Housing for Morgan Hill projects
- Reviewed 16 Residential Development Control System competition applications
- Participated in a variety of local working groups including the County's CDBG Technical Assistance Committee, Countywide CDBG and Regional Housing workgroup, and the Housing Action Coalition
- Participated in County of Santa Clara Affordable Housing Week planning committee, scheduled to take place on May 14 to May 22, 2015
- Assisted with the coordination of the following BMR activity:

FY 14–15 NHSSV BMR Program Activity Highlights

- Co-wrote the City of Morgan Hill BMR Manual with the previous City Housing Manager Sidney Stone and achieved City Council approval on the final edition
- In March of 2015, NHSSV launched an educational workshop designed for current BMR homeowners attended by 14 households, with 5 plus workshops scheduled for Spring and Summer of 2015
- Continued to support the City with BEGIN down payment administration at Madrone Plaza 1 and Madrone Plaza 2
- Matured and documented the City's "Go Forward" BMR Program Default Policy and Procedures
- In Spring of 2014, NHSSV adopted a system to receive daily notices from the County Recorder's Office on title changes to all Morgan Hill BMR homes – Notices of Default (NODs)/Notices of Trustee Sales (NOTSs), marriages, divorces, etc.
- Facilitated Homebuyer/BMR Program Applicant Relationships, launched bi-monthly Homebuyer Orientation schedules in Morgan Hill at the CCC and partnered with the Morgan Hill School District and the Morgan Hill Chamber of Commerce to bring the BMR Orientation to Morgan Hill School District employees and local business owners
- 762 households participated in 37 BMR Orientations held by NHSSV (also known as the Home Buyer Opportunities) Orientation or "HOO" and received information about the BMR Program
- Reviewed 71 BMR applications with 32 BMR pre-approved applicants waiting to choose a Morgan Hill BMR property
- Facilitated Builder orientations with two new builders in the Fall of 2014 to assist them with the Affordable Hous-

Housing Programs (continued)

ing Agreement to BMR Closing, and closed all BMR new construction homes by builder deadlines

- Closed 8 BMR new construction transactions, closed 8 re-sale transactions, 8 Pending transactions are in real estate contract with close of escrow dates, and an additional 25 new construction transactions will close by June 30, 2016
- Closed 9 BMR first mortgage refinances for current BMR Homeowners with approval and subordination from the City, and 17 applications are in the process for those who want to refinance their first mortgage
- Conducted BMR Monitoring and Compliance, 439 out of 456 current Morgan Hill BMR Home Owners responded with a self-affidavit or received a “Home Owner Occupancy Certificate,” ongoing follow up on 17 open cases that have Homeowner Occupancy issues and 13 cases that are open for Deed Restriction Default investigations
- \$863,464 NHSSV capitalized to purchase and rehabilitate 2 BMR homes in mortgage default for re-sale to a new qualified Morgan Hill BMR buyer
- 3,852,329 in NHSSV First Mortgage loans provided to 13 Morgan Hill BMR borrowers
- \$1,269,150 in Down Payment Assistance loans underwritten by NHSSV and directed to Morgan Hill BMR borrowers

FY 15-16 WORKPLAN

- Refine consultant services agreement for BMR Program Administration
- Explore opportunities to create a sustainable BMR framework, improving upon past success, building valuable regional partnerships and consider ways to attract funding from non-traditional sources, develop legislation working group with NHSSV and Fannie Mae on City’s rights for non-judicial BMR foreclosures
- Monitor housing production and assist with Housing Element Update
- Report back to City Council on direction provided at May 7, 2014 Housing strategy meeting
- Coordinate the City’s annual CDBG CIP grant application to the Urban County, HOME funds, and the award of public service grants in partnership with the County
- Facilitate the financing or pre-development activity for one new affordable housing project during the current housing element period or issue RFP to ascertain developer interest
- Assist with annual review of housing related fees
- Assist with the review of the annual RDSC applications
- Explore partnership with The Housing Trust for additional programs or leverage funds in another fashion
- Purchase new software to help Finance manage and track loans and BMR units

Housing Programs (continued)

tices in a post-Redevelopment environment

- Continue participation on County CDBG Technical Advisory Committee
- Continue participation with the County Office of Supporting Housing
- **Improve Organizational Effectiveness and Transparency**
 - Continue working with BMR non-profit Administrator NHSSV to improve BMR processes and increase community outreach and communication
 - Maintain Website and look for new, creative options to communicate information to the public about housing opportunities

FY 15-16 Activity Goals

- Negotiate with developers potential use of City housing funds to create new affordable housing development
- Implement full policies and procedures with BMR Administrator
- Refine BMR website
- Continue outreach to BMR residents and potential applicants
- Continue interdepartmental support including Planning & Finance assistance.
- Continue BMR compliance monitoring
- Complete financial review of all residual receipt generating developments
- Continue aggressively defending BMR covenants
- Continue sourcing other financial leveraging opportunities
- Proactively prevent foreclosures to protect BMR covenants and City financial investment
- Attend at least one training or networking event each month

FINANCIAL COMMENTS

The revenue needed to fund the City’s housing programs is now directly aligned with the health of two funds: The Housing In-lieu Fee Fund (Fund 236) which is infused with payments from residential developers who opt to pay the BMR In-lieu fee instead of building BMR units and the (former Successor Agency) Housing Fund (Fund 255), which

Housing Programs (continued)

will receive continuing program income from the Agency’s legacy projects and assets, as well as one-time ERAF and SERAF repayments.

The focus of the Community Development Department has been to “right size” housing programs to match available City resources, and balance that with the need to protect existing housing investments, ensure long term financial sustainability and adopt strategies to improve efficiency such as the ability to leverage the contractual services of 3rd party non-profit agencies. The housing program is currently only administering “core functions” related to the RDCS and State mandated obligations and the legacy housing obligations and assets of the former Agency. However, over the last couple of years the City has accumulated over \$6 million in housing funds. During the next 5 years, as ERAF and SERAF repayments accrue and if the robust housing market continues to generate substantial housing in lieu fees, the City may be able to fund 1-2 new affordable housing developments over the next 5-7 years. The city is also very interested in pursuing additional funding opportunities – County programs like the potential “Boomerang funds” match, working with Community Development Fund Institutions, Federal grants – that will leverage the City’s housing dollars to create additional affordable housing.

For FY 15-16, \$2,500,000 in housing program expenditures are proposed for Fund 236; \$321,850 in salaries and \$61,718 in internal services charges. \$150,000 will be expended on the Housing Element/General Plan update. No funds for housing program expenditures are proposed for Fund 255; however \$209,524 in salaries and \$80,936 in internal services charges will be charged. In total, \$5,132,410 in housing related expenditures are proposed, if one housing development is funded, supporting 3.67 FTE’s.

In spite of RDCS allocations and projects with BMR waivers pending, it is anticipated that \$700,000 in housing in-lieu fee revenue for eligible BMR units will be received. This should remain fairly level for the next few years unless RDCS policy modifications are implemented, the housing market slows down or RDCS allocations are reduced at the end of the current General Plan update process.



Housing Programs (continued)

Senior Housing Trust [235-8425]

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
42231	CONTRACT SERVICES	18	-	-	-	-
Supplies Total		18	-	-	-	-
8425 - Senior Housing Trust Total		18	-	-	-	-



Housing Programs (continued)

Housing Mitigation [236-7100]

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	194,480	200,441	200,155	173,989	225,267
41320	EARNED LEAVE LIABILITY	6,099	1,939	3,446	3,446	3,417
41490	OVERTIME - GENERAL	138	4,390	-	1,800	-
41560	UNEMPLOYMENT INSURANCE	176	-	-	-	-
41620	RETIREMENT - GENERAL	39,502	33,428	34,913	30,475	40,197
41690	DEFERRED COMPENSATION	3,769	3,724	3,224	3,508	3,838
41700	GROUP INSURANCE	20,568	20,589	22,144	34,664	33,804
41701	MEDICARE	2,862	2,464	2,930	1,864	3,296
41730	INCOME PROTECTION INS	1,933	1,966	1,829	1,829	1,920
41760	WORKERS COMP	4,002	5,458	4,964	4,349	11,263
41799	BENEFITS	2,657	2,063	1,881	2,162	2,025
Salaries Total		276,186	276,461	275,486	258,086	325,027
42214	TELEPHONE	2,171	2,020	2,163	1,000	2,228
42230	SPECIAL COUNSEL	-	-	110,000	8,670	175,000
42231	CONTRACT SERVICES	135,151	205,834	157,407	210,000	106,040
42236	BANK CARD SERVICE FEES	-	4,395	7,760	-	7,993
42244	STATIONERY & OFFICE SUPPLIES	355	-	361	360	372
42248	OTHER SUPPLIES	-	104	-	-	-
42250	ADVERTISING	-	723	-	580	-
42254	POSTAGE & FREIGHT	87	175	-	6	-
42257	PRINTING	41	285	-	71	-
42250	ADVERTISING	-	-	-	650	-
42261	AUTO MILEAGE	1,034	373	1,030	1,000	1,061
42299	OTHER EXPENSE	1,100	-	206	-	212
42408	TRAINING & EDUCATION	-	55	-	-	-
42415	CONFERENCE & MEETINGS	508	2,092	2,060	2,060	2,122
42423	MEMBERSHIP & DUES	-	-	1,030	1,030	1,061
42435	SUBSCRIPTION & PUBLICATIONS	36	19	103	103	106
Supplies Total		140,483	216,075	282,119	225,530	296,194
43835	FURNITURE/OFFICE EQUIPMENT	-	-	-	-	2,500
Capital Total		-	-	-	-	2,500
45003	GENERAL LIABILITY INSURANCE	2,742	962	3,696	3,696	4,978
45004	BUILDING MAINT - CURRENT SERVICES	439	1,155	3,400	3,400	3,304
45005	BUILDING MAINT - FUTURE REPLACEMENT	532	532	532	532	548
45009	INFO SYSTEM SERVICES	1,988	1,917	2,269	2,269	2,656
45010	GF ADMIN	131,494	131,494	49,013	49,013	51,464
Internal Services Total		137,195	136,060	58,910	58,910	62,950
86100	ACQUISITION EXPENSE	224	93	-	-	-
86420	PROGRAM LOANS	1,454,990	471,750	-	370,000	-
86440	GRANT AMOUNT	-	-	-	300,000	-
86441	HOUSING PROGRAMS	-	13,153	4,200,000	2,000,000	2,500,000
Project Total		1,455,214	484,996	4,200,000	2,670,000	2,500,000
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	150,000	150,000	150,000	150,000	150,000
49241	TRANSFER OUT-BOND/DEBT	520	496	1,829	1,829	1,829
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	5,555
Transfer Total		150,520	150,496	151,829	151,829	157,384
7100 - Housing Mitigation Total		2,159,597	1,264,088	4,968,345	3,364,356	3,344,055

Housing Programs (continued)

Successor Housing Agency [255-7220]

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	128,889	149,981	135,812	112,222	168,951
41320	EARNED LEAVE LIABILITY	9,488	2,321	3,582	3,582	3,933
41490	OVERTIME - GENERAL	1,380	1,144	-	20	-
41560	UNEMPLOYMENT INSURANCE	114	-	-	-	-
41620	RETIREMENT - GENERAL	26,102	24,968	23,690	19,642	30,148
41690	DEFERRED COMPENSATION	3,194	3,288	3,749	4,228	4,421
41700	GROUP INSURANCE	11,776	17,667	17,698	16,658	23,924
41701	MEDICARE	1,957	2,018	1,999	1,475	2,475
41730	INCOME PROTECTION INS	1,297	1,380	1,135	1,135	1,370
41760	WORKERS COMP	2,358	3,889	3,368	2,784	8,448
41799	BENEFITS	2,121	2,134	2,073	1,957	1,773
Salaries Total		188,676	208,790	193,106	163,702	245,443
42210	WATER/SEWER	976	163	412	412	424
42214	TELEPHONE	588	124	1,030	1,030	1,061
42231	CONTRACT SERVICES	2,178	75	515	515	530
42244	STATIONERY & OFFICE SUPPLIES	140	-	155	155	159
42248	OTHER SUPPLIES	3	-	-	-	-
42252	PHOTOCOPYING	589	996	-	20	-
42254	POSTAGE & FREIGHT	92	123	103	103	106
42257	PRINTING	22	-	103	103	106
42261	AUTO MILEAGE	-	100	206	206	212
42299	OTHER EXPENSE	-	1,154,501	-	-	-
42415	CONFERENCE & MEETINGS	268	-	515	515	530
Supplies Total		4,857	1,156,081	3,039	3,059	3,130
45003	GENERAL LIABILITY INSURANCE	2,026	476	1,751	1,751	3,147
45009	INFO SYSTEM SERVICES	1,988	2,396	2,836	2,836	3,320
45010	GF ADMIN	82,640	82,640	72,358	72,358	75,976
Internal Services Total		86,654	85,512	76,945	76,945	82,443
43835	FURNITURE/OFFICE EQUIPMENT	-	-	-	-	2,500
Capital Total		-	-	-	-	2,500
86100	ACQUISITION EXPENSE	1,237	-	-	-	-
86280	PROPERTY MANAGEMENT	-	836	-	-	-
86400	PROCESSING & SERVICING	848	1,092	1,030	1,030	1,061
86420	PROGRAM LOANS	331,862	-	-	-	-
86441	HOUSING PROGRAMS	-	2,481	-	-	-
Project Total		333,946	4,409	1,030	1,030	1,061
49241	TRANSFER OUT-BOND/DEBT	-	31,511	31,511	31,511	31,511
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	3,840
Transfer Total		-	31,511	31,511	31,511	35,351
7220 - Housing Total		614,133	1,486,303	305,630	276,246	369,927

City of Morgan Hill Acting as the Successor Agency of the Morgan Hill Redevelopment Agency - [250]

The Morgan Hill Redevelopment Agency was dissolved by State law on February 1, 2012 after nearly 40 years of operation. In order to meet the Enforceable Obligations of the former RDA and to responsibly wind down the remaining activities, the City has elected to become the Successor Agency. Most of the actions of the Successor Agency are subject to approval by a seven person Oversight Board; which, in turn, has its actions reviewed by the California Department of Finance (DOF). The key role of the Oversight Board in FY 15-16 continues to be to approve a Recognized Obligation Payment Schedule (ROPS) for each succeeding six month period, review the use of bond proceeds and the implementation of the Long Range Property Management Plan.

The Budget for the Successor Agency includes four program areas shown in detail on the succeeding pages:

Retired Obligations: to account for the staff and some consultant costs needed to deliver and implement the former RDA's enforceable obligations that are "non housing" related; first the Oversight Board, and then the DOF must approve these expenses in the ROPS before the County Auditor-Controller can distribute former tax increment to the City as successor agency to make the actual payments. Such costs have declined as the Enforceable Obligations are discharged over time.

Administration: to account for the costs of winding down the RDA; subject to an Administrative Cost Allowance which, in FY 14-15 will be a minimum of \$250,000 or 3% of the amount of property tax needed to meet the ROPS. The Administrative Budget must be reviewed and approved by the Oversight Board each ROPS period. The amounts budgeted reflect management's estimate of the full year's costs; however, the demands of the wind-down have usually (though not always) proven to exceed the allowance provided in the law.

Debt Service Administration: to account for the costs of paying debt service and related costs on the 2013 tax exempt and taxable bond issues, which in December 2013 refunded at fixed, long-term interest rates the original variable rate bonds issued by the former Redevelopment Agency in 2008. These costs will be included in the second ROPS for each fiscal year to be approved by the Oversight Board in December, for distribution by the County Auditor-Controller on January 2 of the succeeding year—all in order to fully fund the trust indenture (i.e., pay an entire calendar year's worth of debt service) at the beginning of the year.

Delivery and implementation of Enforceable Obligations:

CIP Bonds: to account for the costs of expending bond proceeds on enforceable obligations for capital projects funded by the former RDA's 2008 bond issues, rather than by former tax increment.

The budget amounts for each of the four areas represent the amounts that will be recommended for approval by the Board over the next year.

City of Morgan Hill Acting as the Successor Agency of the Morgan Hill Redevelopment Agency - (continued)

City Council Goals

During FY 15-16, the Successor Agency will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for 2015:

- **Advance revitalization of our downtown by completing our significant public investment**
 - Continue to Implement Downtown Place-making and Infrastructure Investment Plan recommendations;
 - Complete Construction of a 273 space public garage Downtown
 - Implement property planning, disposition and development of Downtown Opportunity Sites in accordance with Long Range Property Management Plan (LRPMP), consistent with former Redevelopment Plan, Downtown Specific Plan and Priority Development Area goals



City of Morgan Hill Acting as the Successor Agency of the Morgan Hill Redevelopment Agency - CIP Bonds [250-7215]

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
42230	SPECIAL COUNSEL	-	-	75,000	75,000	-
42231	CONTRACT SERVICES	-	139,141	177,030	177,030	-
Supplies Total		-	139,141	252,030	252,030	-
86360	CONSTRUCTION	9,228,982	2,002,016	16,833,548	16,849,824	2,040,000
Project Total		9,228,982	2,002,016	16,833,548	16,849,824	2,040,000
7215 - CIP Bond Proceeds Total		9,228,982	2,141,157	17,085,578	17,101,854	2,040,000



Public Works

Appropriations Summary

	12-13		13-14		14-15		14-15 Year End		15-16	
	Actual		Actual		Amended		Projection		Adopted	
Employee Services	\$	5,302,591	\$	5,503,653	\$	5,787,089	\$	5,236,828	\$	6,080,100
Supplies & Services		8,306,839		8,227,150		8,769,392		8,422,787		8,524,688
Capital Outlay		526,072		1,047,404		776,050		813,000		730,697
Debt Services		2,154,517		4,805,540		2,987,269		1,643,464		1,655,175
Internal Service		1,386,777		1,425,781		1,299,426		1,299,426		1,511,564
Transfers Out		2,286,338		1,861,173		1,719,547		2,841,461		2,990,998
TOTAL EXPENDITURES	\$	19,963,134	\$	22,870,701	\$	21,338,772	\$	20,256,966	\$	21,493,221
CONGESTION MANAGEMENT	\$	69,642	\$	70,195	\$	71,787	\$	72,035	\$	75,116
ENGINEERING		507,574		569,618		771,244		756,932		780,865
SEWER OPERATIONS		8,952,431		8,595,529		9,735,348		9,174,335		9,793,441
SEWER RATE STABILIZATION		501,691		1,607		3,472		3,472		3,643
WATER OPERATIONS		8,184,543		12,038,085		9,155,020		8,708,771		9,137,474
WATER RATE STABILIZATION		100,161		154		575		575		603
CAPITAL PROJECT IMPLEMENTATION		1,647,094		1,595,513		1,601,326		1,540,845		1,702,079
TOTAL EXPENDITURES BY PROGRAM	\$	19,963,134	\$	22,870,701	\$	21,338,772	\$	20,256,966	\$	21,493,221
FULL TIME EQUIVALENT EMPLOYEES		31.79		31.79		32.29		32.29		32.29

Congestion Management [010-6110]

ACTIVITY DESCRIPTION

The Congestion Management Activity (Engineering Team) is responsible for developing and implementing programs to ensure City compliance with the Santa Clara Valley Transportation Authority Congestion Management Program (CMP). This is a State-mandated program approved by the voters as Proposition 111.

FY 14-15 HIGHLIGHTS

- Participated in Santa Clara Valley Transportation Authority (VTA) Congestion Management Program activities to facilitate City compliance with the CMP
- Provided staff support to the VTA Board Technical Advisory Committee and the South County/City Group meeting
- Participated in Regional Transportation Planning Efforts including the Land Use and Planning Integration Working Group
- Prepared the Annual CMP Monitoring and Compliance Report

FY 15-16 ACTIVITY GOALS

- Participate in VTA activities to facilitate City compliance with the CMP
- Provide assistance as needed to Morgan Hill's representative on the VTA Policy Advisory Committee, Technical Advisory Committee and the South Valley Group 4 Committee
- Prepare transportation impact analysis as needed and route new development applications to VTA for comment
- Continue participation in the regional transportation planning initiatives sponsored by the VTA and initiated through the implementation of the Valley Transportation Plan (VTP)

FINANCIAL COMMENTS

Congestion Management activities are funded with Proposition 111 gas tax monies. The City continues to review its annual membership fees and its commitment to Congestion Management Program Agency.

Engineering [206-5410]

ACTIVITY DESCRIPTION

Engineering Development team undertakes activities such as mapping and subdivision services, development review/inspection services, traffic and flood protection services. Engineering team members answer questions, provide technical guidance to those considering development, provide one-stop processing for approval of certain development activities, and support to other City departments when required. The Development Engineering team also oversees all developer initiated construction activities in to the public right-of-way.

Land Development activities include checking, approving, and keeping all improvement plans prepared by consultants for Public Record. Further activities include reviewing all private land development activities for conformance with City standards, and checking and approving all maps for compliance with the Subdivision Map Act. Engineering Development reviews building permit applications and proposals that are filed with the City's Building Division and provides support to the Environmental Programs team for the City's National Pollution Discharge Elimination System.

FY 14-15 HIGHLIGHTS

New residential development activity continued strong in FY 14-15. Residential Development Control System (RDSC) allotments that had been backlogged due to the Great Recession are now moving into the construction phase as project financing is able to meet the consumer demand for housing. With several projects either in the design phase or construction phase, the workload demand on the engineering and inspection staff is high.

Commercial and industrial development is now showing some life after many years of inactivity. Projects in existing business parks are in the planning phases and should they materialize, the Land Development Engineering team will be working closely with the Community Development team to process applications and begin the public off-site improvements review process.

The Engineering team provided traffic engineering support to the Community Services Department Streets Division on a variety of small projects city-wide. In addition, the traffic engineering team assisted with a variety of localized residential issues. Flood plain inquiries at various locations were handled and the team took appropriate actions to implement the Community Rating System for Morgan Hill which keeps the City in good standing with the National Flood Insurance Program and lowers flood insurance rates for residents.

The use of contract plan checking was employed late in FY 14-15 to help the team meet map and plan check turnaround times. In addition, contract inspectors are utilized to manage the public improvements inspection program. As with all outside contract support, the services are paid for by developer fees.

The Engineering team members responsible for Land Development oversight were also called upon to prepare bid packages for CIP projects and provide project management through the completion of the project. As land development activity has picked up it has become difficult to simultaneously manage CIP projects. They will, however, assist teammates in the CIP Project Implementation team as well as teammates in other departments to accomplish the organization's goals.

Engineering (continued)

- Continued participation in the joint Storm Water Management Program with the City of Gilroy and Santa Clara County (south region)

FINANCIAL COMMENTS

The revenues received in FY 14-15 from development activity are on target with what was budgeted. It is anticipated that a slightly larger volume of building permits will be pulled in the upcoming fiscal year which will result in higher impact fees collected than normal.

The use of contract services will augment staff's efforts to ensure developer projects are reviewed in a timely manner. Contract services are used for map checking and Land Surveyor approval of maps, occasional improvement plan checking, and for construction inspection. These services will only be deployed when required.

The Land Development Engineering team will be completing the City-wide Speed Survey for 2015. This effort entails determining speed and volume data on most City streets and will become the basis for establishing speed limits.

Wastewater Operations [640-5900]

ACTIVITY DESCRIPTION

The Wastewater Operations Division protects public health and safety by ensuring that wastewater is properly collected and transported to the South County Regional Wastewater Authority (SCRWA) treatment facility in Gilroy which is owned under a Joint Powers Agreement (JPA) with the cities of Morgan Hill and Gilroy. FY 15-16 will have unique challenges for Wastewater Operations to overcome, and opportunities to develop as California enters a fourth year of drought. Additionally, the SCRWA treatment plant is undergoing a considerable rehabilitation program requiring additional resources from Morgan Hill and Gilroy.

The drought affecting Water Operations Division revenues will have a nominal effect on Wastewater Operations Division revenues, though the extent of the impact is uncertain. The Wastewater Operations Division receives the majority of its revenue through service fees based on the number of water units consumed as measured at the water meter. Wastewater fees collected from a non-residential customer are assessed by measuring units of water through the non-irrigation water meter to the property. Residential customer wastewater fees are determined by measuring water usage during the winter months and applying the average units of water used to the remaining months. The State-ordered mandate to reduce water consumption will affect wastewater operation revenues from non-residential and residential system users to some extent. A rate study will be completed in conjunction with the water enterprise rate study to analyze the impact the ongoing drought could have on wastewater operating revenues.

The City of Morgan Hill owns, and therefore funds, 42 percent of the capital renovation and expansion costs at the wastewater treatment facility, as well as a portion of the facility's annual operations and maintenance costs. The annual operations and maintenance costs are based on the actual prior year annual flow as recorded by the Harding flow meter and averaged with the two previous years. For FY 15-16, operational costs are allocated between the cities of Gilroy and Morgan Hill at 58 percent and 42 percent respectively. For FY 16-17, operational costs are allocated between the cities of Gilroy and Morgan Hill at 57 percent and 43 percent, respectively.

In FY 15-16 the SCRWA plant will continue the capital improvement program to replace many significant plant components including the Supervisory Control and Data Acquisition (SCADA) Communications Network (\$3.3 million), Secondary Clarifier (\$3.1 million), Recycled Water Pump Stations (\$2.4 million), Aeration System (\$1.6 million), Maintenance Building (\$1.0 million), and Pre-Anoxic Basin (\$0.4 million). Total capital improvement investment in FY 15-16 is approximately \$23 million with Morgan Hill contributing approximately \$9.6 million.

The City's wastewater team focuses its efforts on upkeep and maintenance of .9 million feet of sewer pipelines and 14 lift stations. These are the principal elements that make up the publicly owned and operated wastewater collection system. Residential and Commercial entities served by the City's wastewater division are connected to the wastewater collection system through private sewer laterals. A private sewer lateral extends from the building being served to the City's sewer main. Private sewer laterals are not part of the public system, and therefore city resources are not dedicated to supporting the wastewater team's maintenance effort towards these facilities.

The primary focus of the wastewater operational staff is to maintain the wastewater collection system through routine line flushing, inspection, lift station maintenance, and repairs of the infrastructure. Through these tasks, the City of Morgan Hill has consistently maintained a low number of Sanitary Sewer Overflows (SSO), which is a quantifiable, measureable objective.

Wastewater Operations (continued)

FINANCIAL COMMENTS

The FY 15-16 budget for Wastewater Operations reflects the final year of the five-year rate adjustment period recommended in the July 2011 Sewer Rate Study Update and approved by the City Council in October 2011. Effective January 1, 2016 ratepayers will see the last rate increase of 3.5 percent. A new rate study is planned for completion in FY 15-16, one-year ahead of schedule. The wastewater enterprise rate study is conducted in conjunction with the water enterprise rate study. The water enterprise rate study is beginning a year earlier than planned due to the financial impact the drought is exerting on water revenues.

FY 15-16 Wastewater Operations recommended budget incorporates a 30 percent reduction in water consumption from the 2013 base year level. This reduction level is projected to have a nominal effect on sewer service fees revenue. With the final rate increase of 3.5 percent in January 2016 and an assumed growth rate of 2 percent, the FY 15-16 recommended revenue for sewer service fees is \$9.7 million, an increase of \$0.3 million from FY 14-16 Adopted Budget. The Wastewater Operations Fund remains in compliance with the required fund balance level that meets both the financial security of the fund, and also fulfills the requirements under the debt service covenants.

In June 2015, the City anticipates issuing a Sewer Revenue Bonds Series 2015 to provide funds to finance the acquisition and construction of public capital improvements for the Wastewater Enterprise and prepay the City's outstanding obligations under the 2002 Installment Purchase Agreement in connection with the outstanding 2002 SCRWA Bonds. The amount of issuance is anticipated to be \$21 million, with \$8 million in new bond proceeds. These proceeds will be used to fund capital projects that include the sewer main upgrades, new sewer mains, lift station improvements, sewer trunk replacement, and SCRWA plant improvements projects.

The line item for the South County Regional Wastewater Authority (SCRWA) budget is consistent with previous forecast assumptions and is estimated at \$3.9 million in FY 15-16. SCRWA adopted policies that increased the amount that the City contributes to the reserve fund by approximately 25 percent for FY 15-16 from FY 14-15. It is expected that reserve fund contributions will continue to increase over the next 15 years in order for the plant to maintain adequate operations and major maintenance reserves funds.

Wastewater Operations (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
43825	MACHINERY/EQUIPMENT	54,870	64,755	67,494	108,000	51,000
43840	COMPUTER EQUIPMENT	3,890	7,324	7,140	5,000	7,283
43845	COMPUTER SOFTWARE	-	-	7,650	7,000	7,803
	Capital Total	58,760	72,079	82,284	120,000	66,086
44990	PRINCIPAL	1,190,000	1,235,000	1,275,000	1,275,000	1,320,000
44991	INTEREST	423,049	394,953	364,859	364,859	331,462
44995	SERVICE FEES	3,232	2,260	3,605	3,605	3,713
	Debt Total	1,616,281	1,632,213	1,643,464	1,643,464	1,655,175
45003	GENERAL LIABILITY INSURANCE	90,411	112,264	127,689	127,689	109,309
45004	BUILDING MAINT - CURRENT SERVICES	21,149	31,666	26,342	26,342	27,053
45005	BUILDING MAINT - FUTURE REPLACEMENT	1,428	1,293	1,293	1,293	1,332
45006	FLEET REPLACEMENT	103,678	104,167	93,834	93,834	109,145
45009	INFO SYSTEM SERVICES	14,582	19,170	22,688	22,688	26,558
45010	GF ADMIN	217,250	217,250	184,811	184,811	194,051
	Internal Services Total	448,498	485,810	456,657	456,657	467,448
49210	TRANSFER OUT-010 (GENERAL FUND)	245,020	245,020	247,762	247,762	249,195
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	35,271	36,000	51,453	51,453	56,931
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	2,814	3,000	3,000	3,000	3,000
49262	TRANSFER OUT-643 (SEWER CIP)	534,000	407,853	600,000	600,000	588,654
49271	TRANSFER OUT-650 (WATER OPS)	278,454	256,402	274,173	274,173	316,409
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	36,630
	Transfer Total	1,095,559	948,275	1,176,388	1,176,388	1,250,819
5900	Sewer Operations Total	8,952,431	8,595,529	9,735,348	9,174,335	9,793,441

Water Operations (continued)

FY 14-15 HIGHLIGHTS

- Exercised 900 of the 1,100 water valves
- Installed the 3,500 fixed radio meters to begin remote meter reading enabling better access to meter reads for customers and reducing the labor costs to read meters
- Integrated the City's water network into the GIS system enabling water operational staff to model water system, which advances staff's ability to analyze water system
- Rehabilitated three wells: Butterfield Well, Boys Ranch #1, and Main Well #2
- Reduced disinfection costs by installing bulk storage tanks at each well allowing bulk delivery of chlorine; reduced disinfection costs

FY 15-16 ACTIVITY GOALS

- Complete a water rate study and develop a 5-year rate plan
- Complete a strategic Business Plan
- Provide tactical support for the City Engineering Division in deploying the Capital Improvement Plan - an elevated level of activity due to bond proceeds
- Rehabilitate two wells, Dunne Well #2 and Main Well #2, to ensure system production reliability
- Re-drill two wells, Boys Ranch #2 and Jackson Well #1, to recover lost capacity do to age of well
- Drill two new wells, Main Well #3 and Walnut Grove Well, to comply with water master plan.
- Expand leak monitoring in high water pressure zones
- Provide customer with advanced metering capability (3,500) installed on their water meters with access to real-time consumption data via web-based software to empower them to take control of their water usage
- Update the City's Urban Water Management Plan

FY 15-16 WORK PLAN

- Update the City's 2010 Urban Water Management Plan as required by the State of California Natural Resources Agency Department of Water Resources
- Expand the City's leak detection program to include additional high pressure zones on the east side pressure zones in the Holiday Lakes Estates and Jackson Oaks areas of Morgan Hill

Water Operations (continued)

that maintains adequate funding for Water Operations to provide the community with a safe, healthy, potable water supply and meet the City's environmental and financial sustainability obligations.

As previously mentioned, the Santa Clara Valley Water District has proposed to raise its groundwater extraction fees by 11.6 percent beginning July 1, 2015 and expects to increase these fees annually by an average of 5.3 percent for the next four years. These rate increases are included in the Water Fund Five-Year Forecast.

Water Operations (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
43825	MACHINERY/EQUIPMENT	-	172,649	120,226	120,000	86,700
43840	COMPUTER EQUIPMENT	4,046	7,324	5,150	5,000	5,253
43845	COMPUTER SOFTWARE	-	7,199	18,390	18,000	13,658
43897	METERS	459,364	788,153	550,000	550,000	550,000
Capital Total		463,410	975,325	693,766	693,000	655,611
44990	PRINCIPAL	371,492	3,025,500	396,535	-	-
44991	INTEREST	164,538	147,625	140,266	-	-
44994	LEASE PAYMENTS	-	-	800,000	-	-
44995	SERVICE FEES	2,205	202	7,004	-	-
Debt Total		538,236	3,173,327	1,343,805	-	-
45003	GENERAL LIABILITY INSURANCE	61,423	40,540	72,195	72,195	75,750
45004	BUILDING MAINT - CURRENT SERVICES	42,386	63,464	52,794	52,794	54,220
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,862	2,592	2,592	2,592	2,670
45006	FLEET REPLACEMENT	55,291	60,008	59,938	59,938	233,540
45009	INFO SYSTEM SERVICES	50,374	80,514	99,828	99,828	116,855
45010	GF ADMIN	264,138	264,138	195,746	195,746	205,534
Internal Services Total		476,474	511,256	483,094	483,094	688,568
49210	TRANSFER OUT-010 (GENERAL FUND)	421,855	434,521	435,557	435,557	436,623
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	35,271	36,000	51,453	51,453	56,931
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	10,300	10,300	10,300	10,300	10,300
49273	TRANSFER OUT-653 (WATER REPLACE)	100,000	408,988	-	1,121,914	1,114,706
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	45,385
Transfer Total		567,426	889,809	497,310	1,619,224	1,663,945
5710 - Water Operations Total		8,184,543	12,038,085	9,155,020	8,708,771	9,137,474

CIP Project Implementation (continued)

- Continued participation in Upper Llagas Flood Control project
- Launched the Recycled Water Study
- Completed Design work for Downtown projects
 - Underground Utilities
 - Monterey Road Streetscape
 - Third Street
 - Fourth Street
- Started construction of Parking Structure
- Attended regular South County Regional Wastewater Authority (SCRWA) meetings
- Completed Sidewalk Repair project
- Completed Design for Boys Ranch 2 and Jackson Well Rehabilitation projects
- Participated in Valley Transportation Authority (VTA) CIP Subcommittee

FY 14-15 ACTIVITY GOALS

- Plan for and implement projects in the CIP program
- Provide timely inspection for various CIP projects
- Complete Downtown Bond Proceeds projects before December 31, 2015
- Actively participate in the planning and design of the Upper Llagas Flood Control project
- Complete bond-funded water and wastewater projects
- Community Engagement for CIP program

COUNCIL ONGOING PRIORITIES

The Project Implementation Division will implement activities that are aligned with the priorities and focus areas the City Council has set for 2015:

- **Enhancing Public Safety**

CIP Project Implementation (continued)

- o Be proactive within the City’s purchasing policies in efforts to include local contractors and vendors in the purchasing process of capital projects, including design, construction, and materials.
- o Collaborate at all times with other City departments and stakeholders to ensure the City’s capital improvements needs are met
- **Advance Revitalization of Our Downtown**
 - o Placemaking Investment Strategy projects
 - o Complete Parking Structure project

FY 15-16 WORKPLAN

- Deliver Downtown Bond Proceeds projects that advance the Downtown Specific Plan and the Placemaking Investment Strategy
- Deliver bond-funded water and wastewater projects in a manner specified by bond documents

FINANCIAL COMMENTS

The proposed FY 15-16 budget for Project Implementation (8280) is focused on delivering bond funded projects in the downtown and for and wastewater improvements City-wide. To assist the implementation of the water and wastewater projects contract engineers will be employed. The staffing level for FY 15-16 is similar to the previous year.



Internal Service Funds/Miscellaneous Programs

Appropriations Summary

	12-13	13-14	14-15	14-15	15-16
	Actual	Actual	Amended	Year End Projection	Adopted
Employee Services	\$ 996,569	\$ 1,129,337	\$ 1,846,372	\$ 1,763,892	\$ 1,979,248
Supplies & Services	3,227,918	3,685,634	4,023,326	4,138,304	4,239,073
Capital Outlay	418,506	446,433	1,261,532	1,186,164	1,445,000
Debt Services	15,329	19,314	25,874	27,783	25,874
Internal Service	121,670	85,994	133,756	133,756	136,569
Transfers Out	43,205	-	-	-	29,367
Project Expenditure	14,894	423,059	105,495	105,495	-
TOTAL EXPENDITURES	\$ 4,838,092	\$ 5,789,771	\$ 7,396,355	\$ 7,355,394	\$ 7,855,131

	12-13	13-14	14-15	14-15	15-16
	Actual	Actual	Amended	Year End Projection	Adopted
EMPLOYEE ASSISTANCE	\$ 102,272	\$ 34,401	\$ 51,077	\$ 51,477	\$ 51,131
INFORMATION SERVICES	617,617	682,492	1,140,691	1,077,615	999,487
COMMUNICATIONS AND ENGAGEMENT	-	-	-	-	265,243
BUILDING MAINTENANCE - CCC	308,333	284,508	587,574	624,708	518,217
BUILDING MAINTENANCE - AC	488,322	539,866	760,102	796,457	725,209
BUILDING MAINTENANCE - CRC	395,379	369,453	583,464	597,336	612,187
BUILDING MAINTENANCE - PD	277,438	291,101	289,060	287,080	290,421
BUILDING MAINTENANCE - OLD CH/OTHERS	142,475	144,490	180,272	177,794	191,659
BUILDING MAINTENANCE - DSC	125,587	153,588	176,792	172,192	172,527
BUILDING MAINTENANCE - FRIENDLY INN	30,434	27,578	37,425	40,009	44,990
BUILDING MAINTENANCE - EL TORO YOUTH CTR	10,777	9,577	10,496	10,496	10,503
BUILDING MAINTENANCE - CORP YARD	97,951	72,344	107,747	72,310	111,252
BUILDING REPLACEMENT	90,528	602,832	403,995	306,995	150,500
UNEMPLOYMENT INS	27,892	18,864	35,000	35,000	36,050
WORKERS' COMP	792,961	764,824	555,066	904,745	1,048,570
EQUIPMENT REPLACEMENT	264,772	231,404	898,438	898,438	1,142,906
EMPLOYEE BENEFITS	469,176	484,525	400,000	400,000	412,000
GENERAL LIABILITY INSURANCE	596,178	1,077,922	1,179,156	902,743	1,072,279
TOTAL EXPENDITURES BY PROGRAM	\$ 4,838,092	\$ 5,789,771	\$ 7,396,355	\$ 7,355,394	\$ 7,855,131

FULL TIME EQUIVALENT EMPLOYEES	13.10	13.90	19.5225	19.5225	19.5225
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Information Services (continued)

- Worked with City Clerk and Community Services on adding additional features to the Council Chamber A/V and meeting spaces
- Continued to work with departments to develop City information standards and data integration
- Continued upgrading MS SQL database servers to 2008 or 2012
- Continued upgrade to Exchange 2013
- Merged Phase 1 and Phase 2 of desktop virtualization and started virtualization of applications and user profiles
- Started upgrading server operating systems to Windows 2008 R2 or Windows 2012
- Started planning for move to Active Directory Federation Services
- Setup Laserfiche to support storage of “Original Signed Documents” in unchangeable format
- Installed a Write Once Read Many (WORM) tape drive for physical storage of digital “Original Documents” in unchangeable formats
- Expanded online storage to support increased online documents and digital images
- Upgraded all workstations to Windows 7 / Windows 8 operating system
- Hired new Programmer Analyst position
- Started work on Intranet Information Portal

FY 15-16 WORKPLAN

- Complete work with departments and Leadership Team on the Information Technology Strategic Plan (ITSP), infrastructure replacement plan, and cost schedule
- Implement Hosted Voice over IP (VOIP) telephone system for Police Department
- Complete upgrading all servers to Windows 2008 R2 or Windows 2012
- Complete the implementation of phase 1 and phase 2 of Virtual User Desktop Integration.
- Work with Police Department on enhanced PS-Net report and data integration with internal and external partners
- Work with departments on developing enhanced reports with automated distribution using Microsoft Reporting Services
- Continue to work with all City departments on cataloging and mapping existing unstructured data
- Continue to work with all departments on integrating systems and producing public facing information

Information Services (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	270,845	361,775	513,619	465,589	424,357
41271	SALARIES - PART-TIME TEMP	-	2,130	18,096	30,000	-
41320	EARNED LEAVE LIABILITY	15,652	11,543	12,195	12,195	12,349
41490	OVERTIME - GENERAL	4,830	3,089	4,000	3,822	4,120
41560	UNEMPLOYMENT INSURANCE	300	-	-	-	-
41620	RETIREMENT - GENERAL	58,711	60,249	89,591	82,058	83,451
41690	DEFERRED COMPENSATION	4,646	5,370	7,629	7,002	5,282
41700	GROUP INSURANCE	26,105	42,613	73,985	71,383	66,605
41701	MEDICARE	4,036	5,003	7,854	6,644	6,341
41730	INCOME PROTECTION INS	2,789	3,708	4,988	4,799	3,728
41760	WORKERS COMP	5,044	9,024	13,286	12,247	21,320
41799	BENEFITS	4,735	5,347	5,970	6,803	8,808
41900	CONTRACT LABOR	-	-	-	-	20,000
Salaries Total		397,692	509,851	751,213	702,543	656,361
42214	TELEPHONE	9,084	4,026	5,876	6,320	5,900
42231	CONTRACT SERVICES	78,666	92,865	107,118	107,118	134,800
42244	STATIONERY & OFFICE SUPPLIES	10	1,051	1,000	1,000	500
42245	COMPUTER HARDWARE-NON CAPITAL	29,553	9,383	77,000	60,000	6,500
42246	COMPUTER SOFTWARE-NON CAPITAL	2,678	18,114	6,000	6,000	6,000
42247	CONTRACT IS SERVICES	2,655	720	3,000	13,000	3,000
42248	OTHER SUPPLIES	4,010	705	200	700	600
42250	ADVERTISING	-	2,996	250	2,800	-
42252	PHOTOCOPYING	19	40	100	110	100
42254	POSTAGE & FREIGHT	3	84	50	50	50
42261	AUTO MILEAGE	-	128	1,080	1,080	1,080
42299	OTHER EXPENSE	-	216	300	321	300
42408	TRAINING & EDUCATION	207	-	1,000	1,000	2,000
42415	CONFERENCE & MEETINGS	-	722	200	700	200
42423	MEMBERSHIP & DUES	160	99	500	500	500
42425	COMMUNICATION ENGAGEMENT	-	16,566	101,440	70,000	-
42435	SUBSCRIPTION & PUBLICATIONS	-	160	200	300	200
Supplies Total		127,045	147,873	305,314	270,999	161,730
43840	COMPUTER EQUIPMENT	54,441	10,405	43,000	61,000	85,000
43845	COMPUTER SOFTWARE	25,612	-	30,000	30,000	75,000
Capital Total		80,052	10,405	73,000	91,000	160,000
44991	INTEREST	-	-	-	272	-
44994	LEASE PAYMENTS	-	1,908	-	1,637	-
Debt Total		-	1,908	-	1,909	-
45003	GENERAL LIABILITY INSURANCE	3,474	1,836	8,931	8,931	8,601
45004	BUILDING MAINT - CURRENT SERVICES	6,788	8,387	-	-	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,565	2,233	2,233	2,233	2,300
Internal Services Total		12,827	12,456	11,164	11,164	10,901
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	10,495
Transfer Total		-	-	-	-	10,495
2520 - Information Services Total		617,617	682,492	1,140,691	1,077,615	999,487

Communications and Engagement (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	-	-	-	-	120,396
41271	SALARIES - PART-TIME TEMP	-	-	-	-	18,639
41320	EARNED LEAVE LIABILITY	-	-	-	-	3,330
41620	RETIREMENT - GENERAL	-	-	-	-	22,798
41690	DEFERRED COMPENSATION	-	-	-	-	2,408
41700	GROUP INSURANCE	-	-	-	-	7,559
41701	MEDICARE	-	-	-	-	2,033
41730	INCOME PROTECTION INS	-	-	-	-	998
41760	WORKERS COMP	-	-	-	-	6,482
41799	BENEFITS	-	-	-	-	1,200
	Salaries Total	-	-	-	-	185,843
42231	CONTRACT SERVICES	-	-	-	-	25,800
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	600
42250	ADVERTISING	-	-	-	-	2,500
42251	MARKETING/PROMOTIONS	-	-	-	-	27,500
42252	PHOTOCOPYING	-	-	-	-	500
42257	PRINTING	-	-	-	-	5,000
42261	AUTO MILEAGE	-	-	-	-	500
42299	OTHER EXPENSE	-	-	-	-	8,000
42408	TRAINING & EDUCATION	-	-	-	-	500
42415	CONFERENCE & MEETINGS	-	-	-	-	5,500
42423	MEMBERSHIP & DUES	-	-	-	-	440
	Supplies Total	-	-	-	-	76,840
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	2,560
	Transfer Total	-	-	-	-	2,560
5145	- Communications and Engagement Total	-	-	-	-	265,243

Building Maintenance - Community and Cultural Center

(continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	2,441	4,942	124,113	100,309	100,709
41270	SALARIES - PART-TIME	-	643	-	24,000	-
41320	EARNED LEAVE LIABILITY	289	151	5,312	5,312	3,199
41490	OVERTIME - GENERAL	-	109	500	1,000	500
41560	UNEMPLOYMENT INSURANCE	2	-	-	-	-
41620	RETIREMENT - GENERAL	400	943	21,649	21,989	17,971
41690	DEFERRED COMPENSATION	52	113	2,260	2,531	1,782
41700	GROUP INSURANCE	312	359	15,127	16,421	14,249
41701	MEDICARE	-	43	1,808	1,699	1,469
41730	INCOME PROTECTION INS	26	26	1,850	1,850	1,018
41760	WORKERS COMP	69	159	3,090	3,184	5,048
41799	BENEFITS	-	3	78	125	120
Salaries Total		3,591	7,490	175,787	178,421	146,065
42208	ELECTRIC	91,891	96,925	69,000	105,000	105,000
42210	WATER/SEWER	24,845	19,148	25,000	23,500	25,000
42214	TELEPHONE	-	569	-	-	-
42231	CONTRACT SERVICES	96,839	91,494	126,857	126,857	130,082
42248	OTHER SUPPLIES	17,365	23,068	19,078	19,078	19,055
42262	CHEMICALS	-	-	1,500	1,500	1,500
42510	MAINT - BLDGS/IMPROVEMENTS	49,379	29,252	133,360	133,360	51,700
Supplies Total		280,319	260,455	374,795	409,295	332,337
44990	PRINCIPAL	-	-	8,092	8,092	8,173
44991	INTEREST	-	-	376	376	294
Debt Total		-	-	8,468	8,468	8,468
45003	GENERAL LIABILITY INSURANCE	24,423	16,563	28,524	28,524	28,289
Internal Services Total		24,423	16,563	28,524	28,524	28,289
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	3,059
Transfer Total		-	-	-	-	3,059
2115 - Community & Cultural Center Total		308,333	284,508	587,574	624,708	518,217

Building Maintenance - Aquatics Center (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	2,441	4,990	101,044	102,269	102,663
41320	EARNED LEAVE LIABILITY	289	151	4,388	4,388	4,218
41490	OVERTIME - GENERAL	-	508	1,125	2,504	1,125
41560	UNEMPLOYMENT INSURANCE	4	-	-	-	-
41620	RETIREMENT - GENERAL	400	845	17,625	17,907	18,319
41690	DEFERRED COMPENSATION	52	101	1,799	2,051	1,821
41700	GROUP INSURANCE	312	359	20,808	21,850	20,816
41701	MEDICARE	-	40	1,483	1,365	1,507
41730	INCOME PROTECTION INS	26	26	1,038	1,038	1,018
41760	WORKERS COMP	69	170	2,534	2,639	5,161
41799	BENEFITS	-	3	78	125	120
Total		3,593	7,193	151,922	156,137	156,768
42208	ELECTRIC	180,183	174,833	180,000	175,000	180,000
42210	WATER/SEWER	28,986	30,683	34,000	32,900	36,040
42228	GASOLINE & OIL	60	-	-	-	-
42231	CONTRACT SERVICES	58,965	72,329	109,850	109,850	111,280
42248	OTHER SUPPLIES	30,369	48,357	36,178	36,178	36,600
42262	CHEMICALS	59,504	74,196	72,000	110,000	115,000
42281	SMALL TOOLS	-	1,001	1,000	1,000	1,000
42408	TRAINING & EDUCATION	-	-	-	240	-
42510	MAINT - BLDGS/IMPROVEMENTS	107,337	102,988	159,000	159,000	68,850
Supplies Total		465,405	504,388	592,028	624,168	548,770
43825	MACHINERY/EQUIPMENT	10,516	24,998	9,000	9,000	9,000
43835	FURNITURE/OFFICE EQUIPMENT	3,954	-	-	-	-
Capital Total		14,470	24,998	9,000	9,000	9,000
45003	GENERAL LIABILITY INSURANCE	4,854	3,287	7,152	7,152	7,612
Internal Services Total		4,854	3,287	7,152	7,152	7,612
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	3,059
Transfer Total		-	-	-	-	3,059
2120 - Aquatics Center Total		488,322	539,866	760,102	796,457	725,209

Building Maintenance - CRC (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	2,441	5,214	109,190	110,923	110,604
41320	EARNED LEAVE LIABILITY	289	151	4,234	4,234	3,915
41490	OVERTIME - GENERAL	-	109	1,125	1,125	1,125
41560	UNEMPLOYMENT INSURANCE	2	-	-	-	-
41620	RETIREMENT - GENERAL	400	884	19,046	19,435	19,736
41690	DEFERRED COMPENSATION	52	107	1,850	2,257	1,864
41700	GROUP INSURANCE	312	359	19,775	20,731	19,607
41701	MEDICARE	-	45	1,601	1,485	1,623
41730	INCOME PROTECTION INS	26	26	1,140	1,140	1,109
41760	WORKERS COMP	69	166	2,736	2,804	5,558
41799	BENEFITS	-	5	117	188	180
Salaries Total		3,591	7,065	160,814	164,321	165,321
42208	ELECTRIC	51,734	55,940	30,000	45,000	47,000
42210	WATER/SEWER	49,792	47,322	50,000	45,000	50,000
42228	GASOLINE & OIL	15	-	-	365	-
42231	CONTRACT SERVICES	147,554	152,375	180,630	180,630	188,636
42248	OTHER SUPPLIES	65,837	74,890	77,078	77,078	78,795
42262	CHEMICALS	4,991	5,711	6,000	6,000	6,000
42281	SMALL TOOLS	589	805	2,200	2,200	2,200
42510	MAINT - BLDGS/IMPROVEMENTS	48,037	9,597	50,200	50,200	43,750
42526	MAINT - AUTO/TRUCKS	18	-	-	-	-
Supplies Total		368,567	346,641	396,108	406,473	416,381
45003	GENERAL LIABILITY INSURANCE	23,221	15,747	26,542	26,542	27,202
Internal Services Total		23,221	15,747	26,542	26,542	27,202
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	3,283
Transfer Total		-	-	-	-	3,283
2125 - Centennial Recreation Center Total		395,379	369,453	583,464	597,336	612,187

Building Maintenance - Police Station (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	28,666	31,718	31,560	37,461	32,328
41320	EARNED LEAVE LIABILITY	1,058	1,045	2,708	2,708	2,836
41490	OVERTIME - GENERAL	166	-	-	369	-
41560	UNEMPLOYMENT INSURANCE	52	-	-	-	-
41620	RETIREMENT - GENERAL	6,984	5,269	5,505	6,572	5,769
41690	DEFERRED COMPENSATION	497	528	631	613	647
41700	GROUP INSURANCE	2,108	2,155	2,880	2,990	2,884
41701	MEDICARE	412	427	458	447	469
41730	INCOME PROTECTION INS	405	424	872	872	866
41760	WORKERS COMP	1,169	1,790	783	953	1,616
Salaries Total		41,516	43,355	45,397	52,985	47,415
42208	ELECTRIC	93,660	118,391	110,000	110,000	110,000
42210	WATER/SEWER	4,950	6,522	6,000	6,000	6,500
42231	CONTRACT SERVICES	74,369	62,747	55,000	60,000	55,000
42248	OTHER SUPPLIES	10,093	22,954	13,200	5,000	5,500
42510	MAINT - BLDGS/IMPROVEMENTS	34,584	24,914	40,000	30,000	44,780
Supplies Total		217,656	235,527	224,200	211,000	221,780
43835	FURNITURE/OFFICE EQUIPMENT	-	-	-	3,632	-
Capital Total		-	-	-	3,632	-
45003	GENERAL LIABILITY INSURANCE	18,265	12,219	19,463	19,463	19,818
Internal Services Total		18,265	12,219	19,463	19,463	19,818
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	1,408
Transfer Total		-	-	-	-	1,408
3225 - PD Support Services Total		277,438	291,101	289,060	287,080	290,421

Building Maintenance - Old City Hall/Others (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	2,441	2,797	12,792	12,824	25,921
41320	EARNED LEAVE LIABILITY	289	151	1,370	1,370	2,093
41560	UNEMPLOYMENT INSURANCE	2	-	-	-	-
41620	RETIREMENT - GENERAL	400	463	2,231	2,249	4,625
41690	DEFERRED COMPENSATION	52	55	256	251	518
41700	GROUP INSURANCE	312	359	1,500	1,564	2,424
41701	MEDICARE	-	2	185	91	376
41730	INCOME PROTECTION INS	26	26	264	264	662
41760	WORKERS COMP	69	108	317	321	1,296
Salaries Total		3,591	3,960	18,915	18,934	37,915
42208	ELECTRIC	32,985	34,378	40,000	40,000	40,000
42210	WATER/SEWER	20,552	18,455	22,000	22,000	22,000
42214	TELEPHONE	2,785	3,049	2,500	2,000	2,000
42231	CONTRACT SERVICES	27,684	35,431	30,000	38,000	25,000
42248	OTHER SUPPLIES	320	537	7,500	7,500	7,500
42254	POSTAGE & FREIGHT	5	63	-	2	-
42510	MAINT - BLDGS/IMPROVEMENTS	31,566	33,029	34,999	25,000	31,000
Supplies Total		115,897	124,942	136,999	134,502	127,500
45003	GENERAL LIABILITY INSURANCE	22,987	15,588	24,358	24,358	25,156
Internal Services Total		22,987	15,588	24,358	24,358	25,156
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	1,088
Transfer Total		-	-	-	-	1,088
5150 - Building Maintenance - CH/Others Total		142,475	144,490	180,272	177,794	191,659

Building Maintenance – City Hall/Development Services Center (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	25,876	27,552	25,304	25,369	38,735
41320	EARNED LEAVE LIABILITY	1,587	792	2,139	2,139	2,902
41560	UNEMPLOYMENT INSURANCE	52	-	-	-	-
41620	RETIREMENT - GENERAL	6,284	4,589	4,414	4,454	6,912
41690	DEFERRED COMPENSATION	497	519	506	490	775
41700	GROUP INSURANCE	2,108	2,155	2,420	2,515	3,344
41701	MEDICARE	378	379	367	274	562
41730	INCOME PROTECTION INS	405	376	669	669	1,070
41760	WORKERS COMP	1,078	1,548	628	637	1,937
Salaries Total		38,264	37,909	36,447	36,547	56,237
42208	ELECTRIC	38,624	37,587	45,000	40,300	40,000
42210	WATER/SEWER	1,965	2,896	3,000	3,000	3,000
42231	CONTRACT SERVICES	20,072	36,549	24,000	24,000	26,500
42248	OTHER SUPPLIES	16,287	14,618	12,500	12,500	12,500
42510	MAINT - BLDGS/IMPROVEMENTS	4,903	20,488	50,000	50,000	26,000
Supplies Total		81,851	112,138	134,500	129,800	108,000
45003	GENERAL LIABILITY INSURANCE	5,472	3,540	5,845	5,845	6,562
Internal Services Total		5,472	3,540	5,845	5,845	6,562
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	1,728
Transfer Total		-	-	-	-	1,728
5155 - Building Maintenance - DSC Total		125,587	153,588	176,792	172,192	172,527

Building Maintenance - Corporation Yard (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
41100	SALARIES - GENERAL	23,830	19,275	30,483	6,551	28,880
41320	EARNED LEAVE LIABILITY	1,707	1,749	2,206	2,206	1,065
41560	UNEMPLOYMENT INSURANCE	52	-	-	-	-
41620	RETIREMENT - GENERAL	5,770	3,211	5,317	1,179	5,153
41690	DEFERRED COMPENSATION	494	412	610	131	578
41700	GROUP INSURANCE	2,108	1,706	2,880	1,089	11,520
41701	MEDICARE	357	332	442	-	419
41730	INCOME PROTECTION INS	289	237	872	872	866
41760	WORKERS COMP	988	1,066	756	163	1,444
	Salaries Total	35,594	27,988	43,566	12,191	49,925
42208	ELECTRIC	18,705	17,622	18,500	18,500	18,500
42210	WATER/SEWER	2,965	2,884	2,800	2,800	2,800
42231	CONTRACT SERVICES	22,985	19,806	13,000	23,338	23,000
42248	OTHER SUPPLIES	599	158	1,000	1,600	1,500
42510	MAINT - BLDGS/IMPROVEMENTS	11,328	141	22,500	7,500	7,500
	Supplies Total	56,582	40,611	57,800	53,738	53,300
45003	GENERAL LIABILITY INSURANCE	5,775	3,745	6,381	6,381	6,619
	Internal Services Total	5,775	3,745	6,381	6,381	6,619
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	-	-	-	1,408
	Transfer Total	-	-	-	-	1,408
5715 - PW - Edes Court Maintenance Total		97,951	72,344	107,747	72,310	111,252

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Workers' Compensation [770-8220]

ACTIVITY DESCRIPTION

The Human Resources Group has primary responsibility for the City's workers' compensation program. The City is self-insured for this employee benefit. Each department pays a portion of the program's cost based on gross wages and level of risk for the various job classifications within the department.

The City is responsible for the first \$250,000 of each claim and has an excess insurance policy from that level up to \$5,000,000. The City belongs to an excess insurance joint powers authority called Local Agency Workers' Compensation Excess Insurance (LAWCX) for the purpose of pooling for excess insurance. The City contracts with a third party administrator (TPA) who handles day-to-day workers' compensation claim administration.

FY 14-15 HIGHLIGHTS

- Offered ergonomic evaluations to new employees and to employees who change workstations
- Met quarterly with third-party administrator to review open claims
- Completed actuarial evaluation to determine how best to allocate workers compensation claims costs among departments
- Extended contract with current workers compensation administrator for additional year
- Successfully negotiated four workers compensation settlements and closed two open workers' compensation claims

FY 15-16 ACTIVITY GOALS

- Continue to conduct ergonomic evaluations to new employees and to employees who change workstations
- Meet quarterly with third-party administrator to review open claims
- Include medical-only claims in cost projections and tracking to better reflect workers compensation costs

FINANCIAL COMMENTS

The past fiscal year has seen a slight increase in the number of workers compensation claims and an increase in total workers compensation expense. In addition, lost work days were higher than anticipated.

Workers' Compensation (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
42221	INSURANCE PREMIUMS	179,406	261,985	200,600	242,500	276,000
42231	CONTRACT SERVICES	33,607	39,163	35,960	35,960	37,039
42261	AUTO MILEAGE	158	156	65	65	67
42299	OTHER EXPENSE	2,103	5,912	3,000	5,779	15,000
42415	CONFERENCE & MEETINGS	-	28	60	60	64
42435	SUBSCRIPTION & PUBLICATIONS	380	-	381	381	400
42545	CLAIMS - WORKER'S COMP	577,306	457,581	315,000	620,000	720,000
Supplies Total		792,961	764,824	555,066	904,745	1,048,570
8220	Workers' Comp Total	792,961	764,824	555,066	904,745	1,048,570



Equipment Replacement [790-8500]

ACTIVITY DESCRIPTION

The Equipment Replacement Fund provides a mechanism for the City to budget and fund future replacement of vehicles and equipment. Each department that uses City vehicles or equipment with future replacement funding is charged an annual fee based on future replacement costs and the useful life for each item. This program continues to provide a basis for the City to plan for and achieve incremental costs related to equipment and vehicle replacement to smooth fluctuations in the City budget in any given fiscal year.

In FY 15-16, the Finance Department will continue to provide a budgetary planning tool for departments including calculation of salvage values, serviceable life spans, accounting replacement contribution, and interest distribution. These tracking tools will be updated periodically. The Equipment Replacement Management Committee will work to increase coordination between departments in managing their equipment and vehicles.

FINANCIAL COMMENTS

Pre-funding of vehicle and equipment replacement provides for a measure of budget predictability, insures timely replacement which enhances safety and efficiency, and reduces the need for deficit spending based on a large capital outlay in any given fiscal year. For FY 15-16 the following equipment is proposed to be replaced. As approved by staff report in December 2014, Equipment Replacement fund will fund the costs for implementing the SVRIA (Silicon Valley Regional Interoperability Authority) including Infrastructure, consoles and radios for the Fire and Police department. The General Fund will make annual payments of \$130,000, for the 10 years, or until the total cost of implementing the infrastructure and equipment has been repaid.

Department	Vehicle/Equipment Description	Replacement Cost
Police	2006 Ford F150 Extended Cab	\$ 48,000.00
Police	2007 Dodge Charger Black	45,000.00
Police	2008 Dodge Charger Silver	45,000.00
Police	Honda Motorcycle	34,000.00
Police	Honda Motorcycle	34,000.00
Public Works	1982 Jeep AM Genl 4 Cycl - Customer Service Maintenance	55,000.00
Public Works	2003 GMC Sierra Pickup - Meter Change-out	55,000.00
Public Works	2007 Ford F350	55,000.00
Public Works	2007 Ford F450 Supercab w/ Scelzi Utility body (valve exercising)	60,000.00
Public Works	2006 Ford F150 4x4 (50% sewer, 50% water)	42,000.00
Streets	2002 John Deer Tractor with tiger attachments	130,000.00
Streets	2002 Tiger Flail Mower	11,000.00
		\$ 614,000.00

Equipment Replacement (continued)

Expenditure Details		12-13	13-14	14-15	14-15	15-16
Object	Description	Actual	Actual	Amended	Year End Projection	Adopted
42231	CONTRACT SERVICES	538	-	-	-	-
42250	ADVERTISING	367	-	-	-	-
	Supplies Total	906	-	-	-	-
43825	MACHINERY/EQUIPMENT	(1)	-	325,767	325,767	511,500
43830	AUTO/TRUCKS	248,538	213,998	555,265	555,265	614,000
	Capital Total	248,537	213,998	881,032	881,032	1,125,500
44991	INTEREST	-	2,635	-	-	-
44994	LEASE PAYMENTS	15,329	14,771	17,406	17,406	17,406
	Debt Total	15,329	17,406	17,406	17,406	17,406
8500	- Equipment Replacement Total	264,772	231,404	898,438	898,438	1,142,906

General Liability [795-8210]

ACTIVITY DESCRIPTION

The City purchases liability/property/vehicle insurance through the Association of Bay Area Governments (ABAG) PLAN. The City is a member of the ABAG PLAN for coverage of liability risks associated with City operations. This provides a pool of liability/property coverage distributed among 29 member municipalities. Claim amounts incurred by City in excess of the self-insured retention are shared among 29 member agencies, providing incentives for all participants to control loss exposures.

The liability program offers broad-form coverage, contractual liability, personal injury and vehicles operations. Under this program, the City is currently self-insured for the first \$100,000 of any liability claim and is covered for up to \$20,000,000 in costs for each claim. The ABAG PLAN provides claims administration.

The ABAG PLAN property program offers a single, all-risk policy covering buildings and contents, boilers and machinery, data processing, vehicles and other coverage. The program carries a \$5,000 deductible per loss. Like virtually all municipalities in California, the City has no insurance coverage for the risk of earthquake damage.

ABAG support services include risk management, claims administration, actuarial studies, loss control training, financial and other administrative services, and comprehensive legal defense. ABAG also provides significant grant funding to member entities for safety improvement, risk mitigation and attainment of best practices. Examples of the uses to which ABAG risk management grants were put during FY 14-15 appear immediately below.

FY 14-15 HIGHLIGHTS

- Equipped all City vehicles with backup sensors or cameras
- Biannual aquatic audit was conducted at the Aquatics Center. The audit consists of filming lifeguards while on duty to observe their skills, attention to duty and adherence to policies and procedures; a lifeguard skills test and a facility audit where recommendations are made on the condition of the facility
- Installed a plexiglas wall and a gate to improve safety at the Centennial Recreation Center's Kids Club
- The Risk Management Analyst attended the annual Public Agency Risk Managers Association (PARMA) conference and received information on the latest risk management trends and industry best practices
- The City Attorney's Office, Police Department, Community Services Department and Public Works Department are working to draft a Vehicle Use Policy
- Evaluation of insurance review and processing procedures and implementation of procedural improvements to enhance efficiencies and achievement of City's risk management goals

General Liability (continued)

FY 15-16 ACTIVITY GOALS

- City operations will continue to emphasize safety issues and best business practices to minimize situations that cause insurance claims
- The City will continue to work with the ABAG PLAN Risk Control Consultant to implement best practices and procedures for risk management, and will meet or exceed the minimum risk management program threshold ABAG PLAN has set for member cities

FINANCIAL COMMENTS

The City manages its risk through a shared pool of liability coverage with other similar legal entities through the ABAG PLAN. This enhances efficiency as ABAG is very familiar with the types of issues that confront local government and the appropriate response to these situations. The fiscal policy of City is to maintain a minimum reserve level for general liability equal to four times City's self-insured retention amount for general liability claims, which minimum reserve level equals \$400,000. The City currently maintains approximately \$575,000 in available assets within the General Liability internal service fund to cover its self-insured retentions for claims related to general liability and property damage, which amount equals approximately 144 percent of the reserve policy level for this fund.

Special Analysis

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City Council's 2015 Priorities, Goals, and Strategies (continued)

- Advance regional transportation decisions that are consistent with the Council's position to best serve Morgan Hill by working with regional and state organizations
- Measure the effectiveness of community engagement efforts
- Facilitate maintaining and enhancing the provision of medical services in Morgan Hill

Supporting Youth

Goal

Create a safe and supportive community by providing opportunities for Morgan Hill's youth to succeed and develop their full potential.

Strategy

Engage more of the community's youth in the City's decision making process which may include frequent visits to civics classes and a more formal input system for students who attend Council meetings.

Advocating for Financing of Infrastructure Improvements

Goal

Provide a well maintained public infrastructure (streets, parks, utilities, and buildings).

Strategy

By April 2015, the City Council will receive a comprehensive infrastructure action plan detailing the steps necessary for a potential 2016 ballot measure.

Strategy

The City Manager will consider recommending additional infrastructure funding in the Fiscal Year 2015-16 operating and capital budget that will be presented to the community and Council in May 2015.

Supporting Seniors

Goal

Ensure that Morgan Hill is an engaging, supportive, caring, and safe community for all of our senior citizens.

Strategy

By April 2015, the Council will receive a comprehensive community based senior center management strategy that may include the role of the City, non-profit organizations, and community.

City Council’s 2015 Priorities, Goals, and Strategies (continued)

Stimulating Economic Development

Goal

Advance our economic development strategies to further expand the City’s tax base and improve the quality of life of Morgan Hill’s residents.

Strategy

Determine criteria to effectively evaluate the City’s annual investment in economic development programs, promotions, and personnel to determine if additional funding should be appropriated in the Fiscal Year 2015-16 budget.

Strategy

Complete the City’s \$25 million investment in downtown public infrastructure by December 2015 as a catalyst for private investment.

Enhancing Community Engagement and Diversity

Goal

Foster an inclusive community environment that encourages broad based participation in public decision making, community building, and programs.

Strategy

Develop and implement a system to measure the effectiveness of community engagement in planning efforts, project design, and other decision-making processes.

Strategy

Resume inviting community organizations to monthly Council meetings in an effort to enhance community awareness of the many organizations that make up Morgan Hill’s community fabric.

Goal

Strengthen community through greater awareness and appreciation of community diversity.

Strategy

Actively seek out opportunities to celebrate Morgan Hill’s diversity and foster an inclusive community culture.

City Council's 2015 Priorities, Goals, and Strategies (continued)

Participating in Regional Issues

Goal

Actively participate in regional issues that impact the Morgan Hill community.

Strategy

City Council Members and employees will foster and maintain positive intergovernmental relations at the local, regional, state, and federal levels.

Strategy

City Council Members and employees will vigorously advocate for the City's position on regional issues of great importance to the Morgan Hill community.

Strategy

By April 2015, the City will invite the Valley Transportation Authority (VTA) to a Council meeting to discuss express lanes and other important transportation issues.

Strategy

Actively participate in VTA's "Envision Silicon Valley" planning process and ensure that Morgan Hill's and South County's best interests are represented.

Drought - Protecting the Environment and Maintaining Fiscal Responsibility

Goal

The Morgan Hill community will continue to be leaders in the state responding to drought conditions and will support water rate increases to ensure system reliability.

Strategy

By March 2015, the Council will receive a comprehensive report that identifies short and long term strategies to address the environmental and financial impacts of drought conditions which may include new rate structure, Proposition 218 water rate election, public investment in recycled water, and other measures as necessary.

Strategy

To work with other cities within Santa Clara County, Santa Clara Valley Water District, and other water retailers to ensure that we are collectively working towards the same water reduction and conservation goals for the benefit of our region.

Discretionary Reserves

The schedule below summarizes all discretionary funds projected to be available at June 30, 2015. While a large portion of these funds have been placed into separate funds for designated purposes these monies are available as discretionary funds.

Fund	FY 12-13 Actual	13-14 Actual	14-15 Year End Projection	15-16 Adopted
General Fund	\$ 11,074,995	\$ 12,815,001	\$ 12,334,070	\$ 11,461,193
Supplemental Law Enforcement Fund	50,722	57,103	57,453	57,753
Community Centers Startup Fund	511	294	296	298
Employee Assistance Fund	35,887	39,237	25,470	12,048
Park Maintenance Fund	4,689,543	4,956,580	4,824,167	4,904,103
Municipal Infrastructure CIP Fund	279,205	39,035	-	-
Information Systems Fund*	13,940	160,706	156,076	156,930
Building Maintenance Fund*	69,123	75,744	93,847	79,976
Building Replacement Fund*	2,274,109	2,090,382	2,201,004	2,479,501
Unemployment Insurance Fund*	230,711	213,104	179,204	144,159
Workers' Compensation Fund*	738,229	948,640	528,444	478,773
Equipment Replacement Fund*	3,695,129	3,955,346	3,592,875	3,241,154
Employee Benefits Fund**	(1,049,588)	-	630,844	1,672,005
General Liability Insurance Fund*	684,970	446,475	774,632	827,402
Total Discretionary Reserves	\$ 22,787,486	\$ 25,797,647	\$ 25,398,382	\$ 25,515,295

*Total amounts in these funds are accumulated through contribution from various funds, including the General Fund. Only those amounts from the General Fund would be available to be transferred back to the General Fund. The remaining balances would be credited back to the fund that made the contribution.

**Not a cash deficit, but an unfunded liability being partially funded 10% per year.

General Fund Five-Year Projections (continued)

REVENUE DETAIL	12-13	13-14	14-15 Year End	15-16	16-17	17-18	18-19	19-20
	Actual	Actual	Projection	Adopted	Forecast	Forecast	Forecast	Forecast
Property Tax	6,117,448	4,858,062	6,166,262	5,659,576	5,867,025	6,082,627	6,326,505	6,488,656
VLF In-Lieu Property Tax	2,570,648	2,735,205	2,991,194	3,110,842	3,204,167	3,300,292	3,399,301	3,501,280
RDA Pass-Thru	179,549	189,723	245,013	262,164	280,515	300,151	321,162	343,643
Sales Tax	7,908,270	8,594,986	8,332,450	9,103,849	9,066,770	9,442,702	9,833,879	10,235,344
Cochrane Comm. Payments (1)	(255,890)	(261,009)	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)
Other Payments (2)	(175,443)	-	(75,000)	(75,000)	(120,000)	(120,000)	(120,000)	(120,000)
Transient Occupancy Tax	1,411,226	1,714,492	1,897,000	1,991,850	2,051,606	2,113,154	2,176,548	2,241,845
Franchise Fees - GF	1,581,510	1,672,174	1,708,862	1,776,150	1,921,304	1,978,943	2,038,311	2,099,461
Public Safety Sales Tax	290,059	306,420	327,933	344,329	361,546	379,623	398,604	418,535
Property Transfer Tax	366,282	400,086	428,000	457,960	480,858	504,901	530,146	556,653
Total Taxes	19,993,659	20,210,138	21,746,714	22,356,720	22,838,791	23,707,393	24,629,457	25,490,417
Business License	165,304	179,848	181,343	186,783	192,387	198,158	204,103	210,226
Other Permits	22,030	27,830	28,210	28,300	29,149	30,023	30,924	31,852
Total Licenses/Permits	187,334	207,678	209,553	215,083	221,536	228,182	235,027	242,078
Parking Enforcement	3,489	2,885	8,000	8,240	8,487	8,742	9,004	9,274
Other Fines	89,710	63,820	50,000	60,000	61,800	63,654	65,564	67,531
Total Fines/Penalties	93,199	66,705	58,000	68,240	70,287	72,396	74,568	76,805
Motor Vehicle Fee	20,631	17,074	16,883	15,000	15,000	15,000	15,000	15,000
Law Enforcement Grants	618,236	753,667	550,379	398,856	401,724	405,451	414,289	418,243
Other	219,856	110,808	79,209	40,675	41,488	42,318	43,164	44,028
Total Other Agencies	858,724	881,549	646,471	454,530	458,212	462,769	472,454	477,270
City Recreation Programs	4,743,958	4,889,183	5,147,143	5,522,584	5,556,462	5,725,338	5,895,232	5,930,946
CCC Rental	810,061	774,057	823,424	781,820	811,853	833,674	856,142	879,270
Gen Admin Overhd	1,282,745	1,282,745	1,140,020	1,198,871	1,258,815	1,321,756	1,387,843	1,457,236
Fire Fees	200,176	266,838	247,000	251,940	259,498	267,283	275,302	283,560
Other Charges	518,979	596,071	646,291	659,511	673,405	688,640	704,336	720,500
Total Current Services	7,555,919	7,808,894	8,003,878	8,414,726	8,560,033	8,836,691	9,118,855	9,271,512
Interest Earnings	59,199	57,797	53,214	53,480	53,747	54,016	54,286	54,558
Other Rentals	118,559	231,887	248,679	229,829	258,426	262,543	266,783	271,151
Miscellaneous	6,920,730	343,890	860,576	405,299	342,690	258,305	258,305	254,477
Total Other Revenue	7,098,488	633,573	1,162,469	688,609	654,864	574,865	579,375	580,186
Transfer From Park Maint	180,000	400,000	-	-	-	-	-	-
Transfer From Sewer/Water	666,875	679,541	683,319	685,818	688,393	691,045	693,776	696,589
Transfer From Public Safety	269,229	83,333	100,000	100,000	100,000	100,000	100,000	100,000
Transfers Rec Non GF Activities	33,000	33,000	50,000	60,000	60,000	60,000	60,000	60,000
Transfer from Gas Taxes/Sewer/Water	601,322	686,891	740,000	689,798	689,798	689,798	689,798	689,798
Transfers From Other Funds	142,637	60,000	-	-	-	-	-	-
Total Transfers In	1,893,063	1,942,765	1,573,319	1,535,616	1,538,191	1,540,843	1,543,574	1,546,387
TOTAL REVENUES	37,680,386	31,751,303	33,400,404	33,733,525	34,341,914	35,423,137	36,653,310	37,684,654

PUBLIC INFRASTRUCTURE FINANCING REPORT



City of Morgan Hill

APRIL 2015

Purpose of Report

In Morgan Hill, consistent with other California cities, there is a need for additional public investment in streets, parks and landscape, and public building infrastructure. The City recognizes that ongoing revenues are insufficient to fund these vital community assets. The condition of the publicly owned infrastructure (especially streets) is deteriorating and the deferred maintenance backlog is increasing. Thus, the expense to repair these assets grows as each year passes without a sustainable solution.

In an effort to address this reality, the City Council has initiated the process of reviewing the feasibility of a *Municipal Finance Measure* for the November 2016 ballot to provide locally-approved and controlled funding for capital projects within Morgan Hill. The purpose of this report is to provide the City Council with a recommended process to implement that will ensure that the City is strategic in its effort, the Morgan Hill community is educated on the condition of its public infrastructure, community engagement is a priority, and various new revenue funding strategies will be tested.

Background

In support of the City Council's Annual Priority of Advocating for Infrastructure Improvement Funding, at its November 5, 2014 meeting, City Council accepted the *Infrastructure Funding Update Report* (attached) and began discussion on infrastructure funding gaps by category and prioritization of needs. In addition, staff posed four recommended next steps for Council consideration and direction. Those steps were:

- Discuss infrastructure funding gaps by category and prioritize the needs
- Discuss the policy questions posed in this report as well as others relevant to the issue
- Identify and discuss funding alternatives for the City to fund infrastructure maintenance
- Actively participate in state and regional infrastructure funding advocacy and planning.

Through the development of the *Infrastructure Funding Update Report*, it was determined that the City has an annual funding gap of approximately \$5.8 million for infrastructure maintenance to ensure sustainability for the aforementioned capital assets.

Current Needs
\$5.8m annually

- Street Maintenance
- Park Maintenance
- Landscape Assessment District
- Public Building infrastructure

Furthermore, the City Council adopted the following strategy during its Annual Goal Setting Workshop held the last weekend of January 2015:

By April 2015, the City Council will receive a comprehensive infrastructure action plan detailing the steps necessary for a potential 2016 ballot measure.

Getting Started

There are many factors that influence whether Morgan Hill will ultimately be successful in securing additional funding through a *Municipal Finance Measure*, including how our measure is crafted and the type of funding mechanism elected; the community benefits of the measure; whether our public is engaged in the process; the extent of media, opinion leader, and stakeholder support; whether our measure has opposition; the degree of our City's overall planning and financial investment during the early stages of preparation, and finally, the viability of the community campaign. Of vital importance is the public receiving assurance that any funds generated will be spent as promised on community priorities. Even though it would be inadvisable to select a financing strategy at this stage of the process, it is important to begin the conversation on the various options. These include, but are not limited to:

- *General Purpose Sales Tax*: Tax proceeds go into the City's general fund and are available for general government purposes (50% +1 approval required).
- *Special Purpose Sales Tax*: Tax is levied to fund a specific governmental project or program, or any tax in which the proceeds are not placed in the general fund and are not made available for general government purposes (2/3 voter approval).
- *Ad Valorem Tax*: The City could proceed with an ad valorem tax, and then issue general obligation bonds to fund the capital improvements. Each property owner would pay additional property tax variable based on assessed valuations (2/3 voter approval).
- *Parcel Tax*: The City could obtain voter approval for a parcel tax, and each property owner would pay the same amount. Bonds would be issued to fund the capital improvements (2/3 voter approval).
- *Special Districts: Community Facilities District, Benefit Assessment Districts, and other Proposition 218 Districts*

In any event, the specifics of a potential revenue measure could be determined through a comprehensive community process led by staff and a specialized consultant team.

Building Our Team

Preparing for, and passing a successful *Municipal Finance Measure* is a specialized craft that often requires the assistance of outside experts. One of the first steps in pursuing such a measure is to engage an experienced consulting firm to assist the City in outreach, conducting an independent community survey, and performing feasibility analysis. A successful measure generally requires sufficient timing for polling and community engagement, to ensure that any measure proposed reflects community input, priorities and interest. These outreach steps will help maintain the City's transparency in the process by actively involving residents, businesses, the Chamber of Commerce, Downtown Association, and other constituents.

It is anticipated that the City would need to hire the following consultants to assist the City in meeting its funding goal:

- **Communications/Feasibility Strategist**
 - Direct and project-manage all strategies focused towards a successful City sponsored Finance Measure feasibility effort from start to finish.
 - Develop and update the City's project timeline and benchmark dates.
 - Support, influence and over-see the development of our baseline survey and tracking poll.
 - Develop, refine, and target key messages and themes for our Finance Measure to the appropriate audiences.
 - Conceive and implement community outreach and education activities prior to our City Council's placement of the Measure on the ballot.
 - Recommend how to structure our Finance Measure include the funding mechanism, general or special purpose designation, and election timing as a result of public opinion polling.

- **Public Opinion Research Firm**
 - Conduct the City's baseline survey and tracking polls to assess the public's support of our Finance Measure.
 - Design our City's research instrument, specify the sampling of respondents, manage the interview process, and analyze the data, including identifying the demographics and attitudes of respondents towards a potential measure.
 - Assessment of the overall direction and quality of life in the City.
 - Identify what the voters see as the major problems facing City residents.
 - Determine the extent of awareness of the City's financial situation for funding the public's infrastructure.
 - Ascertain the degree to which voters see a need for more funding to maintain and enhance services.
 - Rank community priorities to be addressed by a measure.
 - Evaluate support and/or opposition to a ballot measure.
 - Identify the funding mechanism most favorable to voters, and at what tax amount.
 - Assess the optimal election timing and the effect of other measures on our measure.

- **Financial Advisor or Bond Underwriter (if applicable due to selected financing model)**
 - Assess the financial, facilities and construction scheduling needs.
 - Determines all revenue sources available to support the City's needs.
 - Analyzes our funding plan.
 - Develops cash flows for capital projects,
 - Creates a multi-year financing plan.
 - Manages the sale and closing of the financing package.
 - Recommends time/sequencing of bond issuances.

Timing

A resolution placing such a measure on the ballot would be due to Santa Clara County on or about August 12, 2016, which is 88 days prior to the November 8, 2016 election. In order to meet this August 12 deadline, the item must go to Council and be approved no later than August 5, 2016. As previously discussed, there are multiple steps involved in a *Municipal Finance Measure*. The following list delineates the appropriate steps in the process which should be considered when planning our finance measure:

1. Initiate Planning Efforts
 - Identify all potential projects, costs and needs
 - Identify unique recent, local problems and opportunities
 - Identify factors that make our needs urgent for the community
 - Build consensus among stakeholders within the City
 - Allocate City funding to plan our Finance Measure
 - Retain appropriate expertise/advisors
2. Conduct Public Opinion Research to determine:
 - Level of tax threshold the public is willing to support
 - Type of funding mechanism our community is willing to support
 - Optimal election timing
 - Most effective balloting method
 - Project(s) that are community priorities or problematic
 - Effective themes/messages
 - Areas where the community needs more education and information
3. Assess Initial Baseline Feasibility
4. Implement Nonpartisan Outreach Program
5. Re-Assess Community Support
6. Public Assessment and Education

Prior to approving a specific action plan, staff highly recommends that a Communications/Feasibility Strategist as previously described is hired to assist the City in the appropriate course of action. As an example, the following table provides the Council a possible schedule for a 2016 *Municipal Finance Measure*:

	April – June 2015	July – Sept 2015	Oct – Dec 2015	Jan – Mar 2016	April – June 2016	July – Sept 2016	Oct – Dec 2016
Council Meeting: Present Public Infrastructure Financing Report	✓	✓					
Collect needs assessments identifying projects	✓						
Determine revenue vehicles to be considered and identify necessary thresholds for voter approval	✓						
Engage opinion research firm and begin discussing initial poll to inform decision making process	✓						
Pollster to develop draft survey		✓					
City signs-off on telephone survey and optional online survey and survey fields		✓					
Survey results tabulated and reporting developed		✓					
Meeting with City team and consultants to review survey and determine path		✓					
Presentation of survey results to City Council		✓					
Revenue vehicle(s) selected			✓				
Outreach targets defined, including community groups, leaders, home owners associations, large land owners, elected officials, etc.	✓						
Message points developed based on research		✓					
Outreach content developed such as unique internet contents, social media		✓	✓	✓	✓	✓	✓
Initial meetings with key influentials set			✓				
Demonstrating the need through all methods of communication	✓	✓	✓	✓	✓	✓	✓
Ballot language developed by City Attorney					✓		
City Council approves ballot measure					✓		
Ballot label developed by City Attorney and submitted to County					✓		
Ballot arguments developed						✓	
Tracking poll						✓	
Outreach meetings and presentations					✓	✓	
Educational outreach tools developed		✓	✓	✓	✓	✓	✓
Post election activities							✓

Fiscal and Resource Impact

The approximate cost for the consultant team and ballot measure expense is estimated to be \$250,000. The FY 2014-15 operating budget includes \$35,000 for a community survey, so the approximate net new General Fund cost that would be necessary in the FY 2015-16 budget is \$215,000.

In addition, it is estimated that hundreds of hours of Administrative Services, City Manager, City Attorney, Public Works, and Community Services staff time would be required. Because of this, a potential ballot measure would need to be an organizational priority.

Recommendation

Staff recommends that the City Council accepts the *Public Infrastructure Financing Report* and directs staff to initiate the process of reviewing the feasibility of attempting a *Municipal Finance Measure* for the November 2016 ballot to provide locally-approved and controlled funding for capital projects within Morgan Hill. As an initial step, staff would engage an experienced consulting firm to assist the City in outreach, conducting an independent community survey, and performing feasibility analysis. In addition, staff would continue to define and evaluate the legal framework for such a measure, the appropriate steps needed to execute such a measure, and the precise timing associated with each step in the process.

It is also recommended that the Council formally schedule June 17, 2015 as a *Public Infrastructure Financing* workshop from 5:30pm-7:00pm. As part of this, the Communications/Feasibility Strategist would be in attendance to guide the discussion.

INFRASTRUCTURE REPORT

CITY OF MORGAN HILL



NOVEMBER 2014

Purpose of Report

The City of Morgan Hill's infrastructure is a very diverse system that supports a number of essential community needs and is utilized by both residents and visitor. Maintenance of this infrastructure is an expensive endeavor for the City, and one that is vital for public safety, economic development, and quality of life, all of which are critical elements for the City as it strives to ensure Morgan Hill remains a sustainable, vibrant, and quality community. This report is intended to provide a detailed look at the overall funding needs for each of the City's infrastructure categories and initiate the community discussion on the range of solutions available to address any gaps by identifying and quantifying the maintenance needs of the City's infrastructure.

Overview

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

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

Existing Infrastructure Highlights

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

The City owns, operates and maintains a variety of infrastructure assets. These can be broken down into five categories:

- Streets
- Water and Sewer Systems*
- Parks and Trails
- Landscape Assessment District Facilities
- City Buildings and Facilities

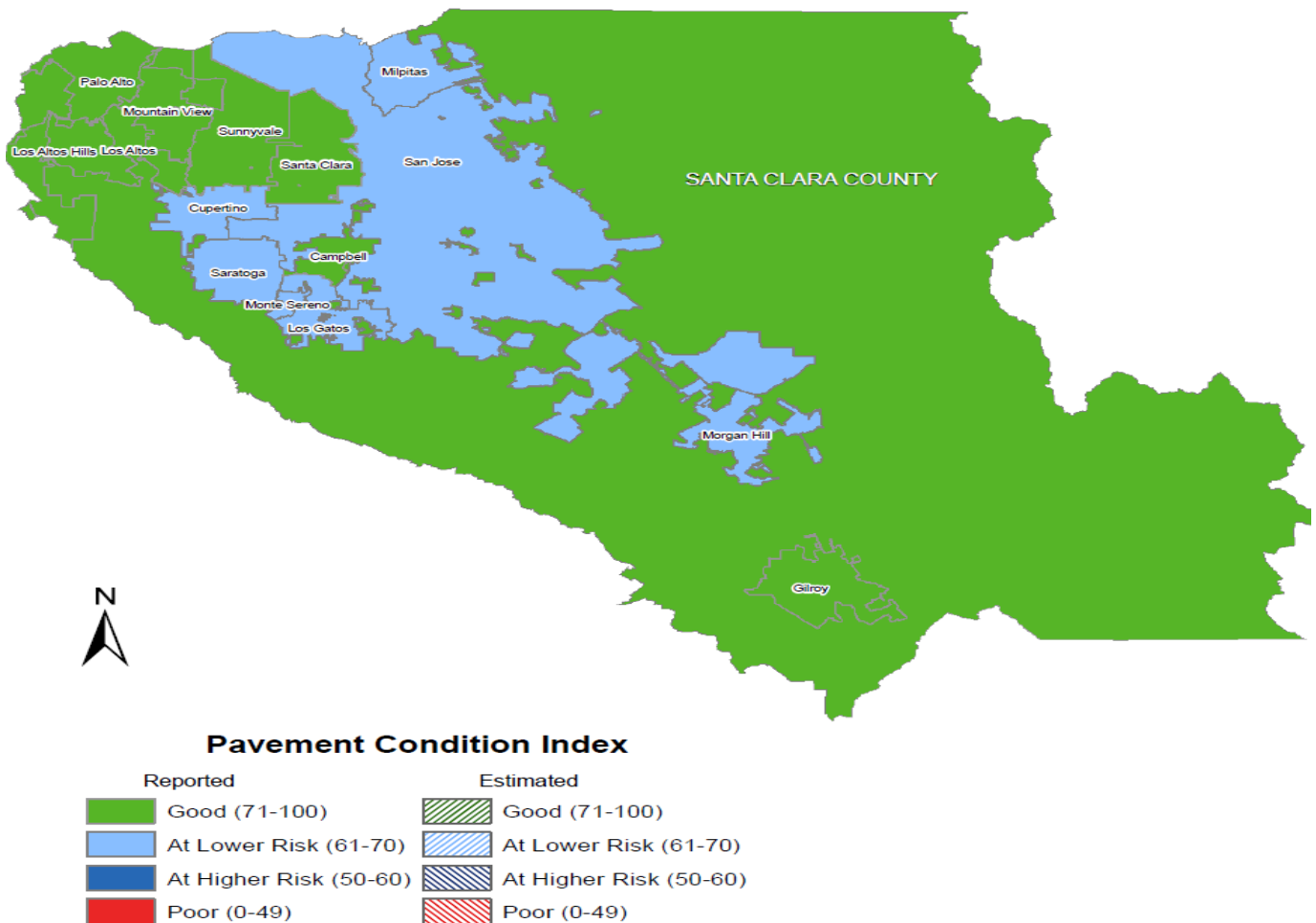
* The City's water and sewer utilities are a vital element of the City's infrastructure, these utilities are not addressed in this report because they are paid for by customer charges and do not rely on the General Fund.

Each of the categories also has two subcategories of maintenance. The first subcategory is baseline ongoing maintenance services (e.g., tree trimming, filling of potholes, janitorial, and grass mowing). The second is capital projects relating to the replacement or major repair of existing infrastructure resources (e.g., pavement rehabilitation, full replacement of a park playground, and replacement of a heating unit).

During the previous decade, the City made significant investments in infrastructure to meet the needs of a growing city. During that timeframe, the City utilized the Redevelopment

Agency to finance construction of new infrastructure and to maintain those assets. With the demise of redevelopment in 2011, the City lost a major funding source for the rehabilitation, renovation, reconstruction, and modernization of infrastructure.

Further impacting the City’s ability to fund infrastructure maintenance in the last decade, has been the decline in the single largest funding source for street infrastructure maintenance, the “gas tax.” Due to the growth in more fuel-efficient and alternative fuel vehicles, gas tax revenues have fallen in a relative sense and are projected to continue declining which has created a statewide problem. The recently released Local Streets and Roads Assessment for California (Appendix B) indicates that there is a backlog of \$40 billion in deferred street maintenance and an annual funding shortfall of \$7.8 billion state wide for street maintenance. The report identifies that 80% of the states roads belong to Cities and Counties, and that most are struggling to cope with increasing deferred maintenance backlogs and funding gaps. The following map provides an updated look at the condition of streets and roads across the county.



Funding

In 2013, the City Council established “Financing and Advocating for Infrastructure Improvements” as one of 2013 priorities. In May of that year, the Council received the results of the Safe and Sustainable Streets Infrastructure Study, which identified street

maintenance funding as inadequate for future years. In 2014, the Council again prioritized infrastructure and requested that City staff develop this comprehensive report that identifies, quantifies, and prioritizes the needs to maintain the City's entire existing infrastructure.

Currently, the City's General Fund is relied upon to supplement other dedicated funds in supporting infrastructure maintenance. The Fiscal Year 14/15 General Fund expenses were \$32.6 million, of which \$21.5 million were discretionary. The following diagram illustrates how the City utilizes its discretionary General Fund expenses.

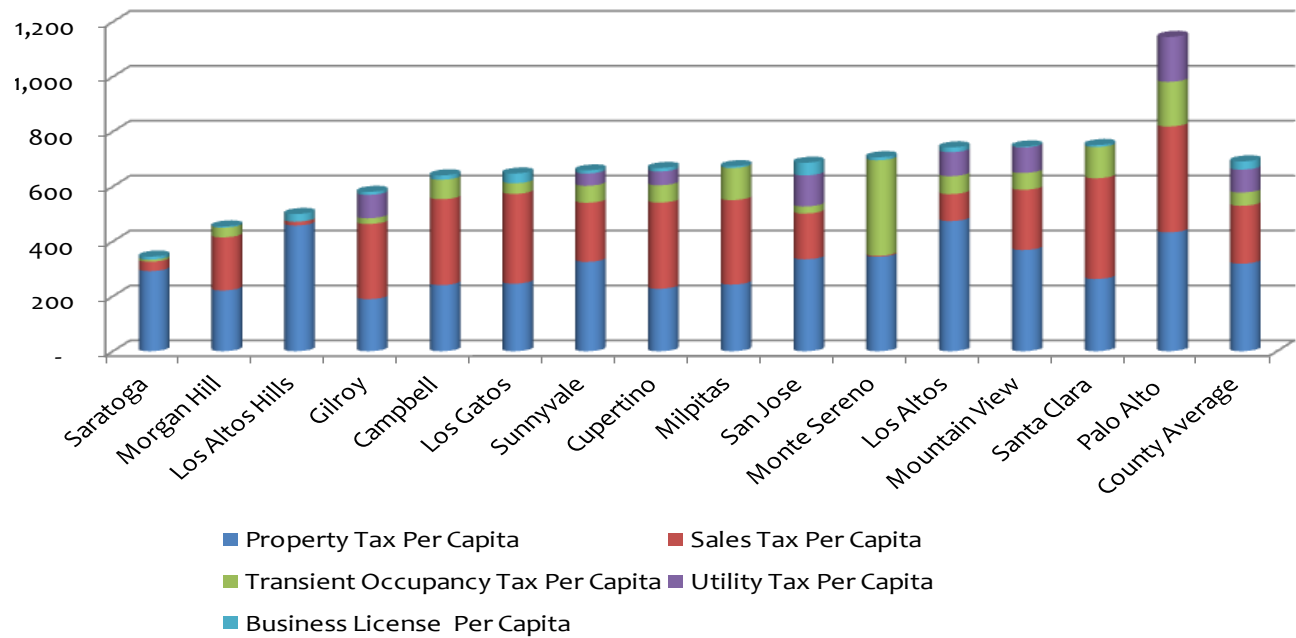
Recent Infrastructure Investments

- LED retrofit of street lights
- Increased funding for sidewalk replacement
- Reinstated grid pruning on 4 year cycle
- Solar installations at 3 city facilities
- Replacement of street name signs
- Replacement of turf with low water irrigation or other surfaces
- Funded annual City parking lot maintenance on 8 year cycle



As indicated, the City currently spends 4.1 percent of discretionary General Fund dollars on maintenance of its streets through pavement rehabilitation, capital improvements and ongoing base level street maintenance services. It is important to understand: 1) the City's

discretionary General Fund revenue is primarily obtained through taxes (Property Tax, Sales Tax and Transient Occupancy Tax) and is much more limited than that of many other communities as Morgan Hill's per capita tax revenue ranks among the lowest in the County, 2) facility maintenance of recreation centers is primarily paid for by user charges, this amount of discretionary dollars is required, and 3) the City's parks rely on voluntary developer payments to pay for the majority maintenance activities.

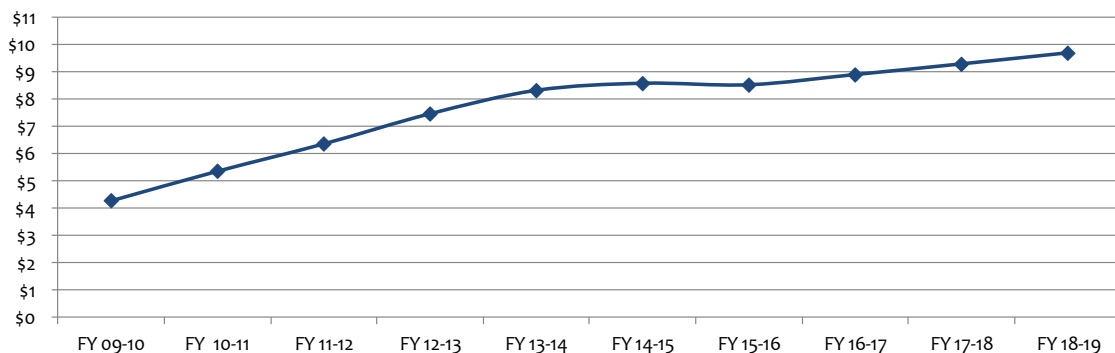


Ongoing maintenance of these assets is performed using a variety of means funded through a variety of sources. The matrix in Table 1 outlines the primary funding for each of the subcategories:

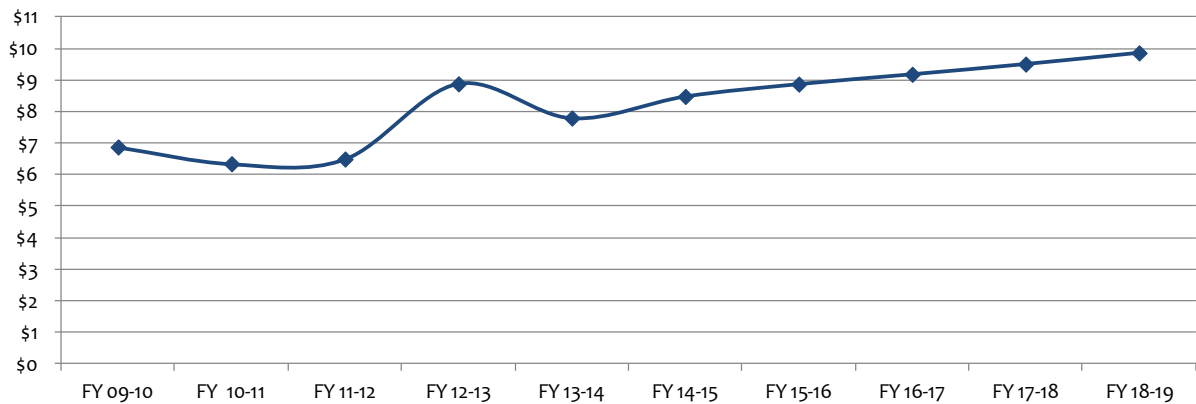
Table 1. Category of Maintenance	Primary Funding Sources
Street Maintenance Capital Repair and Replacement	Gas Tax Measure B – Vehicle Registration Fees General Fund Discretionary Revenue Grant Funds – Includes On Bay Area Grant
Street Maintenance Base Services	Gas Tax General Fund Discretionary Revenue Sewer Fund – Customer Charges Water Fund – Customer Charges
Park Maintenance Capital Repair and Replacement	Park Maintenance Fund – Developer Voluntary Contributions General Fund Discretionary Revenue Grant Funds
Park Maintenance Base Services	Park Maintenance Fund – Developer Voluntary Contributions General Fund Discretionary Revenue
Landscape Assessment District Capital Repair and Replacement	Property Tax Assessments for those within District
Landscape Assessment District Capital Repair and Replacement	Property Tax Assessments for those within District
Building Maintenance Capital Repair and Replacement	General Fund Non-discretionary Revenue (Recreation Charges) General Fund Discretionary Revenue Other funds based on percentage use of facilities
Building Maintenance Base Services	General Fund Non-discretionary Revenue (Recreation Charges) General Fund Discretionary Revenue Other funds based on percentage use of facilities

As is indicated in the chart, with the exception of the Landscape Assessment District, all of the other infrastructure areas outlined are supported by General Fund Discretionary Revenue. The next two graphs provide a history and forecast of the two largest tax revenue sources for General Fund Discretionary Revenue, sales tax and property tax:

Sales Tax Revenue



Property Tax Revenue



Both sources of taxes show modest increases in revenue over future years, but these increases in revenue will be necessary to account for inflationary operating costs for the City. However, as was previously mentioned, the Gas Tax revenue will not be able to keep up with inflationary costs and is forecasted to remain flat for the next five years.

Fuel Tax Revenue

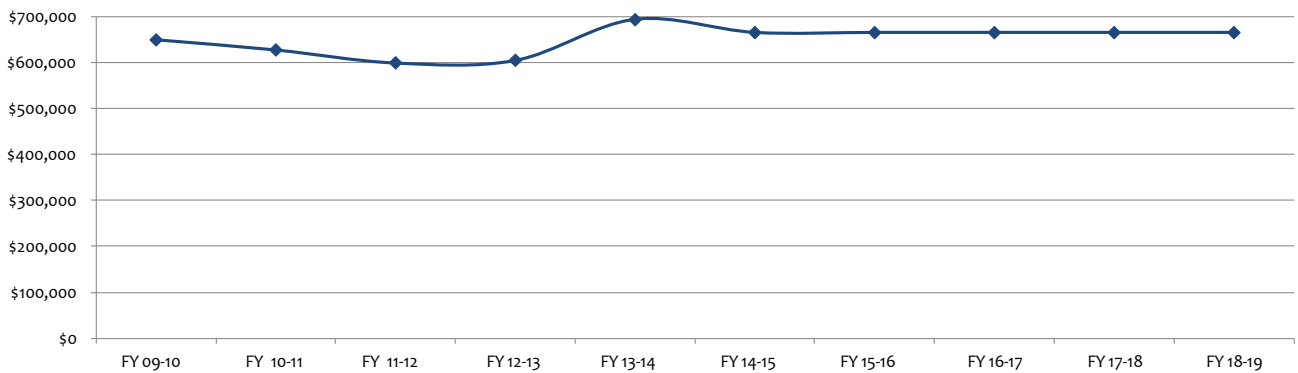


Table 2 shows the background documents that are now available to guide The City's infrastructure planning.

In the recent past, the funding shortfall for maintenance of streets has been well documented. Our most recent Pavement Management Report shows a backlog of \$20.5 million dollars in maintenance.

Recent analysis of maintenance in the areas of City Buildings and Facilities, Parks and Trails, and Landscape Assessment District Facilities shows that funding shortfalls exist in these areas as well, though not at as significant a level as streets. Ongoing maintenance in these areas has limited the backlog of deferred maintenance and, in most cases, had a greater impact on service levels. In some of these areas, maintenance levels have been reduced and reserve

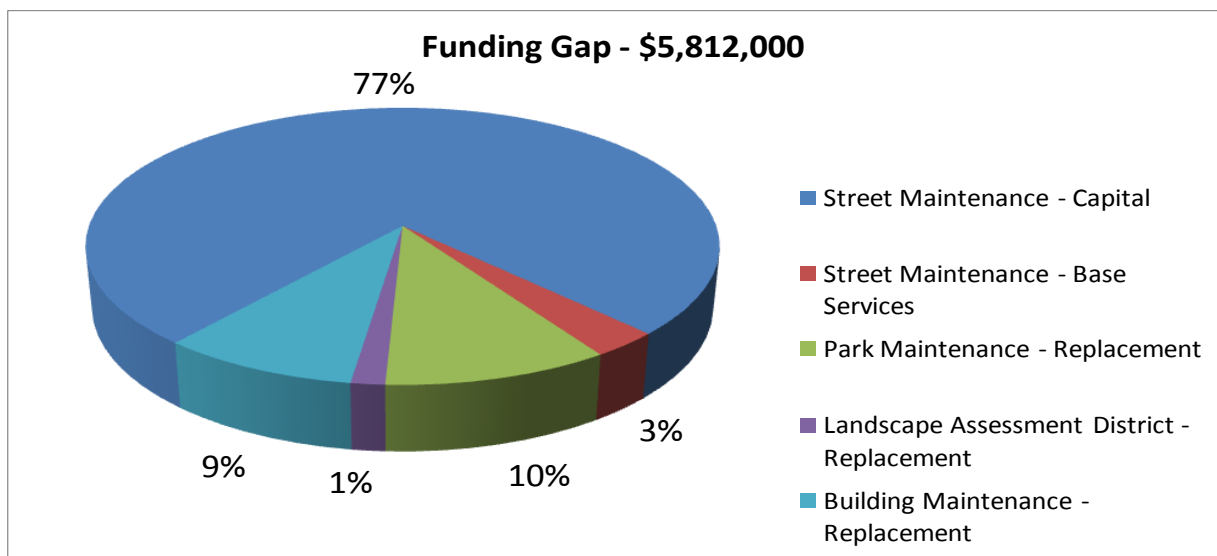
Table 2. Infrastructure Funding Planning Documents

- Sustainable Streets Study – May 2013
- Biennial Pavement Condition Report – Mar 2014
- Biennial Pavement Management Report – April 2014
- Park Asset Replacement Inventory - October 2014
- Annual Engineers Report for LAD – June 2014
- Building Future Replacement Plan - October 2014

funding for future maintenance has not occurred or may not be adequate for future needs. Currently, it is estimated that there is a \$5.8 million annual maintenance funding shortfall across all infrastructure categories. Table 3 provides a comparison of the City’s existing funding levels and the amount required to be considered sustainable. For the purpose of this report, the term sustainable is defined as the following: “The level of annual funding required to ensure the City’s infrastructure is adequately maintained for use in the present, avoids deferring maintenance costs to a later date, and funds accrues for future known replacement over the life period of each infrastructure asset.”

Table 3. Category of Maintenance	Current Annual Funding Level	Sustainable Annual Funding Level	Annual Funding Shortfall
Street Maintenance Capital Repair and Replacement*	\$ 753,000	\$ 5,200,000	\$ (4,447,000)
Street Maintenance Base Services	\$ 1,888,000	\$ 2,066,000	\$ (178,000)
Park Maintenance Capital Repair and Replacement	\$ -	\$ 586,000	\$ (586,000)
Park Maintenance Base Services	\$ 1,027,000	\$ 1,027,000	\$ -
Landscape Assessment District Capital Repair and Replacement	\$ -	\$ 88,000	\$ (88,000)
Landscape Assessment District Base Services	\$ 180,000	\$ 180,000	\$ -
Building Maintenance Capital Repair and Replacement	\$ 389,000	\$ 903,000	\$ (514,000)
Building Maintenance Base Services	\$ 2,654,000	\$ 2,654,000	\$ -
TOTAL	\$ 6,891,000	\$ 12,703,000	\$ (5,812,000)

*2014/15 includes additional one-time funding for street maintenance of \$1,544,000 above the \$753,000.

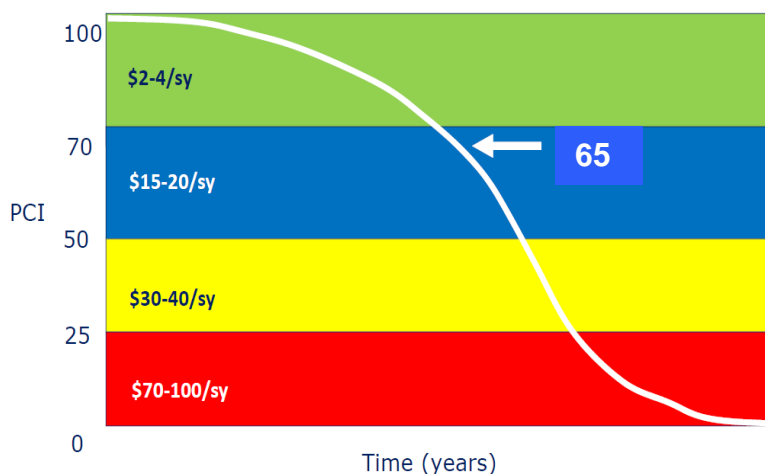
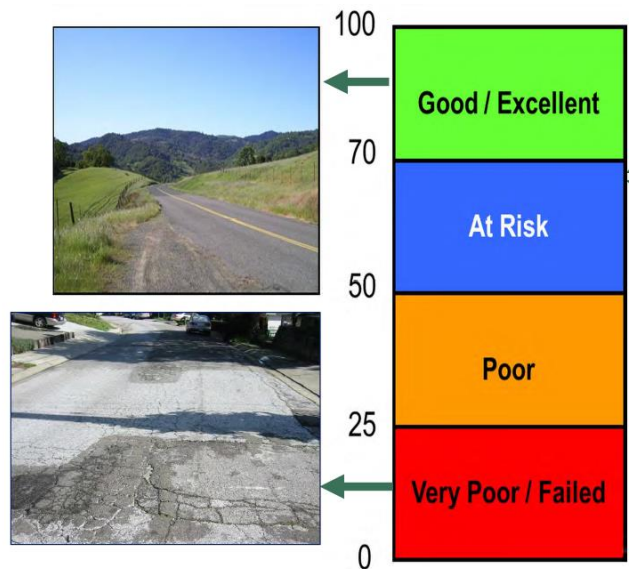


Street Maintenance remains, by far, the largest area of need in terms of funding for infrastructure at 80%, while replacement of existing Park Assets is the second largest need making up 9% of the unfunded need. Some degree of future replacement savings has been made in the Landscape Assessment District and Building Maintenance areas. The amount of funding set aside varies by facility and by assessment district subarea. The funding details, challenges, and policy questions for each of these areas are outlined in the following sections of the report.

Street Maintenance

The City Council identified the “Streets Infrastructure” as a vital community element and one that needs a great deal of attention. The City has approximately 122 miles of local streets with a variety of attached ancillary elements including: street trees, traffic signals, signs, curb & gutter, streetlights, storm drains, bridges, medians and planters, furnishings, guard rails, parking lots, and sidewalks.

The greatest concern in the area of street maintenance has been the degradation of the streets themselves. Evaluating the condition of the City’s Streets is accomplished using the Pavement Condition Index (PCI). In 2012, the City’s Pavement Condition Report found the City’s weighted average PCI for the entire City network of streets was 76. In May of 2013, the City’s consultant, prepared the initial Safe and Sustainable Streets Infrastructure Study. This study looked at future funding needs for capital street maintenance and the ongoing base level street maintenance services.



In 2014, the weighted average PCI for the network had fallen to 70 and the Pavement Management Report identified a backlog of \$20.5 million. At the current level of funding, the City’s weighted PCI would fall to 65 by 2018. Since it costs less to maintain roads in good condition than bad, investing early to keep the weighted PCI higher is critical. As demonstrated in the adjacent chart, the maintenance cost grows much faster as the PCI drops.

Funding

The City funds ongoing base service street maintenance activities through the General Fund and Gas Tax Revenue, while the capital pavement rehabilitation program is funded primarily through the streets fund which receives revenues from gas taxes (via VTA), vehicle registration fees and the One Bay Area Grant. Over the last two years, the City has supplemented capital funds with dollars from the General Fund, but this is not projected going forward and not included in the existing General Fund five year forecast.

Base Service Level Funding

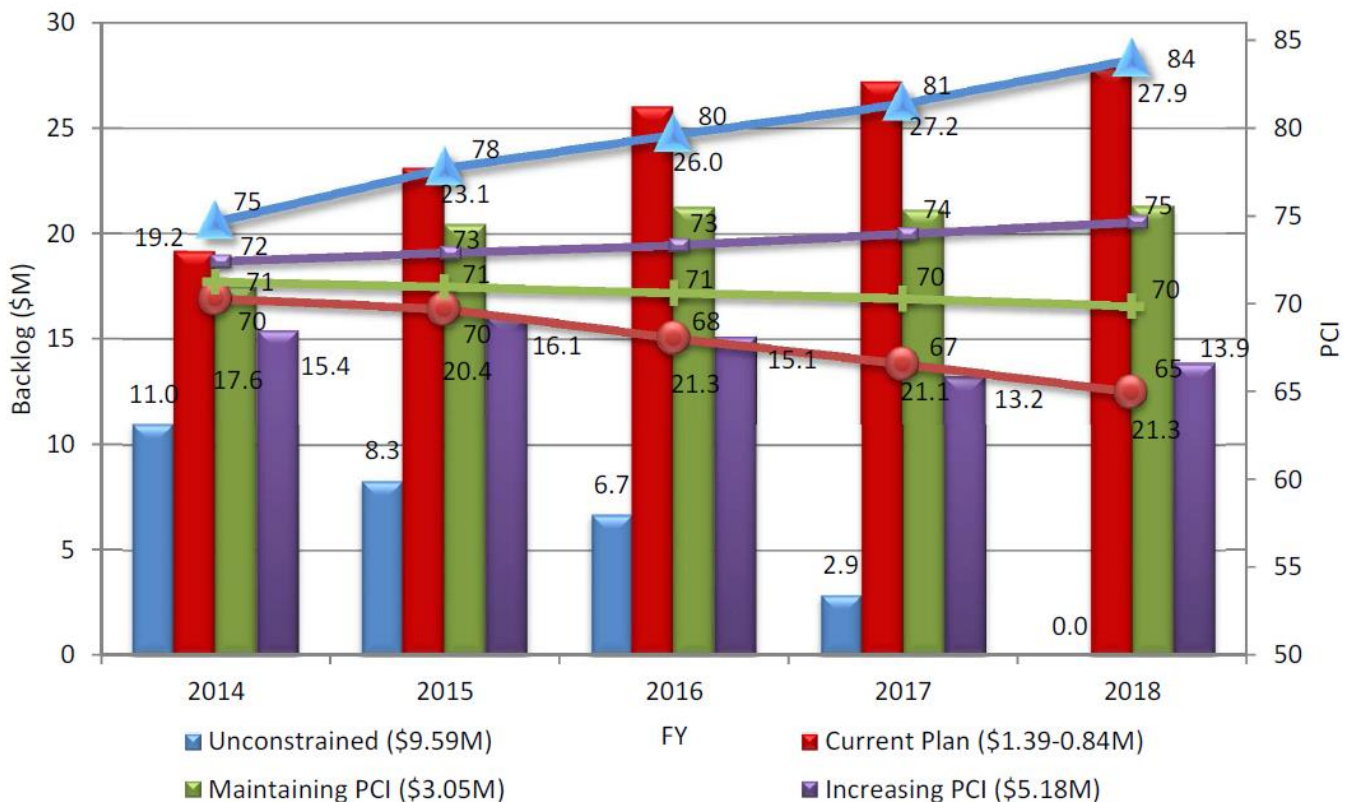
The Community Services Maintenance Team is responsible for the day-to-day maintenance of streets for the City. A combination of City employees and contract services are used to perform regular street maintenance. The 2013 Sustainable Streets Study identified that additional funding was needed for base street maintenance services, including ongoing funding of \$368,000 annually and one-time funding of \$107,000. Over the last one and a half years, the City Council has increased investment so that many of the unfunded maintenance needs have or will be met through General Fund investment or investment from other funds in specific project areas. The current additional funding need has been reduced to \$155,000 annually and \$43,000 in one-time funding. An outline of the current needs is available in Table 4.

TABLE 4. CURRENT VERSUS SUSTAINABLE STREETS - OCTOBER 2014 (1,000s)						
BUDGET ALLOCATION SCENARIO 3	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19	TOTAL
Pavement Mgmt Program (PMP)						
Current PMP CIP Budget Allocation	2,297	753	753	753	753	5,309
Sustainable Funding	5,200	5,200	5,200	5,200	5,200	26,000
Funding Gap	2,903	4,447	4,447	4,447	4,447	20,691
Base Maintenance Services Division						
Current Budget Allocation	1,888	1,954	2,024	2,097	2,097	10,060
Unfunded Base Maintenance Services						
<i>Downtown Park Lot Slurry & striping</i>	<i>Now funded through CIP for Parking Lots.</i>					0
<i>Concrete/brick Paver Repairs</i>	12					12
<i>Sidewalk Repairs</i>	<i>Now funded through CIP - Safe Routes plus 1 time General Fund</i>					0
<i>Curb & Gutter Repairs</i>	<i>Infusion. Annual Maintenance Budget increased to \$50,000 annually.</i>					0
<i>Repaint Colored Curbs</i>	32	32	32	32	32	160
<i>Replace Aging Wood Streetlight Poles</i>	5	5	5	5	5	25
<i>Renovate Medians</i>	25	25	25	25	25	125
<i>Repair & Renovate Brick Planters</i>	<i>Will be completed in downtown renovations.</i>					0
<i>Prepare & Maintain Street tree Inventory</i>	10	2	2	2	2	18
<i>Remove/Replace Street Trees</i>	38	38	38	38	38	190
<i>Regular Street Tree Trimming 4 Year Cycle</i>	<i>Now funded in Annual Maintenance Budget.</i>					0
<i>Storm Drain Pipe & Culvert Inspection & Repair</i>	5	25	5	5	5	45
<i>Storm Drain Pump Station Rehab Amortization</i>	50	50	50	50	50	250
Sustainable Base Maintenance Services	2,065	2,131	2,181	2,254	2,254	10,885
Funding Gap for Base Maintenance Services	177	177	157	157	157	825
Total Funding Gap for Sustainable Streets	3,080	4,624	4,604	4,604	4,604	21,516

Note: This PMP CIP Fund 308 Budget Scenario would yield an estimated PCI of 75

Capital Improvement Funding

Capital improvements for street maintenance are managed by the Engineering Division of the Public Works Department through the City's annual Capital Improvement Program. Over the last two years, the City has invested one-time grant dollars augmented by one time General Fund dollars to increase the amount of funds used on pavement rehab projects. With the current backlog of street maintenance (\$20.5) million and the current PCI (70), the next chart provides information on how various levels of funding would impact the City's PCI rating and the maintenance backlog.



Investing at a level that increases PCI from its current condition is important, because investing enough to just maintain the current PCI will not reduce the backlog of maintenance and will end up costing the City more in the long run. By investing at a level that increases the PCI, the backlog of street maintenance will stabilize by 2018 and continue to gradually fall in the long term. Investing at a level that only maintains the current PCI will not reduce the backlog of maintenance and will cost the City more long term in both capital costs and ongoing base level maintenance costs.

Policy Discussion

To eliminate the backlog of street maintenance over the next five year period and increase the PCI to 84, an additional investment of \$9.8 million annually would be needed. It is estimated that an additional \$4.4 million would be needed annually to return the City's network of streets to an average weighted PCI of 75 and reduce the backlog to approximately \$14 million. The third scenario would require an additional annual investment of \$2.4 million annually and would result in a slight increase in the maintenance backlog.

At the current level of funding for street maintenance, the City will experience declines in the condition of the City's streets, which will in turn begin to impact and increase the level of base services and the deferred maintenance for streets will grow to a staggering \$27.9 million by 2018 - which would represent a 50% increase over five years. At this rate, the City's streets infrastructure will be in jeopardy. This degradation and funding backlog will only continue to mount unless a new sustainable revenue source can be identified, current General Fund services are significantly reduced and funding is reallocated to streets, or new revenue can be generated through industrial and commercial development. To reduce services in other areas to fund the \$4.4 million needed to maintain the City's streets sustainably, a 20% reduction in other vital services funded through General Fund discretionary revenue (Police, Fire, Parks, Admin Services, etc) would be required.

There are many questions that require discussion to address street maintenance funding. These include, but are not limited to:

1. Should General Fund discretionary revenues be prioritized to support street maintenance, which would require reduction in other services?
2. Should the City explore the development of a new tax revenue source?

Parks and Trails

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

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

This section refers specifically to the maintenance of the first category, which includes parks, bicycle and walking trails, and the Civic Center outdoor spaces. These areas include a wide variety of amenities including: playgrounds, basketball courts, fields, tennis courts, picnic areas, lighting and many more. This strategy relies on growth to sustain the fund. Thus, as the City builds out, future funding could be an issue.

Revenue Support

Currently, base level park maintenance service is funded via the Park Maintenance Fund and supplemented by \$200,000 annually from the General Fund. The Park Maintenance Fund is funded through voluntary contributions from developers in the City's Residential Growth Control System process.

Base Services

Park Maintenance activities are managed by the Community Services Maintenance Team. Maintenance functions are performed by both in-house staff and via contract. It is estimated that base level City park and trail maintenance services are funded at an adequate level to be safely used and to protect the City's assets in these areas. However, the level of service for

these areas is not “top notch” and City parks would be considered at a level 3 or “Adequate” when applying the City’s previously developed Park Maintenance Numeric Rating System. Increased funding of base level services could improve aesthetics and user experience, but would not considerably increase sustainability of park and trail infrastructure.

Capital Repair and Replacement Funding

Table 5.

City Parks and Trails	Annual Unfunded Replacement
Community	224,557
Galvan	109,352
Paradise	38,106
Diana	31,052
Nordstrom	47,407
Jackson	17,201
Howard Weichert	7,235
Sanchez	3,188
Skate Park	23,219
Civic Center	47,026
Trails	37,429
Total	585,771

The recently developed Park Asset Replacement Plan identifies over \$6 million in future replacement needs stretching over the next 50 years, with a total unfunded annual replacement cost of \$586,000. No funds have been set aside for this replacement, although a past practice has been to use the Park Maintenance Fund for annually identified replacement projects. However, with the Park Maintenance Fund now funding the base level maintenance, drawing down the fund for capital replacement and repair projects would have an impact on sustainability of funding for base level operations.

Policy Discussion

When unfunded replacement needs to occur in parks, it is currently viewed on an annual project-specific basis and weighted against other projects of a citywide nature. In some cases, the life cycle of equipment is extended through repairing versus replacing equipment. In other cases, a choice may be to remove an asset. For example, turf could degrade to a point where it is in poor condition, but this would really only result in a decrease in user experience. Conversely, while a playground could degrade to a point where it must be removed for safety standards and, if not funded, would not be replaced. This funding shortfall for future replacement and repair of City Parks is a new discussion. Some policy questions that should be explored in this area include, but are not limited to:

1. Should a replacement/repair fund be established and funded for future park maintenance needs?
2. Should a new tax revenue source for parks be explored?
3. Should future park development be slowed until sustainable funding for existing parks can be established?

Landscape Assessment Districts

Revenue Support

Landscape Assessment District (LAD) funds are derived from special property assessments to support City maintenance services in park and landscape areas within residential developments that are located in the District boundaries. Proper maintenance of the properties benefits the owners. Assessment charges are collected by the County on property tax rolls and remitted to the City. There are currently 20 subareas in the LAD that include a total of 757

properties. Of these 20 subareas, 7 contain parks. Each lot within a specific subarea is assessed the same amount to obtain the level of service desired by the subarea residents.

Base Services

Base level maintenance services are provided based on the subarea's available funding. Many of these areas are funded and maintained well, while others are limited to weed abatement only.

Replacement Funding

To some extent, replacement funding for each subarea is addressed by creating a fund balance. Each subarea has an established fund balance reserve target based on the size, maintenance requirements, and amenities of the subarea. However, in the case of the LAD subareas which contain parks, the fund balances maintained would not be sufficient enough to replace or repair major park components. An outline of the LAD park subareas and their unfunded annual replacement can be viewed in Table 6.

LAD Subarea Parks	Annual Unfunded Replacement
Oak Creek	39,925
Hamilton Square	5,351
Mill Creek	4,675
Rose Haven	9,894
Stone Creek	9,385
Diana Estates	15,048
Belle Estates	3,848
Total	88,126

Policy Discussion

LAD subareas with parks provide a unique challenge. The parks are open and available to use for the entire community, but are paid for by a specific set of residents located in the LAD subarea. In essence, a small percent pay for amenities used by many. A park like Oak Creek Park, which is large, well used and has insufficient replacement dollars could run into a scenario where the park playground needs to be replaced, but there are not available funds to do so. This scenario will eventually play out should policy and funding changes not be made. Most LAD subareas are at the max assessment cap, which means an increase for funding would need to be approved by voters in that subarea. In the past, LAD residents have shown reluctance to increase their own taxes for increased maintenance, resulting in some subareas receiving the bare minimum maintenance services. Policy questions for LAD Parks include:

1. Should assessment be raised in those subareas where capacity exists to plan for future replacement of park amenities?
2. Should a City-wide LAD or Community Facilities District for all City owned Parks be explored?
3. Should supplemental funding be used to ensure that LAD Park resources are maintained when assessment funds do not cover the cost of maintenance?

Building and Facility Maintenance

The City owns 12 facilities that are operated for a variety of public purposes including facilities operated and maintained by the City and others operated and maintained by partner organizations. These facilities include the two City Fire Stations, City Hall/Development Services Center, Council Chambers Building, Police Station, Corp Yard, Library, Aquatics

Center, Centennial Recreation Center, Community and Cultural Center, Friendly Inn Non-Profit Center, El Toro Youth Center, and Outdoor Sports Center.

Revenue Support

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

Base Services

Facility maintenance is managed by the Community Services Department and Community Development Department. In some cases, facilities are maintained through agreements with partner organizations (CALFIRE, County Library, and the Morgan Hill Youth Sports Alliance). It is believed that current base level maintenance services are fully funded and being provided at an adequate level throughout the City facilities.

Replacement Funding

In most cases, as each facility was constructed and opened for use, the City developed a replacement schedule that addressed the major components of each facility. This schedule has been funded by annual operating budget allocations. Replacement schedules were not developed for the Outdoor Sports Center and Friendly Inn while other replacement schedules for some City buildings were not comprehensive as others. Staff updated or created current schedules as a component of this report. Upon conclusion of this update, it is estimated that the facility replacement fund is underfunded by \$514,000 annually. Table 7 outlines each facility, current replacement funding and recommended funding.

Table 7. Facility Replacement	Current Annual	Recommended Annual	Funding Gap
Aquatics Center	\$ 55,441	\$ 203,405	\$ 147,964
Centennial Recreation Center	\$ 90,499	\$ 230,322	\$ 139,823
Community and Cultural Center	\$ 65,000	\$ 72,279	\$ 7,279
Council Chambers Building	\$ 10,710	\$ 37,022	\$ 26,312
Corporation Yard	\$ 5,290	\$ 21,747	\$ 16,457
Development Services Center	\$ 27,677	\$ 26,387	\$ (1,290)
Friendly Inn	\$ -	\$ 12,517	\$ 12,517
El Toro Youth Center	\$ -	\$ 6,620	\$ 6,620
Police Department	\$ 74,431	\$ 94,731	\$ 20,300
Outdoor Sports Center	\$ -	\$ 172,793	\$ 172,793
Fire Stations	\$ 60,000	\$ 25,404	\$ (34,596)
Library	\$ -	\$ -	
Total	\$ 389,048	\$ 903,226	\$ 514,178

There were some key factors that created a significant change in the recommended annual funding of facility replacement for a few facilities. These factors are outlined below for the facilities that are impacted.

Aquatics Center (AC) – The AC was constructed by the Redevelopment Agency in 2004 and ownership was transferred to the City of Morgan Hill. The Community Services Department budget includes an annual contribution to the Building Replacement Fund for the annual depreciation of the major building and facility systems. This plan however is underfunded as the replacement schedule originally did not include some very significant pool related components. Two of the largest factors are replacement of the pool deck and pool heating components.

Centennial Recreation Center (CRC) – The CRC was constructed by the Redevelopment Agency and opened in the City's centennial year, 2006. Ownership was transferred to the City which, through the annual Community Services budget contributes to the Building Replacement Fund. The expansion of the CRC in 2010 was paid for by the RDA since the facility is located in the former Project Area and specifically included in the Redevelopment Plan. Similar to the Aquatics Center, after updating the replacement schedule it is believed the CRC's future replacement is underfunded. The largest factors in this area include adding the solar panels at the CRC to the future replacement funding.

Community and Cultural Center (CCC) – The CCC was constructed by the Redevelopment Agency in 2001 and ownership was transferred to the City of Morgan Hill. The Community Services Department budget includes an annual contribution to the Building Replacement Fund in an amount equivalent to the annual depreciation of the major building and facility systems. The funding is adequate as only a small adjustment would be needed.

El Toro Youth Center – The El Toro Youth Center is leased to the Boys and Girls Club of Silicon Valley. The City provides the Boys and Girls club with annual funding to subsidize operations and funds maintenance of the building through the General Fund. Currently, there is no contribution to the replacement fund for the facility. It is recommended that contributions begin to be made.

Friendly Inn – The Friendly Inn has served the community in a variety of roles for over half of a century. It was renovated by the Redevelopment Agency in 2010 as a non-profit center. It currently houses 11 non-profit organizations, which each make use payments equal to their share of the ongoing maintenance costs based on the amount of space leased. In turn, base level maintenance services are paid for by the tenants, but there is not contribution to the Replacement Fund from the facility.

Outdoor Sports Center (OSC) – The Redevelopment Agency purchased the land for the complex and initially leased it to the California Youth Soccer Association to operate as a regional tournament facility. In 2007 the RDA improved the area with artificial turf fields, parking, lighting, and restrooms. The RDA conveyed the property to the City which, in turn, has leased it to the Morgan Hill Youth Sports Alliance (MHYSA) for a community serving sports center as well as host for regional tournaments. MHYSA makes annual improvements to the facility as part of its operating budget. As previously noted, a replacement schedule and annual operating funding were not initiated when the OSC came online. At the time of opening, the fees for the facility were directly related to recovering costs for operations. Including replacement funding would have more than quadrupled the user fee for use of the facility. Shortly after the initial opening, the City entered into a concessionaire agreement to operate the OSC and it was envisioned that a capital fund would be created. This has yet to materialize and neither the City nor the operator has contributed to such a fund.

City Council Chamber Building – The Council Chamber Building recently went through a \$2 million dollar renovation to become a state-of-the-art Chamber with new meeting room space, upgraded restrooms, and a new lobby area. It is utilized for City Council, commission, or other public meetings. The building has also recently begun housing a limited number of City staff that were no longer able to fit in the City Hall/Development Services Center Building. With the newly installed equipment, including state-of-the-art audio visual systems, funding the replacement of this equipment would be prudent.

City Hall/Development Services Center (CH/DSC) - The current CH/DSC is home to the City's Administrative Services Department, Community Development Department, Public Works Engineering Division, City Manager's Office, and City Attorney's Office. The building was remodeled in 2009 using the proceeds of a financing instrument called Certificates of Participation. The City agreed to make annual lease payments equivalent to debt service. The occupants of the building pay their proportionate share of the annual debt service. This type of financing is known as a "budgetary pledge" because no specific revenue source was dedicated to the debt service. The occupants also contribute annually to the Building Replacement Fund.

The Morgan Hill Library - The Library was constructed by the City of Morgan Hill and is leased to the County Library JPA for operations and maintenance. The capital costs were financed by a capital contribution by the RDA and a bond issue for a portion of the costs attributable to "new growth". The library was "sized" to accommodate the planned population of the City in 2020. The annual debt service is paid from available Development Impact fees and the General Fund. The City receives income from the library lease to the JPA which helps offset debt service.

Police Headquarters – In 2004, the City acquired an industrial building and upgraded the building to serve as an "essential public safety" building and Police headquarters. The costs were financed by issuing Certificates of Participation. Because the facility was sized to accommodate future growth, a portion of the annual debt service is paid by Development Impact fee revenue. The balance of debt service is paid as an annual operating cost of the Police Department and charged to the General Fund. The General Fund receives a small amount of revenue from a lease of current excess space to a private party. The annual budget also includes contributions to the Building Replacement Fund. The City's General Fund purchased an adjacent half acre of land for potential use as a storage yard for towed vehicles, or other future uses by the Police Department.

Corporation Yard – The city's field crews and equipment are housed at the "Corporation Yard" at Edes Court. The land including the adjacent Community Park was acquired by the City decades ago and initially developed as the city's first wastewater treatment facility. In the 1970's, the Corporation Yard was developed with the proceeds of bonds issued by a Joint Powers Agency which included improvements for the school "bus yard" north of Edes Court. The operating funds of the utilities (sewer and water) and the annual budgets of the streets and parks operations make annual contribution to the Building Replacement Fund.

Fire Stations – As part of the transition of CALFIRE in 2013, the City financed the purchase of its two fire stations. These loan payments are included in the Fire Department's annual operating budget and paid for by the General Fund. The base level maintenance of these fire stations is coordinated by CALFIRE as part of the agreement with the City and funded through the General Fund within the Fire Department's operating budget. The City established a

Building Maintenance Fund contribution of \$60,000 annually for replacement of Building Components. After the recent inventories conducted by staff, it is believed that this replacement funding can be reduced to \$25,000 annually.

Policy Discussion

Three of the City's recreation center's make up the largest portion of the funding gap. The Aquatics Center and Centennial Recreation Center have continually improved their financial performance and replacement funding will be important to their continued success. Including the additional replacement fund costs in the annual operating budget for Recreation and Community Services would be consistent with the City's effort of "Balancing Cost Recovery and Community Access" at the City recreation facilities. The Outdoor Sports Center's concessionaire has provided the City with revenue each year. Additionally, the OSC has been a driver of economic development bringing hundreds of thousands of visitors to Morgan Hill annually. With the City reviewing the long term future of the OSC in the Spring of 2015, the need to plan for the future of the facility is critical. The synthetic turf fields at the OSC will be nearing the end of their expected life in the near future, and planning for their replacement is an important aspect of keeping the facility operating successfully. Overall policy questions for Building and Facility Maintenance include, but not limited to:

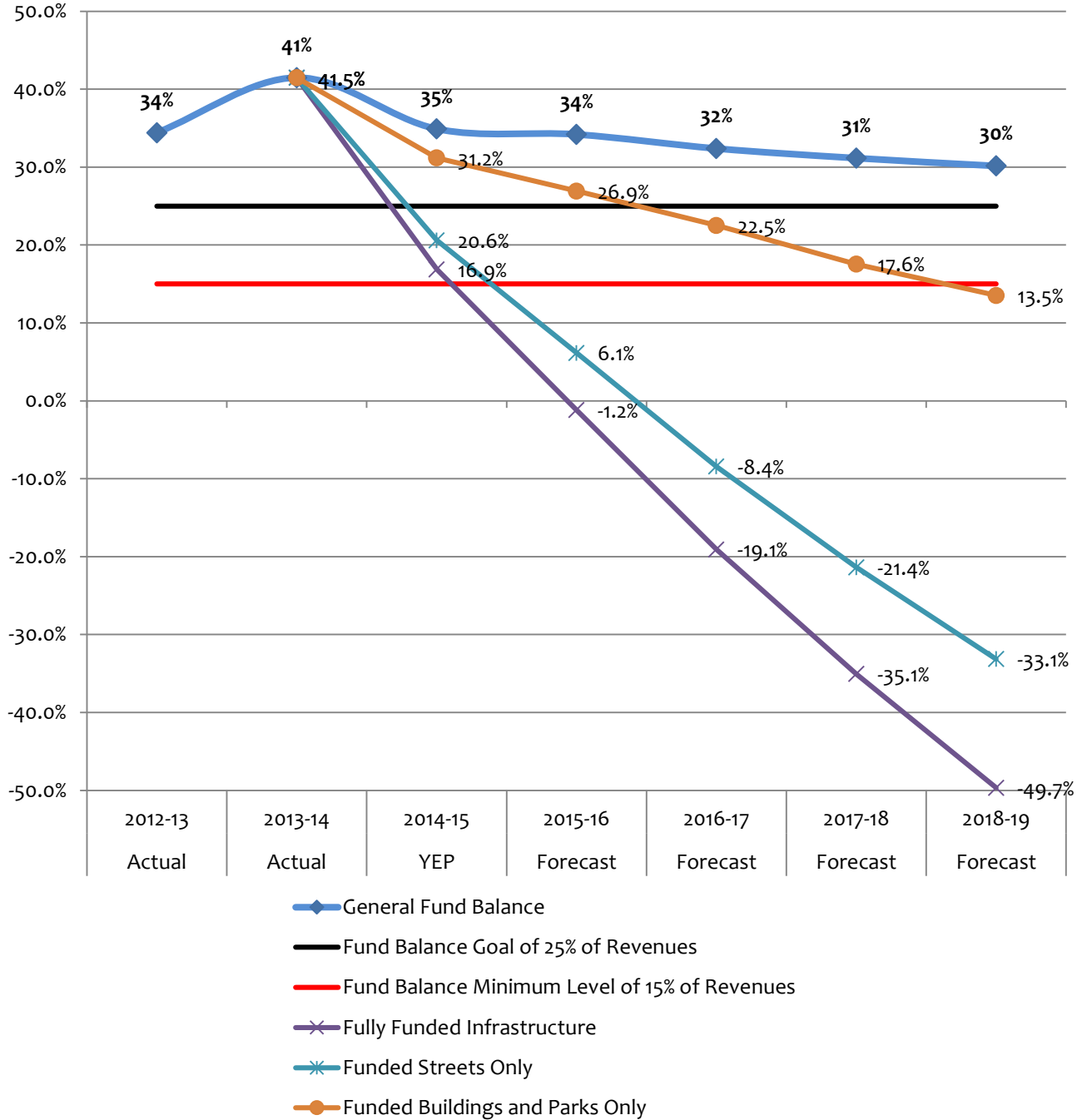
1. Should replacement funding at facilities be expanded to fully plan for all future capital replacement and repair costs?
2. Should fees be reviewed to assist in covering additional future replacement costs at our Recreation Facilities or should the General Fund invest more annually?
3. Who should be responsible for Outdoor Sports Center Future Replacement funding? The City? The operator? Both?

Possible Options for Infrastructure Maintenance Funding

The report clearly identifies that Street Maintenance has by far the largest need for additional infrastructure funding. However, the other infrastructure needs are also important and in some cases may create scenarios where multiple categories can be addressed simultaneously. Some possible options for addressing the City's funding gap include:

1. Dedication of General Fund Revenues - It is at the City Council's discretion to decide on utilization of any amount of General Fund dollars to support the maintenance of infrastructure. However, any use of General Fund resources would mean a reduction in service in another area and could have an adverse impact on the community. In alignment with the Council's Sustainable Budget Strategy, the current General Fund five year forecast provides for a General Fund reserve level of 30%. The graph below shows the impact on the General Fund forecast with various funding scenarios for infrastructure maintenance and no reduction to other service levels.

General Fund 5 Year Forecast



As the chart demonstrates, it is not possible to comprehensively address the funding gap and remain in compliance with the policy set in the Sustainable Budget Strategy. For all the scenarios outlined in the chart the downward trend demonstrates that other General Fund services would need to be reduced to fund infrastructure maintenance from the General Fund or new revenue sources would need to be realized.

2. New Tax Revenue Source – Some communities have successfully passed ballot measures to increase local taxes. This could be in the form of a bond issuance, sales tax increase, or a combination of the above. Pursuing a ballot measure is a complicated and expensive process that would require significant public discussion and involvement before moving forward.

3. New or Expanded Financing Districts - A financing district could be created which would be responsible for the care and maintenance of a portion of the City's Street Infrastructure or the City's Parks. Financing districts typically require approval (typically 2/3 majority) by the property owners within the district's boundaries. Revenues are generated from property owner approved assessments, property tax increments, or voluntary diversion of property tax revenues. It may be possible to expand the City's current LAD to be all encompassing of the City. There are a variety of opportunities for financing Districts in addition to the current LAD. The processes for creation of these districts is complicated and detailed review would be needed to determine the most appropriate for the City's needs.

4. Attempt to Increase LAD Assessments – This would be a small step towards only dealing with the unfunded maintenance in the LAD. Even if successful, this will not have a significant impact on the overall infrastructure maintenance funding need. Staff will be able to review this as part of the annual LAD assessment process.

5. Increase User Fees – This option would only be available for the Recreation facilities that charge a fee for service. This does fit in the current Recreation and Community Services model and would require raising rates for users to ensure cost-recovery included fully funding future replacement. The soon to be started Community Development fee study, will also need to include all costs.

6. Increase General Fund Revenues through Economic Development – Morgan Hill continues to thrive in attracting businesses and the improvements to the downtown will support this going forward. However, the infrastructure funding gap may be too large for this to be successful in the near term. For example, if City were hoping to offset the infrastructure funding gap through increased sales tax revenue, it would need to grow by over 65% from current levels.

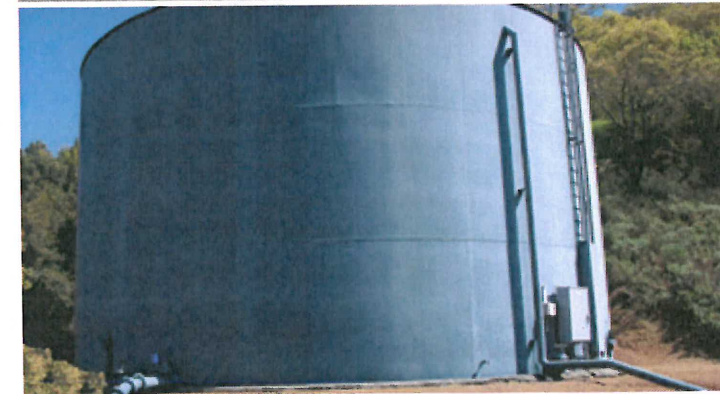
Recommended Next Steps

The alternative funding options listed above are intended to be the start of the discussion to address the funding gap for City infrastructure maintenance. To move forward in addressing the identified needs it is recommended that the Council start with the following next steps:

1. Discuss infrastructure funding gaps by category and prioritize the needs.
2. Discuss the policy questions posed in this report as well as others relevant to the issue.
3. Identify and discuss funding alternatives for the City to fund infrastructure maintenance.
4. Actively participate in state and regional infrastructure funding advocacy and planning.

Appendices

- A. Pavement Management Program Report
- B. 2014 State of California Local Streets and Roads Assessment



CITY OF MORGAN HILL CALIFORNIA

CAPITAL IMPROVEMENT PROGRAM

**FY 2015-16 THROUGH
FY 2019-20**



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City of Morgan Hill Capital Improvement Program

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Acronym/Term	Definition
AB1600 Fees	Assembly Bill 1600 Fees. The legal requirements for enactment of a development impact fee program are set forth in the California Government Code (the "Mitigation Fee Act"). The bulk of this program adopted in 1987 in AB 1600 and thus commonly referred to as "AB 1600 requirements." A development impact fee is a monetary exaction other than a tax or special assessment that the City charges an applicant in connection with approving a development project. It defrays all or a portion of the cost of public facilities that will be impacted by that particular development project (i.e., the incurring of additional use of infrastructure/facilities), thereby creating the need for new infrastructure/facilities. The fee must be reasonably related to the cost of the service provided by the local agency.
BTA	The Bicycle Transportation Account. An annual program that provides state funds for city and county projects that improve safety and convenience for bicycle commuters. To be eligible for BTA funds, a city or county must prepare and adopt a Bicycle Transportation Plan (BTP) that complies with Streets and Highways Code Section 891.2.
CDBG	Community Development Block Grant. The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1209 general units of local government and States.
CEQA	California Environmental Quality Act. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of the potential environmental impacts of development projects.
Congestion Management Agency (CMA)	Santa Clara County Congestion Management Agency. The VTA serves as the Congestion Management Agency for Santa Clara County. In this role, VTA makes decisions on what local projects can utilize federal and state funding, and manages sales tax revenue that is specified for VTA usages, such as the 2000 Measure A sales tax measure and 2010 Measure B registration program.
EEMP	Environmental Enhancement & Mitigation Program. This program is jointly implemented by The Natural Resources Agency and California Department of Transportation (Caltrans). It was established by the Legislature in 1989 to offers a total of \$10 million each year for grants to local, state, and federal governmental agencies and to nonprofit organizations for projects to mitigate the environmental impacts caused by new or modified public transportation facilities. The Resources Agency prescribes procedures and criteria to evaluate grant proposals and submits a list of proposals recommended for funding to the California Transportation Commission (CTC). The CTC awards the funding.
Measure B	Measure B. A voter-approved measure passed in the November 2010 election and imposing an additional motor vehicle registration fee of up to \$10 on each motor vehicle registered within Santa Clara County. Fee proceeds can be used for congestion and pollution mitigation programs/projects that benefit the owners of motor vehicles who pay the fee, such as: repair potholes, repave/maintain local streets, improve traffic flow on local roads, improving traffic flow on local roads, improve safety; pay for other congestion and pollution mitigation projects; and provide matching funds for federal and state funding. Not more than 5% of fees collected may be used for administrative costs associated with the programs/projects.
Measure C Fees / Non-AB1600 (RDCS)	Measure C Fees/Non-Assembly Bill 1600. These fees that are not subject to the requirements of AB1600 (thus, "Non-AB1600"). Per Chapter 18.78 Residential Development Control System (RDCS) of the Morgan Hill Municipal Code, commonly referred to as "Measure C", proposed residential developments compete to obtain building allocations by achieving passing scores in various categories: Park Development (Fund 302), Storm Drain (Fund 304), Public Facilities (Fund 346), School Pedestrian Safety (Fund 355). Developers are awarded points in each of these categories for committing to spend or contribute approximately \$1,100 per residential unit towards the construction of capital improvements as approved by the City. This dollar commitment per unit is commonly referred to as "Measure C Fees," and is used specifically for design/construction of public off-site improvements.

Acronym/Term	Definition
MTC	Metropolitan Transportation Commission. The MTC is the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area. It is responsible for regularly updating the Regional Transportation Plan, a comprehensive blueprint for the development of mass transit, highway, airport, seaport, railroad, bicycle and pedestrian facilities.
OneBay Area Grant	OneBay Area Grant. A proposal to establish the OneBay Area Grant program was approved for release to the public by the MTC Planning Committee and ABAG Administrative Committee at their joint meeting on July 8, 2011. This proposal is an alternative to the Cycle 2 STP/CMAQ framework approved by the Commission in December 2009 that better integrates the region's federal transportation program with land-use and housing policies by providing incentives for the production of housing with supportive transportation investments. MTC anticipates adoption of the final plan in April, 2013.
Prop 42	California Proposition 42. (Also known as Traffic Congestion Improvement Act) was approved as a constitutional amendment to the California Constitution in 2005. It added provisions to the Constitution requiring that from 2003-04 through 2007-08, gasoline sales tax revenues are used for specified state and local transportation purposes.
Redevelopment Agency (RDA)	Redevelopment Agency. The Morgan Hill Redevelopment Agency was dissolved by State law as of February 1, 2012. The City of Morgan Hill, as Successor Agency, is responsible for meeting the remaining enforceable obligations of the former RDA.
Redevelopment Agency Bond Proceeds	Redevelopment Agency Bond Proceeds. The Successor Agency is responsible for completing projects financed with the remaining bond proceeds from the RDA's 2008 tax allocation bonds. Under the RDA Dissolution Act, "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved."
SCRWA	South County Regional Wastewater Authority. SCRWA is a joint powers authority set up in 1992 to jointly handle the wastewater needs of Morgan Hill and Gilroy. It is governed by a five member Board of Directors representing both cities. The agency operates the facility in Gilroy that all wastewater in Morgan Hill and Gilroy flows to and is treated at. The SCRWA plant was built in 1990 and is a modern, publicly-owned treatment works. The Plant treats the water and then disposes of the treated water to ponds. The ponds allow the water to soak into the soil and eventually add water to the underground aquifer.
SCVWD	Santa Clara Valley Water District. The SCVWD is a special district of California set up to provide stream stewardship, wholesale water supply and flood protection for Santa Clara County. It encompasses all of the county's 1,300 square miles, serves the area's 15 cities, and has 3 water treatment plants. It manages flood and storm waters along the county's hundreds of miles of creeks and rivers in an environmentally sensitive manner. It is responsible for: the control and conservation of flood and storm waters and the protection of watercourses, watersheds, public highways, life and property from damage or destruction from such waters. It provides for the acquisition, retention, and reclaiming of drainage, storm, flood, and other waters, and to save, conserve, and distribute such waters for beneficial use in the district.
TDA	Transportation Development Act provides two major sources of funding for public transportation: the Local Transportation Fund (LTF) and the State Transit Assistance fund (STA). These funds are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales and transit performance.
TDCs	Transferable Development Credits. The process for the transfer of development rights or credits from one lot, parcel or area of land to another lot, parcel or area of land in one or more receiving site as set forth in Title 18, Chapter 18.44 of the Morgan Hill Municipal Code. These TDCs are utilized when a developer is not permitted to develop a parcel due to city zoning or use requirements.

Acronym/Term**Definition**

TFCA

Transportation Fund for Clean Air. A grant program funded by a \$4 surcharge on motor vehicles registered in the Bay Area. Its purpose is to provide grants to implement the most cost-effective projects in the Bay Area that will decrease motor vehicle emissions, and thereby improve air quality. Projects must be consistent with the 1988 California Clean Air Act and the Bay Area Ozone Strategy.

VTA

Santa Clara Valley Transportation Authority. An independent special district that provides sustainable, accessible, community-focused transportation options that are innovative, environmentally responsible, and promote the vitality of our region. The VTA is responsible for countywide transportation planning, including congestion management, design and construction of specific highway, pedestrian, and bicycle improvement projects, as well as promotion of transit oriented development.

**VTA-MTC LSR
Block Grant**

Valley Transportation Authority/Metropolitan Transportation Commission Local Streets & Roads Block Grant. The VTA serves as the Congestion Management Agency (CMA) for Santa Clara County. Amongst other responsibilities, it has been delegated the program management and project selection responsibilities for the Local Streets and Roads Shortfall Program. (Also handles the County Transportation for Livable Communities Program and the Regional Bicycle Program.) The "block grant" approach provides additional flexibility to the CMA.

VTP

Valley Transportation Plan Highway Program. The comprehensive long-range multimodal transportation plan for the county, and for preparing/implementing the state-mandated Congestion Management Program (CMP). It is responsible for the programming and monitoring of discretionary federal, state, regional and local funds programmed by the VTA Board of Directors. Also serves as the program manager for certain grants funds, including the Transportation Fund for Clean Air (TFCA) and the Measure B Transportation Improvement Program (MBTIP) Ancillary Program.

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CAPITAL IMPROVEMENT PROGRAM FY 2015-16 through FY 2019-20

CAPITAL IMPROVEMENT PROGRAM OVERVIEW

The Capital Improvement Program (CIP) is the primary tool that local governments use to plan for major capital projects and acquisitions. It identifies major capital needs over a multiyear forecast period and reflects the overall priorities of the City. The CIP focuses on large capital projects and acquisitions with long useful lives that have significant impact on the health, safety, and vibrancy of the community. Expenditures typically address one-time needs as opposed to the City's operations budget which addresses ongoing, year to year needs. Morgan Hill implements a 5-year CIP which is quite common. In conjunction with the annual operations budget for a given fiscal year, the City Council also approves the first year of the five years CIP budget.

The CIP is intended to address the following multi-faceted infrastructure needs of the City:

- **Park Facilities:** fields, landscaping, lighting, irrigation, and recreational amenities
- **Public Facilities:** community, public safety, recreation and civic facilities
- **Sanitary Sewer:** collection pipes, lift stations, and trunk lines
- **Storm Drainage:** inlet structures, pipelines, channels and basins
- **Streets & Roads:** sidewalks, ramps, street lights, traffic signals and signs
- **Water:** wells, pipelines, storage tanks (also called reservoirs), and pumping stations

The 5-year CIP is a long-term spending plan that requires forecasting what the infrastructure needs for the City will be and forecasting the revenues needed to fund those needs. Morgan Hill has a wide variety of funding sources for CIP projects, some steady and predictable while others are dependent on outside agencies. For instance, the City receives monies annually from the State to help fund road repair projects. Also, a portion of the water and sewer bills paid by residents and businesses (franchise fees) go towards capital projects that keep the water and sewer systems in good repair and functioning efficiently. New development in Morgan Hill, be it residential homes or commercial and industrial buildings, is required to pay impact fees to the City, which goes towards the new and future infrastructure that will be needed as the City grows. Impact fees pay for the impact the new development's presence will have on the City. New development pays the following impact fees: streets, water, sewer, drainage, police, fire, parks, library, and public facilities. These impact fees can only be used to build infrastructure and facilities and cannot be used for ongoing maintenance or operations.

FY 2015-16 CAPITAL IMPROVEMENT PROJECTS AND FUNDING

When the City Council adopts the 5-year CIP, it is doing two things. First, it is approving the five-year spending plan for all capital projects. Second, it is appropriating funds for the first year of that plan; in this case FY 2015-16. This appropriation is very important in that it authorizes City staff to spend those CIP funds on the approved projects in that fiscal year.

The recommended FY 2015-16 through FY 2019-20 CIP totals \$94 million. The project categories include 1) Park Facilities (\$15 million), 2) Public Facilities (\$0.7 million), 3) Sanitary Sewer (\$42 million), 4) Storm Drainage (\$6 million), 5) Streets & Roads (\$18 million), and 6) Water (\$12 million).

FY 2015-16 CIP is appropriated as part of the FY 2015-16 Budget approval process and it totals \$38 million. Some of the major projects include the following:

Park Facilities: The largest objective in the Parks Facilities category is the acquisition of future park lands, the Downtown parks and trails, and the inclusive playground project.

Public Facilities: For FY 2015-16, the two programmed projects are CDBG Funded Projects and the design work for the Library Expansion Project.

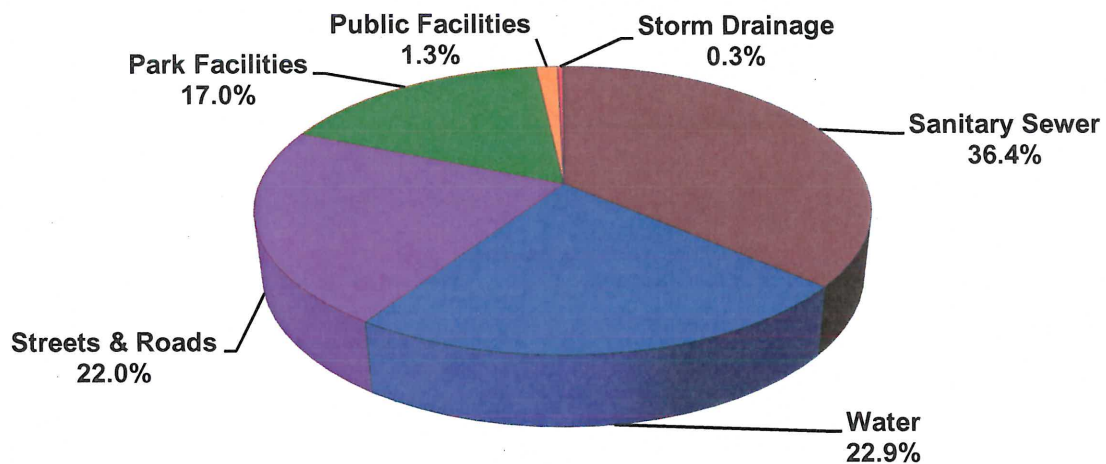
Sanitary Sewer: A large portion of the sewer resources, including impact fees and franchise fees, will be directed towards the sewage treatment plant located in Gilroy. The plant is simultaneously preparing for a significant expansion and at the same time, replacing aging plant capital. Both types of expenditures require the City of Morgan Hill to participate since it shares ownership of the plant with the City of Gilroy. In FY 2015-16 the City will be rehabilitating sewer mains and lift stations, and building new sewer mains.

Storm Drainage: The primary focus for drainage projects will be to address local drainage issues.

Streets & Roads: The Streets & Roads section contains a variety of projects to address several City Council goals. The largest investment will be in the Downtown improvement projects, pavement rehabilitation program, realignment of the DeWitt Avenue "S" Curve, utility undergrounding, Hale Avenue extension, and street and sidewalk repairs.

Water: The primary projects in the Water section are the construction of new wells, reservoirs, and water mains, replacement of water mains, and rehabilitation of booster pump stations. At the publication date of this document, a Recycled Water Master Plan Study is underway to review options for the use of recycled water in this time of severe drought. In light of the urgency to respond to the drought, this CIP is programming for FY 2015-16 the design of the first recycled water project. The scope of that project is yet unknown but will reveal itself when the Master Plan Study is complete.

**Capital Improvement Program
FY 2015-16 Budget by Project Category**



**CITY OF MORGAN HILL
FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM
BUDGET SUMMARY**

(Thousands of Dollars)

	2015-16	2016-17	2017-18	2018-19	2019-20	TOTALS
PROJECT CATEGORIES						
1 Park Facilities	\$6,727	\$8,605	\$0	\$0	\$0	\$15,332
2 Public Facilities	\$507	\$145	\$0	\$0	\$0	\$652
3 Sanitary Sewer	\$13,767	\$7,723	\$10,824	\$7,059	\$2,980	\$42,353
4 Storm Drainage	\$125	\$70	\$2,600	\$3,170	\$0	\$5,965
5 Streets & Roads	\$8,375	\$3,152	\$2,507	\$1,947	\$1,647	\$17,628
6 Water	\$8,674	\$1,050	\$1,140	\$600	\$200	\$11,664
TOTALS	\$38,175	\$20,745	\$17,071	\$12,776	\$4,827	\$93,594

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PROJECT FUNDING SOURCES						
215 CDBG Grant	\$77	\$0	\$0	\$0	\$0	\$77
250 Successor Agency (Bond Proceeds)	\$2,040	\$0	\$0	\$0	\$0	\$2,040
301 Park Impact Fund Grant Funds	\$1,640	\$2,365	\$0	\$0	\$0	\$4,005
301 Park Impact Fund (TDA Grant)	\$94	\$0	\$0	\$0	\$0	\$94
301 Park Impact Fund (TFCA Grant)	\$276	\$0	\$0	\$0	\$0	\$276
301 Park Impact Fund (AB1600)	\$3,707	\$4,355	\$0	\$0	\$0	\$8,062
303 Drainage Impact Fund (AB1600)	\$20	\$20	\$2,450	\$3,050	\$0	\$5,540
304 Drainage Fund (non-AB1600)	\$105	\$50	\$150	\$120	\$0	\$425
306 Open Space Fund (TDCs)	\$870	\$1,885	\$0	\$0	\$0	\$2,755
308 Street Fund (gas Tax, formerly Prop. 42)	\$185	\$150	\$150	\$150	\$150	\$785
308 Street Fund (Measure B)	\$247	\$247	\$247	\$247	\$247	\$1,235
308 Street Fund (One Bay Area Grant)	\$1,379	\$0	\$0	\$0	\$0	\$1,379
308 Street Fund (xfr from General Fund)	\$750	\$750	\$750	\$750	\$750	\$3,750
308 Street Fund (xfr from Special Deposits 820)	\$706	\$0	\$0	\$0	\$0	\$706
309 Traffic Impact Fund (AB1600)	\$1,285	\$1,365	\$800	\$300	\$0	\$3,750
313 Fire Impact Fund	\$0	\$145	\$0	\$0	\$0	\$145
346 Public Facilities (non-AB1600 RDCS)	\$490	\$265	\$40	\$40	\$40	\$875
347 Public Facilities Impact Funds (AB1600)	\$40	\$0	\$0	\$0	\$0	\$40
348 Library Impact Fund	\$320	\$0	\$0	\$0	\$0	\$320
350 Undergrounding Fund	\$150	\$0	\$0	\$0	\$0	\$150
355 School Pedestrian Safety	\$620	\$375	\$520	\$460	\$460	\$2,435
641 Sewer Impact Fund (AB1600)	\$3,396	\$4,666	\$8,128	\$6,982	\$2,900	\$26,072
641 Sewer Impact Fund (2008 RDA Bonds)	\$8,525	\$0	\$0	\$0	\$0	\$8,525
643 Sewer System Replacement Fund	\$300	\$0	\$0	\$77	\$80	\$457
643 Sewer System Replacement Fund (2015 Bonds)	\$1,971	\$3,057	\$2,696	\$0	\$0	\$7,724
651 Water Impact Fund (AB1600)	\$0	\$1,050	\$1,140	\$600	\$200	\$2,990
651 Water Impact Fund (Bond Proceeds)	\$3,834	\$0	\$0	\$0	\$0	\$3,834
653 Water System Replacement Fund	\$425	\$0	\$0	\$0	\$0	\$425
653 Water System Replacement (Bond Proceeds)	\$4,590	\$0	\$0	\$0	\$0	\$4,590
653 Water System Replacement (xfer Spec Deposits 8	\$133	\$0	\$0	\$0	\$0	\$133
TOTALS	\$38,175	\$20,745	\$17,071	\$12,776	\$4,827	\$93,594

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**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Park Facilities**

(Thousands of Dollars)

2015-16 2016-17 2017-18 2018-19 2019-20 TOTALS

PROJECT TITLE

106B09	Butterfield Blvd. Linear Park	\$132	\$2,640	\$0	\$0	\$0	\$2,772
110097	Parks Land Purchase	\$2,100	\$3,700	\$0	\$0	\$0	\$5,800
117001	West Little Llagas Creek Trail	\$315	\$125	\$0	\$0	\$0	\$440
125004	Open Space Acquisitions	\$870	\$1,585	\$0	\$0	\$0	\$2,455
132008	El Toro Trail	\$0	\$555	\$0	\$0	\$0	\$555
135013	Downtown Parks and Trails	\$2,940	\$0	\$0	\$0	\$0	\$2,940
136014	Parks, Trails & Bikeways Master Plan Updates	\$40	\$0	\$0	\$0	\$0	\$40
137015	Inclusive Playground	\$330	\$0	\$0	\$0	\$0	\$330
		\$6,727	\$8,605	\$0	\$0	\$0	\$15,332

PROJECT FUNDING SOURCES

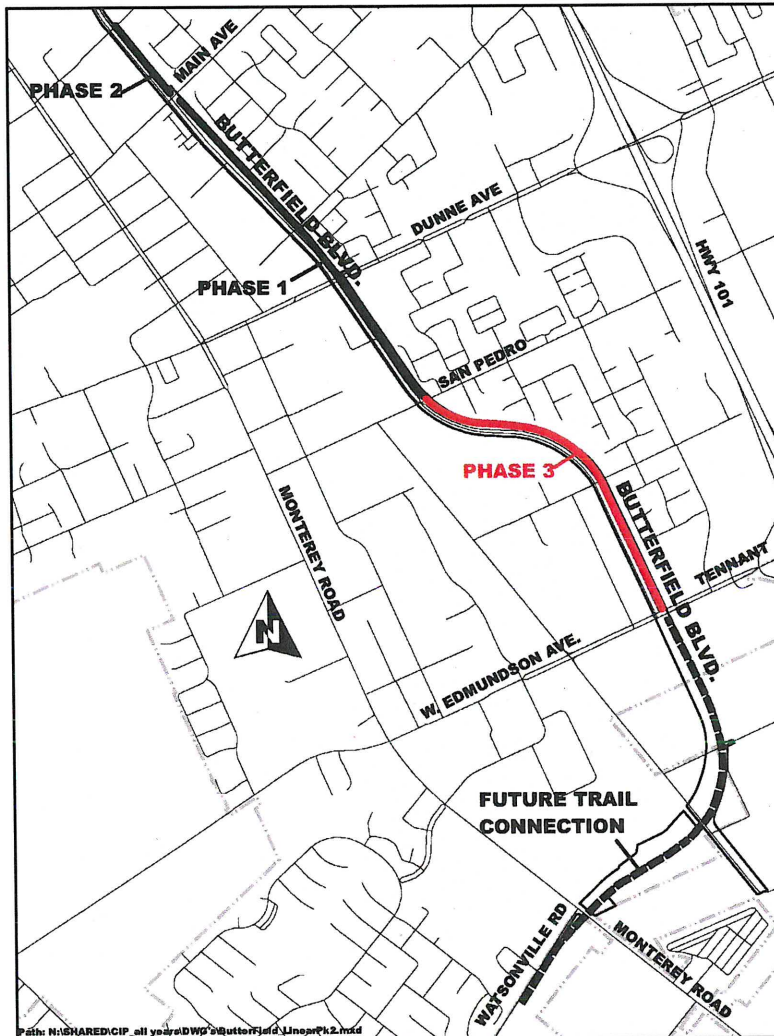
301	Park Impact Fund Grant Funds	\$1,530	\$2,365	\$0	\$0	\$0	\$3,895
301	Park Impact Fund (TDA Grant)	\$94	\$0	\$0	\$0	\$0	\$94
301	Park Impact Fund (TFCA Grant)	\$276	\$0	\$0	\$0	\$0	\$276
301	Park Impact Fund (AB1600)	\$3,707	\$4,355	\$0	\$0	\$0	\$8,062
306	Open Space Fund (TDCs)	\$870	\$1,885	\$0	\$0	\$0	\$2,755
355	School Pedestrian Safety	\$250	\$0	\$0	\$0	\$0	\$250
		\$6,727	\$8,605	\$0	\$0	\$0	\$15,332

Project: Butterfield Blvd. Linear Park

Project Location: Butterfield Boulevard

Project No.: 106B09

Category: Park Facilities



DESCRIPTION: Project provides for a continuous Class 1 pedestrian pathway along Butterfield Boulevard with the ultimate goal of connecting to the West Little Llagas Creek trail west of Monterey Road. The scope includes a detached meandering asphalt walkway, with trees, and benches. To date, the reach from Central to San Pedro has been completed. Continuing the project south of San Pedro becomes more difficult due to the close proximity of the Butterfield Channel to the east curb of Butterfield Blvd. To build the linear park south of San Pedro is costlier to build than earlier phases because it requires either a retaining wall in the Channel or a relocation of the curb. The most likely source of funding for future reaches of the linear park is grants. Grants of the size needed are difficult to acquire, however, staff will continue to pursue them.

JUSTIFICATION: The adopted Parks, Facilities, & Recreation Facilities Master Plan calls for installation, where possible, of bike and pedestrian trails along all creeks and channels. In addition, the adopted Trails Master Plan calls for a paved trail along Butterfield Blvd.

RESPONSIBLE DEPARTMENTS: Public Works

106B09 - Butterfield Blvd. Linear Park		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6201 - Environmental Clearances	\$10						\$10
6220 - Architecture, Design & Constr Support	\$100						\$100
6360 - Construction			\$2,400				\$2,400
6530 - Project Implementation	\$22		\$240				\$262
PROJECT COST	\$132	\$2,640					\$2,772
FUNDING SOURCE(S)							
301-Park Impact Fund (AB1600)			\$320				\$320
301-Park Impact Fund (TFCA Grant)	\$132						\$132
301-Park Impact Fund Grant Funds			\$2,320				\$2,320
FUNDING TOTALS	\$132	\$2,640					\$2,772

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1-Q4	Q1			
Project Design	Q1-Q4	Q2			
Community Input & Environmental Reviews		Q2			
City Council Approvals		Q3			
Finalized Design					
Construction					
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on recent similar construction contracts, adjusted for inflation.

PRIOR EXPENDITURES: - FY14/15 \$85,000 (estimated) - FY13/14 \$0 - FY12/13 \$0 - FY11/12 \$0 - FY10/11 \$0 - FY09/10 \$0 - FY08/09 \$1,720 - FY07/08 \$199,225 - FY06/07 \$3,549

OPERATIONS and MAINTENANCE FISCAL IMPACT: This facility will increase Street Maintenance operating costs in the General Fund by approximately \$1,000 annually for landscape maintenance, weed control, tree trimming, utilities, occasional walkway minor repair work, graffiti/vandalism and repair/replacement of the benches along the walkway. It is expected that significant pavement repairs will be required on a 20-year cycle.

Project: Parks Land Purchase

Project Location: City-wide

Project No.: 110097

Category: Park Facilities



DESCRIPTION: Purchase of land for future parks as identified in the Parks, Facilities and Recreation Programming Master Plan and the General Plan. The City is in the process of acquiring property for future development of a 23 acre parcel suitable for a softball and baseball field complex at the corner of Tennant and Condit. Purchase of additional park space adjacent to City facilities on Condit Road is planned to meet future and existing recreation needs. Acquisition of a neighborhood park space is planned adjacent to school district property.

JUSTIFICATION: Acquiring property for new parks helps ensure an adequate parks inventory in the future and is a required element of the Parks Master Plan.

RESPONSIBLE DEPARTMENTS: Community Services

110097 - Parks Land Purchase		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition		\$2,050	\$3,050				\$5,100
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support		\$50					\$50
6230 - Legal Services			\$600				\$600
6360 - Construction							\$0
6530 - Project Implementation			\$50				\$50
PROJECT COST		\$2,100	\$3,700				\$5,800
FUNDING SOURCE(S)							
301-Park Impact Fund (AB1600)		\$2,100	\$3,700				\$5,800
FUNDING TOTALS		\$2,100	\$3,700				\$5,800

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design		Q4			
Community Input & Environmental Reviews	Q1-Q4	Q1-Q2			
City Council Approvals	Q1	Q1			
Finalized Design					
Construction		Q3			
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on prior purchases.

PRIOR EXPENDITURES: - FY14/15 \$5,500,000 (estimated) - FY13/14 \$34,740 - FY12/13 \$25,300 - FY11/12 \$3,000 - FY10/11 \$1,500 - FY09/10 \$26,122 - FY08/09 \$17,465

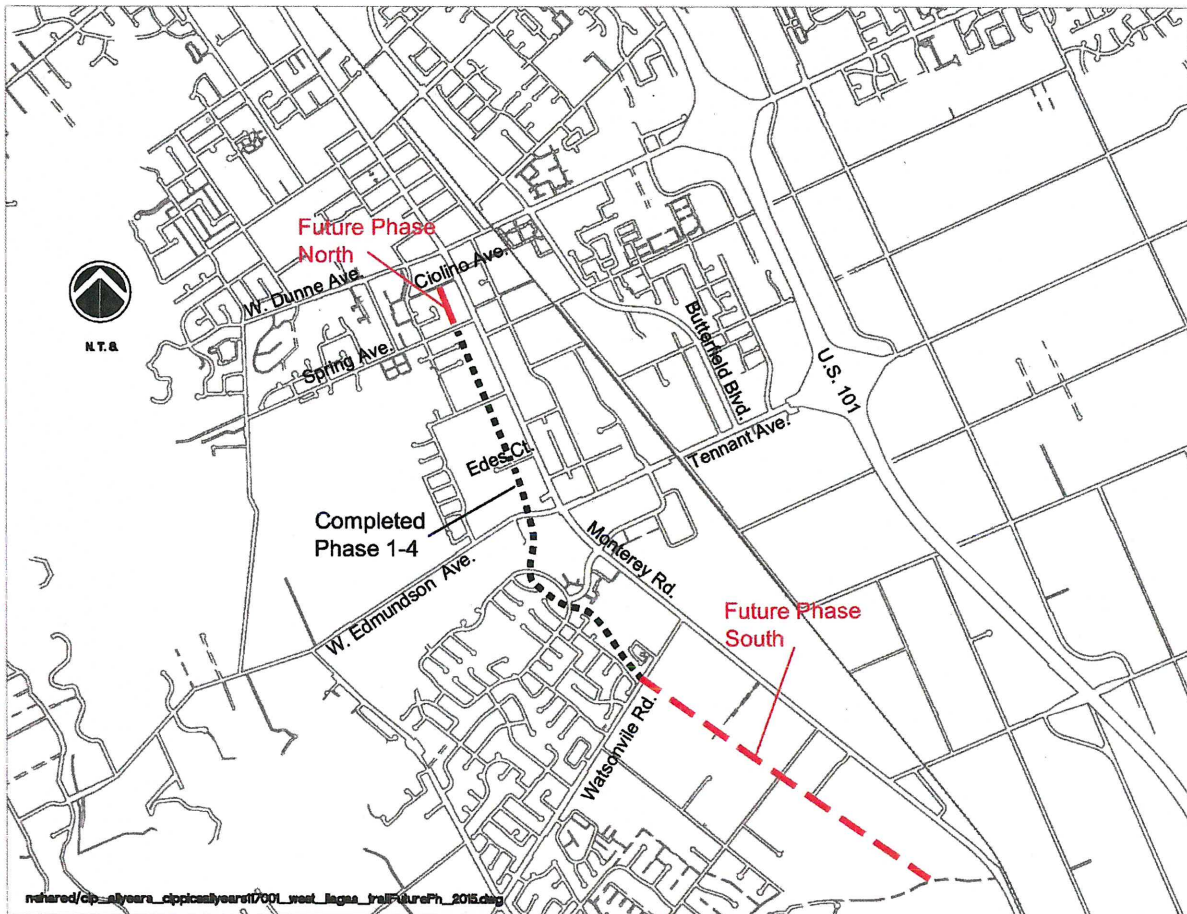
OPERATIONS and MAINTENANCE FISCAL IMPACT: No new operations costs are incurred prior to development if other alternate uses, such as farming, can be identified. Without an alternate use, annual cost to abate weeds would be approximately \$125 per acre.

Project: West Little Llagas Creek Trail

Project Location: Along West Little Llagas Creek

Project No.: 117001

Category: Park Facilities



DESCRIPTION: Project provides for a continuous Class 1 pedestrian pathway along the West Little Llagas Creek Trail from the City's Downtown south to the future Silveira Park wetlands area. The alignment of this trail will follow the Upper Llagas Flood Control project taking advantage of the maintenance roads required for that project. The scope includes a meandering asphalt pathway, with trees, benches, lit crosswalks (where necessary at street crossings), and interpretive landmarks and signage (where appropriate). The two reaches remaining are: 1) Spring Avenue to the Downtown core, and 2) Watsonville Road to Silveira Park wetlands area. Completion of the southern portions of the project cannot commence until the Upper Llagas Flood Control project is completed in that area, which is projected to happen in 2015. Funding for this project will come from grants and Park Impact Funds.

JUSTIFICATION: The adopted Parks, Facilities and Recreational Facilities Master Plan calls for installation, where possible, of bike and pedestrian trails along all creeks and channels. In addition, the adopted Trails Master Plan calls for a paved trail along the West Little Llagas Creek.

RESPONSIBLE DEPARTMENTS: Public Works

117001 - West Little Llagas Creek Trail		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6201 - Environmental Clearances	\$10						\$10
6220 - Architecture, Design & Constr Support	\$25	\$20					\$45
6360 - Construction	\$250	\$90					\$340
6530 - Project Implementation	\$30	\$15					\$45
PROJECT COST	\$315	\$125					\$440
FUNDING SOURCE(S)							
301-Park Impact Fund (AB1600)	\$77	\$125					\$202
301-Park Impact Fund (TDA Grant)	\$94						\$94
301-Park Impact Fund (TFCA Grant)	\$144						\$144
FUNDING TOTALS	\$315	\$125					\$440

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1			
Project Design	Q1-Q2	Q1-Q2			
Community Input & Environmental Reviews	Q1-Q3	Q1-Q2			
City Council Approvals	Q2	Q2			
Finalized Design	Q2	Q2			
Construction	Q3-Q4	Q3-Q4			
Project Close-out	Q4	Q4			

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on recent trail construction projects, adjusted for inflation.

PRIOR EXPENDITURES: - FY14/15 \$0 (estimated) - FY13/14 \$0 - FY12/13 \$8,830 - FY11/12 \$76,608 - FY10/11 \$301,706 - FY09/10 \$141,578 - FY08/09 \$646,701 - FY07/08 \$85,450 - FY06/07 \$467,955 - FY05/06 \$77,426

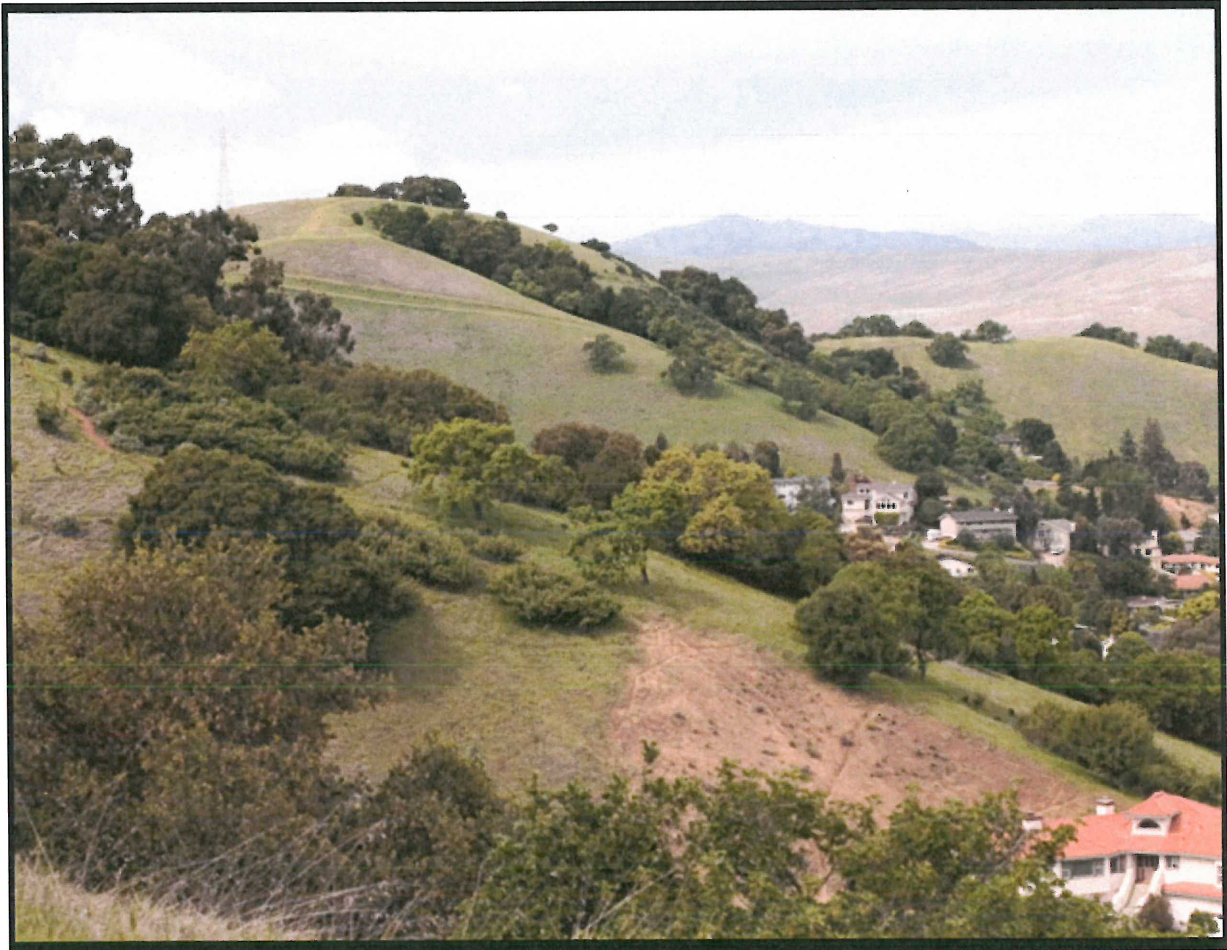
OPERATIONS and MAINTENANCE FISCAL IMPACT: This facility will increase Park Maintenance operating costs in the General Fund by approximately \$1,000 annually for landscape maintenance, weed control, tree trimming, utilities, occasional trail minor repair work, graffiti/vandalism and repair/replacement of trail benches. It is expected that significant pavement repairs will be required on a 20-year cycle.

Project: Open Space Acquisitions

Project No.: 125004

Project Location: City-wide

Category: Park Facilities



DESCRIPTION: This project consists of the purchase of conservation easements and/or fee title for open space and to account for agricultural mitigation fees associated with the purchase of park land per the City's policies. The Urban Limit Line/Greenbelt Study was conducted to identify the long-term limits of City growth and establish a non-urban buffer or Greenbelt around the City. According to the Urban Limit Line/Greenbelt Study, priority locations for a greenbelt are: the east side of El Toro Mountain and the foothills east of Hill Rd. and north of E. Dunne Ave. Open space in the southeast quadrant could also be targeted. Funding is from City Open Space funds.

JUSTIFICATION: General Plan Open Space and Conservation Element advocates the preservation of open space and the creation of a greenbelt around the city. The Southeast Quadrant Land Use Plan and Citywide Agriculture Mitigation Plan underway anticipates the purchase of open space lands.

RESPONSIBLE DEPARTMENTS: Public Works

125004 - Open Space Acquisitions		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition		\$350	\$400				\$750
6121 - Right-of-Way Acquisition							\$0
6205 - Agriculture Mitigation		\$500	\$1,150				\$1,650
6220 - Architecture, Design & Constr Support							\$0
6230 - Legal Services		\$10	\$20				\$30
6360 - Construction							\$0
6530 - Project Implementation		\$10	\$15				\$25
PROJECT COST		\$870	\$1,585				\$2,455
FUNDING SOURCE(S)							
306-Open Space Fund (TDCs)		\$870	\$1,585				\$2,455
FUNDING TOTALS		\$870	\$1,585				\$2,455

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1			
Project Design					
Community Input & Environmental Reviews	Q2	Q2			
City Council Approvals	Q3	Q3			
Finalized Design					
Construction					
Project Close-out	Q4	Q4			

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on available revenue.

PRIOR EXPENDITURES: - FY14/15 \$0 (estimated) - FY13/14 \$0 - FY12/13 \$0 - FY11/12 \$0 - FY10/11 \$0 - FY09/10 \$301,819 - FY08/09 \$10,700 - FY07/08 \$119

OPERATIONS and MAINTENANCE FISCAL IMPACT: Minimal maintenance cost for undeveloped open space.

Project: El Toro Trail

Project No.: 132008

Project Location: El Toro Mountain

Category: Park Facilities



DESCRIPTION: This project will provide a non-paved public trail (meeting City Trail Study guidelines) on El Toro Mountain. On February 4, 2015 Council approved an "Access Strategy", which details a primary access to El Toro Mountain near the Dewitt/Spring intersection. Staff will continue to address concerns raised by the public, such as parking, safety, etc... The OSA has acquired lands to the south of El Toro Mountain and intends to provide a trail on that property. Currently, neither the City nor the OSA has property rights encircling the El Toro summit area which would be required to provide a trail all the way to the top. The City and OSA will partner to develop the trail. Both agencies will assist with acquisition, design, and construction. The City could potentially purchase property rights using Open Space funds.

JUSTIFICATION: Per Trails Master Plan and community input.

RESPONSIBLE DEPARTMENTS: Community Services, Public Works

132008 - El Toro Trail		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition			\$300				\$300
6121 - Right-of-Way Acquisition							\$0
6201 - Environmental Clearances			\$40				\$40
6220 - Architecture, Design & Constr Support			\$25				\$25
6360 - Construction			\$150				\$150
6530 - Project Implementation			\$40				\$40
PROJECT COST			\$555				\$555
FUNDING SOURCE(S)							
301-Park Impact Fund (AB1600)			\$210				\$210
301-Park Impact Fund Grant Funds			\$45				\$45
306-Open Space Fund (TDCs)			\$300				\$300
FUNDING TOTALS			\$555				\$555

ESTIMATED PROJECT SCHEDULE		2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development			Q1			
Project Design			Q1			
Community Input & Environmental Reviews			Q1-Q2			
City Council Approvals			Q2			
Finalized Design			Q2			
Construction			Q3-Q4			
Project Close-out			Q4			

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: This is a preliminary estimate only, and more detailed costs will be developed.

PRIOR EXPENDITURES: - FY14/15 \$70,000 (estimated) - FY13/14 \$62,029 - FY12/13 \$83,835 - FY11/12 \$81,781 - FY10/11 \$32,838 - FY09/10 \$2,236

OPERATIONS and MAINTENANCE FISCAL IMPACT: This facility will increase Park Maintenance operating costs in the General Fund by approximately \$3,000 annually for litter removal, trash collection, and minor trail repair work in the areas near the trailhead. This estimate assumes that volunteers will participate in trail maintenance and litter collection in the upper reaches of the trail.

Project: Downtown Parks and Trails

Project No.: 135013

Project Location: Downtown Morgan Hill

Category: Park Facilities



DESCRIPTION: The goal of this project is to create parks and trails that are integrated into the downtown. This project will build upon the Downtown Specific Plan and the 2012 Downtown Park Visioning process. In FY 14/15 a significant amount of community engagement was conducted for the potential sites for trails and parks in the downtown area. This process was integrated with the discussion with the community for the overall downtown streetscape project. Three park areas were designated, including:

1. Depot Street Park at Depot and Third Streets with the park replacing 51 parking spaces in the Depot lot.
2. Downtown Creek Park located on City owned land west of Monterey on Third Street.
3. Hilltop Trail located on City owned land adjacent to the water tower.

A housing related parks grant was submitted for this project and notification of award will occur in June 2015.

JUSTIFICATION: The City Council has made revitalization of the downtown through implementation of the Downtown Specific Plan one of its priorities. The Downtown currently lacks green park spaces.

RESPONSIBLE DEPARTMENTS: Community Services, Public Works

135013 - Downtown Parks and Trails		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$50						\$50
6360 - Construction	\$2,800						\$2,800
6530 - Project Implementation	\$90						\$90
PROJECT COST	\$2,940						\$2,940
FUNDING SOURCE(S)							
301-Park Impact Fund (AB1600)	\$1,490						\$1,490
301-Park Impact Fund Grant Funds	\$1,200						\$1,200
355-School Pedestrian Safety	\$250						\$250
FUNDING TOTALS	\$2,940						\$2,940

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1				
Community Input & Environmental Reviews					
City Council Approvals	Q1-Q2				
Finalized Design	Q1-Q2				
Construction	Q2-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Construction costs are based on park concept designs. Grant funding is pending and notification of award will occur in June 2015.

PRIOR EXPENDITURES: - FY14/15 \$60,000 (estimated) - FY13/14 \$0 - FY12/13 \$0

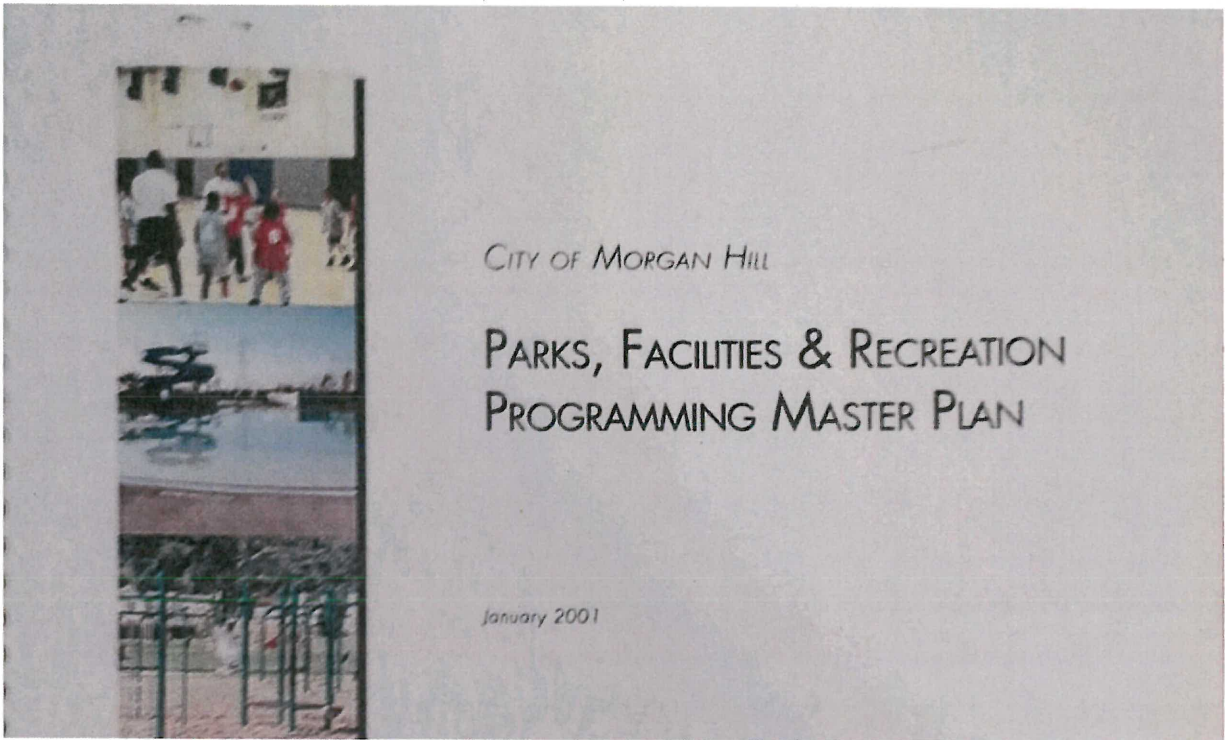
OPERATIONS and MAINTENANCE FISCAL IMPACT: Having additional park lands in the City's inventory will bring additional maintenance costs. The costs are estimated to be approximately \$90,000 per year, beginning in 2016/17.

Project: Parks, Trails & Bikeways Master Plan Updates

Project No.: 136014

Project Location:

Category: Park Facilities



DESCRIPTION: The Parks and Recreation Master Plan was most recently updated in 2002. With most of the centers outlined in the plan constructed and in operation, the next update to the plan will focus on future park planning and development. After engaging the community, an updated Parks and Recreation Master Plan will map a vision for advancing the City's parks. Revision of the Community Park Master Plan will also occur as part of this process.

In June 2008, the City updated the Bikeways Master Plan, which contains new bike lanes, paths, and routes within the City to aid non-motorized travel. The Trails and Natural Resources Study, which complimented the Bikeways Master Plan, was completed in November 2007. Its main function was to identify new trails and sidewalk connections, and also close gaps in the existing sidewalk system.

In May of 2015, the City hired MIG Consultants to conduct updates to all these Master Plans. The planning process will run through December of 2016.

JUSTIFICATION: The City's General Plan indicates the Parks and Recreation Master Plan is to be updated every five years. Both the Trails and Bikeways Master Plans are in need of updating and combining the two plans will be more efficient and cost effective than preparing them separately. Having current master plans is important for

obtaining future grant funds as well as defining long term direction for the development of future citywide park, recreation, trail, bicycle and pedestrian facilities. These master plans would be consistent with the General Plan Circulation Element goals #1, #6, #7, #8, and #9.

RESPONSIBLE DEPARTMENTS: Community Services

136014 - Parks, Trails & Bikeways Master Plan Updates		(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20		
EXPENDITURE CATEGORY							
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6201 - Environmental Clearances	\$20					\$20	
6220 - Architecture, Design & Constr Support						\$0	
6360 - Construction						\$0	
6530 - Project Implementation	\$20					\$20	
PROJECT COST	\$40					\$40	
FUNDING SOURCE(S)							
301-Park Impact Fund (AB1600)	\$40					\$40	
FUNDING TOTALS	\$40					\$40	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design					
Community Input & Environmental Reviews	Q1-Q4				
City Council Approvals					
Finalized Design					
Construction					
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: The consultant was hired in FY 2014/15, remaining funds are for support by City staff and potential environmental consultants.

PRIOR EXPENDITURES: None - FY14-15 \$295,000 (estimated)

OPERATIONS and MAINTENANCE FISCAL IMPACT: Updating the Plan will not create any additional operational costs. Ongoing operations and maintenance cost planning for future park development will be a component of the Master Plan.

Project: Inclusive Playground

Project Location: Citywide

Project No.: 137015

Category: Park Facilities



DESCRIPTION: A group of residents in collaboration with members of the Parks and Recreation Commission are actively working to begin the planning and fundraising process to build an inclusive playground for the Morgan Hill Community. Inclusive playgrounds provide play opportunities for all children, including those with disabilities. Location of the facility is still to be determined, but could occur in an existing park location, school site or through the purchase of property. Funding in the CIP would provide the concept planning for design of the park and the incorporation of fundraising/sponsorship components in that design. It is envisioned that the community will raise the funds for construction of the playground.

The City has offered to provide land at Community Park in the vicinity of the existing playground.

JUSTIFICATION: The development of a universally accessible playground supports a number of the City Council's Priorities and Goals, including: Supporting Youth, Preserving and Cultivating Public Trust, and Stimulating Economic Development. This project will be volunteer and community driven in both funding and design of the facility.

RESPONSIBLE DEPARTMENTS: Community Services

137015 - Inclusive Playground		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$30					\$30	
6360 - Construction	\$300					\$300	
6530 - Project Implementation						\$0	
PROJECT COST	\$330					\$330	
FUNDING SOURCE(S)	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
301-Park Impact Fund Grant Funds	\$330					\$330	
FUNDING TOTALS	\$330					\$330	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1-Q4				
Community Input & Environmental Reviews	Q1-Q4				
City Council Approvals					
Finalized Design					
Construction					
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Consultant cost estimates are based on costs incurred by other communities utilizing similar consultants.

PRIOR EXPENDITURES: None

OPERATIONS and MAINTENANCE FISCAL IMPACT: Maintenance costs would vary by design, location and size of the playground. It is estimated that maintenance of the facility could cost up to \$30,000 annually if maintained by the City. However, it is envisioned that fundraising could offset some or all of this annual cost.

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Project: CDBG Funded Projects

Project Location: City-wide

Project No.: 247012

Category: Public Facilities



DESCRIPTION: CDBG capital funds can only be spent in areas that meet certain demographic qualifications. Galvan Park has been the focus of the CDBG Capital Program due to its unique eligibility based on location. The Capital Program for CDBG funds will end in 2017. Enhancements that will occur in FY 2014/15 and 2015/16 will include the addition of a walking path, a new BBQ area, new play equipment, construction of a playground area, and lighting improvements in the park.

JUSTIFICATION: CDBG funds are to be used to benefit low income areas. Galvan Park, which lies near the City's downtown is eligible for these funds under the guidelines of the CDBG program. The park improvements meet the Council's goal of supporting youth in the community.

RESPONSIBLE DEPARTMENTS: Public Works

247012 - CDBG Funded Projects	(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20	
EXPENDITURE CATEGORY						
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support	\$5					\$5
6360 - Construction	\$165					\$165
6530 - Project Implementation	\$17					\$17
PROJECT COST	\$187					\$187
FUNDING SOURCE(S)						
215-CDBG Grant	\$77					\$77
301-Park Impact Fund Grant Funds	\$110					\$110
FUNDING TOTALS	\$187					\$187

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q2				
Community Input & Environmental Reviews	Q2				
City Council Approvals	Q2				
Finalized Design	Q2				
Construction	Q2-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Available funding drives project cost.

PRIOR EXPENDITURES: - FY14/15 \$142,000 (estimated) - FY13/14 \$0 - FY12/13 \$114,612 - FY11/12 \$145,311 - FY10/11 \$102,009 - FY09/10 \$91,679 - FY08/09 \$60,361 - FY07/08 \$260,625

OPERATIONS and MAINTENANCE FISCAL IMPACT: The planned improvements would not significantly increase maintenance costs for the park site.

Project: Fire Station on Butterfield

Project No.: 250014

Project Location: Butterfield Blvd. between Main & Diana Avenues

Category: Public Facilities



DESCRIPTION: It is recommended that a Public Safety Master Plan be created in FY 15/16 to be paid for out of the Public Safety Operations budget. The Master Plan will provide guidance on the scope of the future fire station. Design is anticipated to begin in FY 16/17. According to the recently executed Government Use Dedication Agreement, the City agreed to complete the construction of a fire station on the Butterfield site no later than 10 years from the date of the agreement.

JUSTIFICATION: As the community grows, there will be a need for a new fire station.

RESPONSIBLE DEPARTMENTS: Public Works

250014 - Fire Station on Butterfield		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support		\$120				\$120	
6360 - Construction						\$0	
6530 - Project Implementation		\$25				\$25	
PROJECT COST		\$145				\$145	
FUNDING SOURCE(S)							
313-Fire Impact Fund		\$145				\$145	
FUNDING TOTALS		\$145				\$145	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design		Q2-Q3			
Community Input & Environmental Reviews		Q3			
City Council Approvals					
Finalized Design					
Construction					
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Recent similar construction contracts, adjusted to inflation.

PRIOR EXPENDITURES: None.

OPERATIONS and MAINTENANCE FISCAL IMPACT: It is estimated that the cost to operate a fully staffed fire station is between \$2.5 and \$3.0M annually.

Project: Library Expansion

Project No.: 251015

Project Location: Morgan Hill Library SE corner of DeWitt and Main

Category: Public Facilities



DESCRIPTION: The Friends of the Morgan Hill Library sponsored a space needs assessment study to address the expansion of the Morgan Hill Library to meet growing program needs. Santa Clara County operates the Library and has laid out a phased expansion and tenant improvement plan that could ultimately increase the size of the facility by 10,600 SF. The following is a preliminary list of programs/activities and the associated improvements needed to address them.

Children's area & storytime:	4,900 SF of new space (requires modification to parking lot)
Bookstore, sorting, & cart storage:	1,560 SF of tenant improvements
Adult book stacks & quiet reading:	3,400 SF of new space and 330 SF of tenant improvements
Staff administrative needs:	1,400 SF of new space and 2,600 SF of tenant improvements
Program room & reading garden:	840 SF of new space and 1,480 SF of tenant improvements

The CIP will provide for the planning and design of the proposed improvements in FY 15/16. Funding the

construction portion of the project is not in the CIP but will be re-evaluated for future CIP's once the design work is done and more accurate construction estimates are made.

JUSTIFICATION: The expansion and tenant improvement program is required to meet the growing library and community service needs of the Morgan Hill community. The Library was opened in 2007 and has seen a growing demand in children's programs and adult reading areas that cannot be met in the space provided within the existing facility. In addition, after having a few years of operating experience, the staff at the Library has identified better and more efficient uses of the space inside the existing facility that will require tenant improvements.

RESPONSIBLE DEPARTMENTS: Public Works

251015 - Library Expansion		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$300						\$300
6360 - Construction							\$0
6530 - Project Implementation	\$20						\$20
PROJECT COST	\$320						\$320
FUNDING SOURCE(S)							
348-Library Impact Fund	\$320						\$320
FUNDING TOTALS	\$320						\$320

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20	
Funding Development						
Project Design	Q1-Q4					
Community Input & Environmental Reviews	Q3					
City Council Approvals						
Finalized Design						
Construction						
Project Close-out						

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Recent similar construction contracts, adjusted to inflation.

PRIOR EXPENDITURES: None.

OPERATIONS and MAINTENANCE FISCAL IMPACT: Minor impacts to the annual operations and maintenance costs.

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**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Sanitary Sewer**

(Thousands of Dollars)

2015-16 2016-17 2017-18 2018-19 2019-20 TOTALS

PROJECT TITLE

302000	Sanitary Sewer Rehabilitation	\$730	\$605	\$3,537	\$0	\$0	\$4,872
303093	Sewer Plant Expansion Project	\$1,328	\$693	\$1,279	\$4,452	\$0	\$7,752
303A11	Sewer Plant Improvement	\$8,525	\$1,183	\$80	\$77	\$80	\$9,945
304000	Lift Station Rehabilitation	\$1,298	\$1,040	\$1,697	\$0	\$0	\$4,035
308A08	New Trunk Line	\$1,886	\$3,372	\$3,162	\$2,530	\$2,900	\$13,850
315006	New Sewer Mains	\$0	\$830	\$1,069	\$0	\$0	\$1,899
		\$13,767	\$7,723	\$10,824	\$7,059	\$2,980	\$42,353

PROJECT FUNDING SOURCES

641	Sewer Impact Fund (AB1600)	\$3,396	\$4,666	\$8,128	\$6,982	\$2,900	\$26,072
641	Sewer Impact Fund (2008 RDA Bonds)	\$8,525	\$0	\$0	\$0	\$0	\$8,525
643	Sewer System Replacement Fund	\$0	\$0	\$0	\$77	\$80	\$157
643	Sewer System Replacemt Fund (2015 Bonds)	\$1,846	\$3,057	\$2,696	\$0	\$0	\$7,599
		\$13,767	\$7,723	\$10,824	\$7,059	\$2,980	\$42,353

Project: Sanitary Sewer Rehabilitation

Project Location: City-wide

Project No.: 302000

Category: Sanitary Sewer



DESCRIPTION: The City's wastewater collection system requires an on-going program of evaluation, cleaning, improvement, and repairs. Eliminating trouble spots - areas in the system that demand a high level of effort and time from the flushing crews - is a priority for FY 15/16.

Oak Leaf Ln: Access Road
Wright Alley Way: Garden to Del Monte
4th St.: Swr Main Replacement
Monterey Rd: btwn Madrone & Cochrane
Monterey Rd: btwn Ciolino & Spring
Monterey Rd: 2 vaults at Llagas Creek

JUSTIFICATION: These repairs and improvements will improve the efficiency of the wastewater crews by reducing the time spent maintaining the wastewater collection system. Ultimately, these areas are more prone to sanitary sewer overflows (SSO). Repairing trouble spots reduces the City's risk of SSOs. The Llagas Creek vault project is needed to stop the concrete from deteriorating.

RESPONSIBLE DEPARTMENTS: Public Works

302000 - Sanitary Sewer Rehabilitation		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$83	\$66	\$328				\$477
6360 - Construction	\$610	\$510	\$3,069				\$4,189
6530 - Project Implementation	\$37	\$29	\$140				\$206
PROJECT COST	\$730	\$605	\$3,537				\$4,872
FUNDING SOURCE(S)							
641-Sewer Impact Fund (AB1600)	\$49		\$1,818				\$1,867
643-Sewer System Replacemt Fund (2015 Bond)	\$681	\$605	\$1,719				\$3,005
FUNDING TOTALS	\$730	\$605	\$3,537				\$4,872

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1	Q1	Q1		
Community Input & Environmental Reviews	Q1-Q2	Q1-Q2	Q1-Q2		
City Council Approvals					
Finalized Design	Q2-Q3	Q2-Q3	Q2-Q3		
Construction	Q3-Q4	Q3-Q4	Q3-Q4		
Project Close-out	Q4	Q4	Q4		

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Estimates are determined by evaluating past projects that are similar in scope and nature. Each project has an element of uniqueness, environment, location, complexity of the surrounding and supporting infrastructure - depth to pipe, number of services, proximate to lift stations. These unique features contribute to the uncertainty of accuracy when costing out a project and are factored in as best as possible by the City's Engineering staff.

PRIOR EXPENDITURES: This is an ongoing Capital Project program. Expenditures vary according to size and scope of each project. - FY14/15 \$26,711 (estimated) - FY 13/14 \$0 - FY12/13 \$213 - FY11/12 \$65,432 (see 610000) - FY10/11 \$4,972 - FY09/10 \$6,880 - FY08/09 \$32,608 - FY07/08 \$12,323 - FY06/07 \$52,752 - FY05/06 \$677,187 - FY04/05 \$244,105

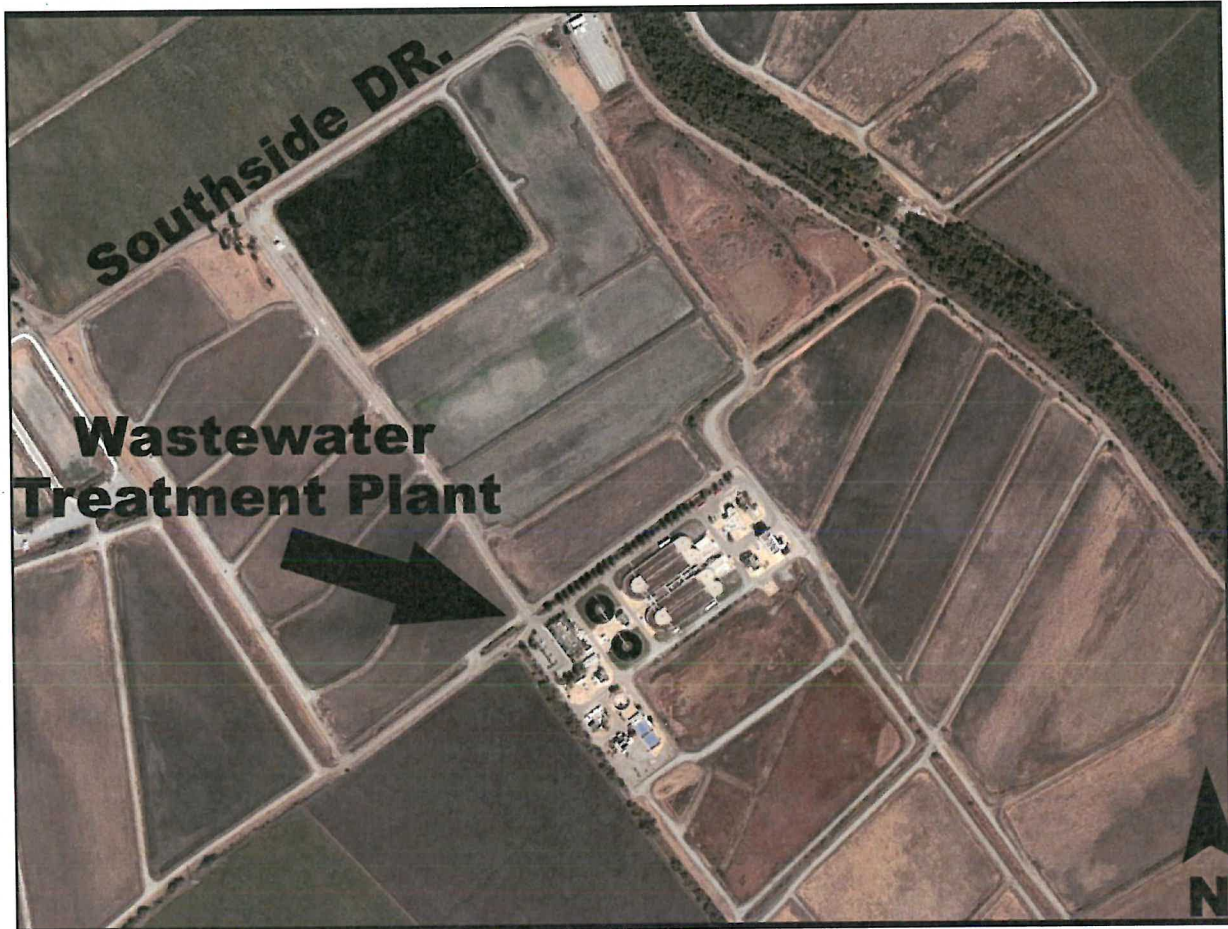
OPERATIONS and MAINTENANCE FISCAL IMPACT: The repairs and improvements in this Capital Project will reduce the possibility of SSOs and increase the efficiency of the Wastewater Division's flushing program. Rehabilitating the infrastructure listed in this year's program will extend the asset's life cycle.

Project: Sewer Plant Expansion Project

Project Location: Gilroy Treatment Plant

Project No.: 303093

Category: Sanitary Sewer



DESCRIPTION: The South County Regional Wastewater Authority (SCRWA) treatment plant is owned jointly by the cities of Morgan Hill and Gilroy. The plant's capacity is evaluated periodically to determine and plan for the future needs of both cities. A budget is developed by the plant's operating agent and approved by the agency's Board of Directors. The City is responsible for 41.9% of the costs shown below for the three projects included in SCRWA's FY 15/16 CIP:

UV Disinfection System (partial Cost)	\$ 300,000
Recycled Water Pump Stations	\$2,370,000
Plant Capacity Expansion (Planning Costs)	\$ 500,000
Total	\$3,170,000
Morgan Hill's Share (41.9%)	\$1,328,000

JUSTIFICATION: Future development will require that the plant treat a larger volume of wastewater. Preparation for meeting future wastewater treatment needs requires an on-going flow monitoring and plant expansion design and engineering program. The Plant Capacity Expansion costs are expected to escalate for the next 6 to 7 years as the work to expand the plant is anticipated to ramp up and the plant expansion is completed.

RESPONSIBLE DEPARTMENTS: Public Works

303093 - Sewer Plant Expansion Project		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support							\$0
6360 - Construction		\$1,328	\$693	\$1,279	\$4,452		\$7,752
6530 - Project Implementation							\$0
PROJECT COST		\$1,328	\$693	\$1,279	\$4,452		\$7,752
FUNDING SOURCE(S)							
641-Sewer Impact Fund (AB1600)		\$1,328	\$693	\$1,279	\$4,452		\$7,752
FUNDING TOTALS		\$1,328	\$693	\$1,279	\$4,452		\$7,752

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design					
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design					
Construction	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	
Project Close-out	Q4	Q4	Q4	Q4	

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: The City of Gilroy oversees the management of the facility and thus cost estimates are provided by SCRWA staff.

PRIOR EXPENDITURES: On-going improvement projects are part of the annual SCRWA budget and are funded with accumulated impact fees. - FY14/15 \$766,000 (estimated) - FY13/14 \$471,269 - FY12/13 \$302,112 - FY11/12 \$1,239,566 - FY10/11 \$2,577,920 - FY09/10 \$288,891 - FY08/09 \$877,816 - FY07/08 \$518,707 - FY06/07 \$3,667 - FY05/06 \$1,841,047 - FY04/05 \$703,396

OPERATIONS and MAINTENANCE FISCAL IMPACT: Increased capacity will meet new user demand. The costs associated with increasing the capacity of the treatment plant will be paid by new users through the collection of development impact fees.

Project: Sewer Plant Improvement

Project Location: Gilroy Treatment Plant

Project No.: 303A11

Category: Sanitary Sewer



DESCRIPTION: Constructed in 1994, the South County Regional Wastewater Authority (SCRWA) treatment plant requires ongoing maintenance and improvement while also implementing new standards from the State Water Resources Control Board. Projects are identified in the biennial SCRWA budget and are funded through wastewater rate payers. Below are the major projects included in SCRWA's FY 15/16 budget - a complete listing of projects is included in SCRWA's 2016/17 biennial budget.

- Aeration System (Partial)
- Secondary Clarifier (Partial)
- SCADA Communication Network (Partial)
- Maintenance Building (Partial)

The City of Morgan Hill is responsible for 42% of the cost of these projects in a total amount of \$8,525,000.

JUSTIFICATION: Ongoing plant maintenance and repairs are performed to increase efficiency and reliability - a program that is necessary to maintain the plant's operating license.

RESPONSIBLE DEPARTMENTS: Public Works

303A11 - Sewer Plant Improvement		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support							\$0
6360 - Construction		\$8,525	\$1,183	\$80	\$77	\$80	\$9,945
6530 - Project Implementation							\$0
PROJECT COST		\$8,525	\$1,183	\$80	\$77	\$80	\$9,945
FUNDING SOURCE(S)							
641-Sewer Impact Fund (2008 RDA Bonds)		\$8,525					\$8,525
641-Sewer Impact Fund (AB1600)			\$633				\$633
643-Sewer System Replacement Fund					\$77	\$80	\$157
643-Sewer System Replacemt Fund (2015 Bond)			\$550	\$80			\$630
FUNDING TOTALS		\$8,525	\$1,183	\$80	\$77	\$80	\$9,945

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design					
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design					
Construction	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4
Project Close-out	Q4	Q4	Q4	Q4	Q4

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Engineering estimates are developed by reviewing past project costs as well as on-going projects that are similar in scope and nature. The City of Gilroy oversees the management of the facility and thus cost estimates are provided by SCRWA staff and overseen by the SCRWA Board of Directors.

PRIOR EXPENDITURES: - FY14/15 \$5,500,000 (estimated) - FY13/14 \$296,430 - FY12/13 \$199,576 - FY11/12 \$942,670 - FY10/11 \$0

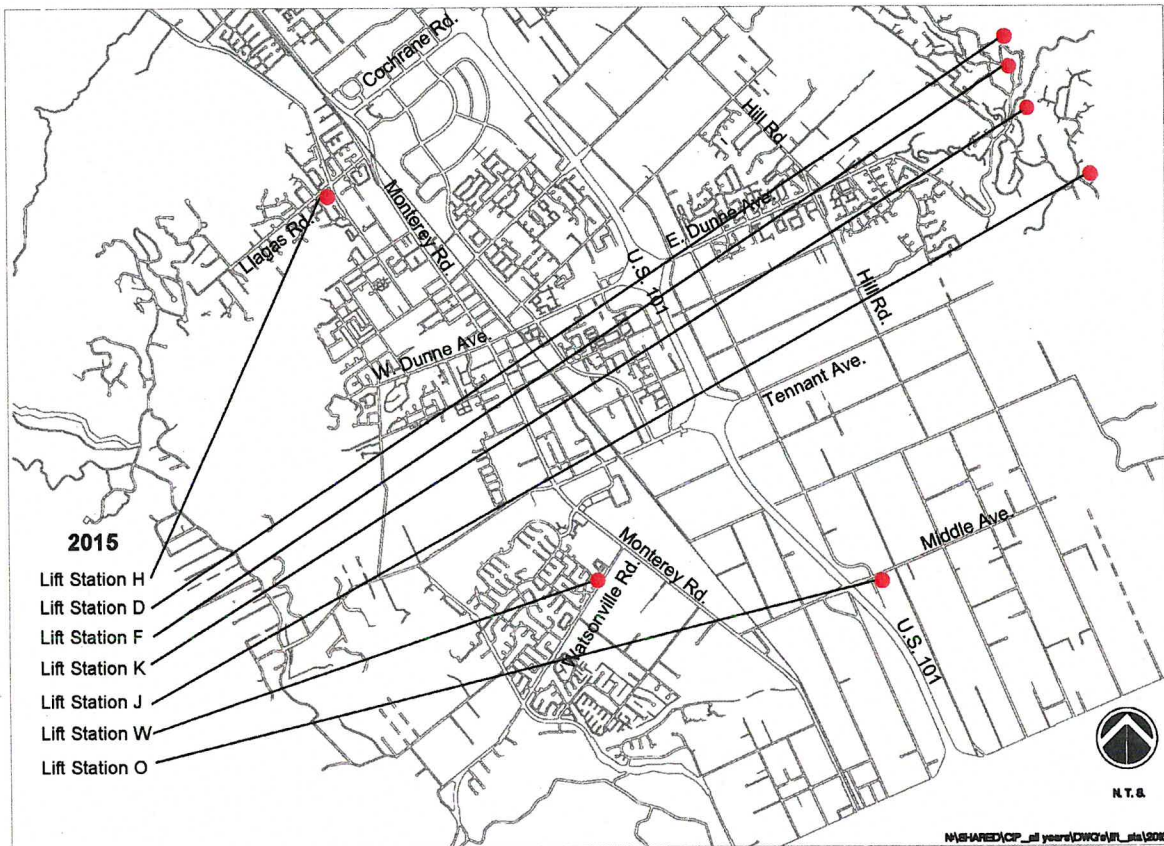
OPERATIONS and MAINTENANCE FISCAL IMPACT: The ongoing costs of this Capital Project program are expected to decline after peaking in FY 15/16. Much of the treatment plant's critical infrastructure will have been replaced. These replacement assets will reduce the likelihood of costly emergency repairs.

Project: Lift Station Rehabilitation

Project Location: City-wide

Project No.: 304000

Category: Sanitary Sewer



DESCRIPTION: The City's 14 lift stations are upgraded and repaired as part of the ongoing maintenance program. FY 15/16, the force main connected to Lift Station F will be relocated. The force main is currently in an easement that is difficult to access and the line is failing. Lift Station K will be rebuilt; it has design defects and the wet-well and electrical panel have reached their end of life expectancy.

K-LS: Rebuild Lift Station
F-LS: Replace 900 LF force main

JUSTIFICATION: Relocating the force main for better access will allow crews to discover and respond faster to pipe failures in the future. The existing force main at Lift Station F has ruptured, a signal that the pipeline has reached its end of life cycle. This ongoing program of rehabilitating the City's lift stations ensures their compliance with the Regional Water Quality Control Board standards.

RESPONSIBLE DEPARTMENTS: Public Works

304000 - Lift Station Rehabilitation		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$121	\$91	\$173				\$385
6360 - Construction	\$1,125	\$910	\$1,450				\$3,485
6530 - Project Implementation	\$52	\$39	\$74				\$165
PROJECT COST	\$1,298	\$1,040	\$1,697				\$4,035
FUNDING SOURCE(S)							
641-Sewer Impact Fund (AB1600)	\$133	\$108	\$1,025				\$1,266
643-Sewer System Replacemt Fund (2015 Bond)	\$1,165	\$932	\$672				\$2,769
FUNDING TOTALS	\$1,298	\$1,040	\$1,697				\$4,035

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1	Q1		
Project Design	Q1	Q1	Q1		
Community Input & Environmental Reviews					
City Council Approvals	Q2	Q2	Q2		
Finalized Design	Q2	Q2	Q2		
Construction	Q3-Q4	Q3-Q4	Q3-Q4		
Project Close-out	Q4	Q4	Q4		

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on Engineer's estimates.

PRIOR EXPENDITURES: - L.S. H \$675,635 FY 14/15 Est. - L.S. M \$0 FY 13/14 - L.S. H \$68,119 FY 13/14 - L.S. M \$411,906 FY 12/13 - L.S. M \$51,149 FY 11/12 - L.S. M \$49,352 FY 10/11 - L.S. M \$57,166 FY 09/10 - L.S. P \$4,860 FY 10/11 - L.S. P \$516,031 FY 09/10 - L.S. P \$99,408 FY 08/09 - L.S. P \$28,141 FY 07/08 - L.S. C \$62,980 FY 06/07 - L.S. C \$33,609 FY 08/09 - L.S. C \$589,667 FY 07/08 - L.S. G \$717,585 FY 05/06 - L.S. G \$48,356 FY 04/05 - L.S. B \$2,087 FY 05/06

OPERATIONS and MAINTENANCE FISCAL IMPACT: Investing in the lift station rehabilitation program ensures safety and reliability by minimizing the risk of sanitary sewer overflows and reduces the City's exposure to high-cost emergency repairs.

Project: New Trunk Line

Project Location: Various Locations

Project No.: 308A08

Category: Sanitary Sewer



DESCRIPTION: A parallel sewer trunk line is necessary to facilitate the City's planned growth. The project is staged over several years to span the distance between Morgan Hill and the SCRWA treatment plant. The treatment plant will complete a planned expansion after 2021. The new trunk line is scheduled to complete the last segment at that time. The following reaches are scheduled accordingly:

- 14/15 Harding: btwn California & San Martin Ave.
- 15/16 Harding: btwn San Martin & Highland Ave.
- 16/17 Harding: btwn Highland Ave & Fitzgerald Rd
- 17/18 Harding: Fitzgerald Rd. to Day Rd.
- 18/19 Day Rd. alignment to Cohnsey Rd.
- 19/20 Reach from Cohnsey Rd. to Leavesey Rd.

JUSTIFICATION: The City's Master Plan anticipates a level of growth within the community. The rate of growth drives the need for expanded capacity in the sewer trunk line and the capacity of the SCRWA treatment plant. Cost for expanding capacity of the trunk line will be covered by the collection of sewer impact fees.

RESPONSIBLE DEPARTMENTS: Public Works

308A08 - New Trunk Line	(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20	
EXPENDITURE CATEGORY						
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support	\$206	\$244	\$169	\$154	\$255	\$1,028
6360 - Construction	\$1,591	\$3,023	\$2,920	\$2,310	\$2,535	\$12,379
6530 - Project Implementation	\$89	\$105	\$73	\$66	\$110	\$443
PROJECT COST	\$1,886	\$3,372	\$3,162	\$2,530	\$2,900	\$13,850
FUNDING SOURCE(S)						
641-Sewer Impact Fund (AB1600)	\$1,886	\$3,024	\$2,937	\$2,530	\$2,900	\$13,277
643-Sewer System Replacemt Fund (2015 Bond)		\$348	\$225			\$573
FUNDING TOTALS	\$1,886	\$3,372	\$3,162	\$2,530	\$2,900	\$13,850

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1	Q1	Q1	Q1
Project Design					
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design					
Construction	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4
Project Close-out	Q4	Q4	Q4	Q4	Q4

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on preliminary project design and engineer's estimate

PRIOR EXPENDITURES: \$0 (Phase 2) - FY14/15 \$1,377,940 (estimated) - FY13/14 \$57,760 - FY12/13 \$901,292 - FY11/12 \$29,962 - FY10/11 \$3,110 - FY09/10 \$43,188 - FY08/09 \$0 - FY07/08 \$0 (Phase 2A only)

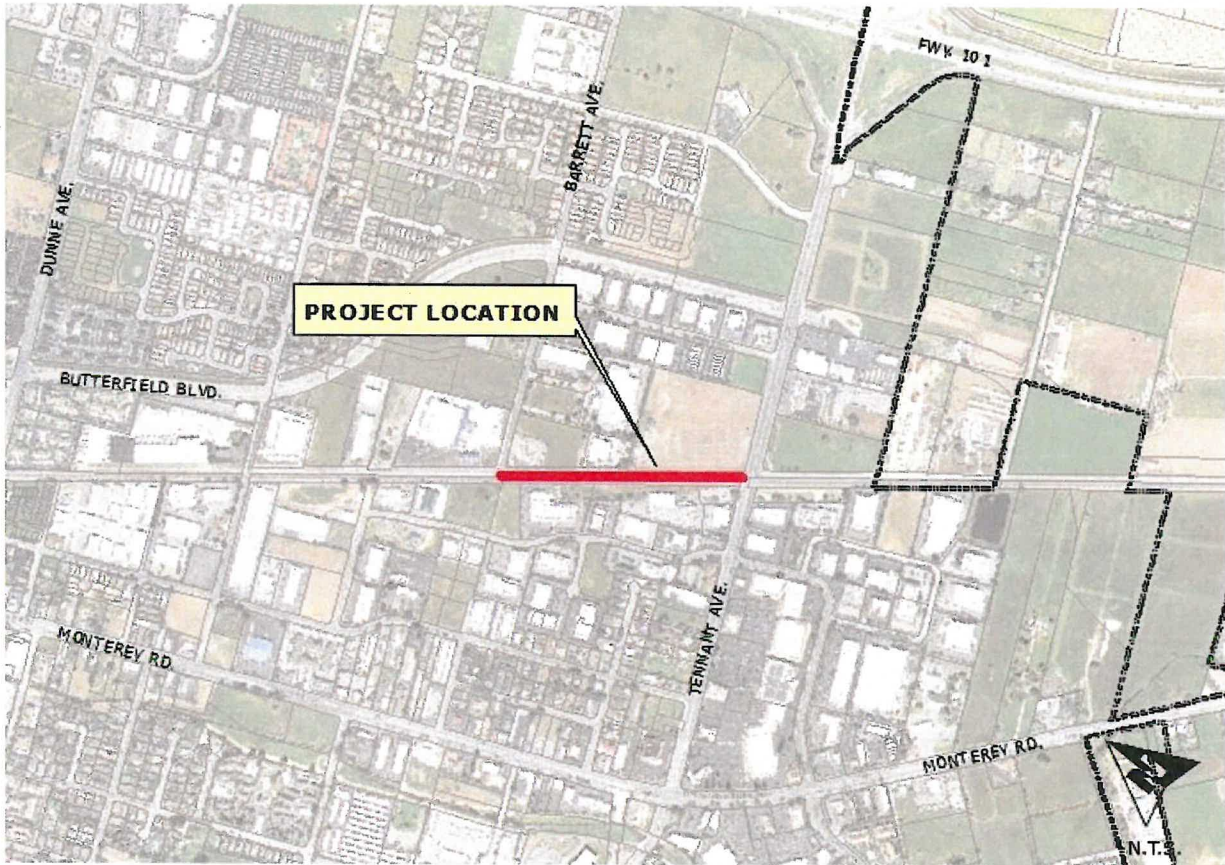
OPERATIONS and MAINTENANCE FISCAL IMPACT: Minimal on-going costs, however, some costs are reduced due to elimination of system bottlenecks and the subsequent reduction in emergency maintenance.

Project: New Sewer Mains

Project No.: 315006

Project Location: City-wide

Category: Sanitary Sewer



DESCRIPTION: In FY 16-17 a new sewer main on Railroad between Barrett and Tennant will be installed. A new sewer main on Tennant between Railroad and Monterey will be designed and constructed in FY 18-19.

- 16/17 Railroad Ave: btwn Barrett & Tennant
- 17/18 Tennant: btwn Railroad & Monterey Rd
- 17/18 Tennant: Railroad Crossing

JUSTIFICATION: New sewer mains are required to provide adequate capacity and support development-related growth. These sewer mains are identified in the 2002 Sewer Master Plan to be installed to achieve this outcome.

RESPONSIBLE DEPARTMENTS: Public Works

315006 - New Sewer Mains	(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20	
EXPENDITURE CATEGORY						
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support		\$91	\$104			\$195
6360 - Construction		\$700	\$920			\$1,620
6530 - Project Implementation		\$39	\$45			\$84
PROJECT COST		\$830	\$1,069			\$1,899
FUNDING SOURCE(S)						
641-Sewer Impact Fund (AB1600)		\$208	\$1,069			\$1,277
643-Sewer System Replacemt Fund (2015 Bond)		\$622				\$622
FUNDING TOTALS		\$830	\$1,069			\$1,899

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development		Q1	Q1		
Project Design					
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design		Q2	Q2		
Construction		Q3-Q4	Q3-Q4		
Project Close-out		Q4	Q4		

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on Engineer's Estimate

PRIOR EXPENDITURES: - FY14/15 \$607 (estimated) - FY13/14 \$298,643 (Barrett Sewer Line) - FY12/13 \$113,519 - FY11/12 \$7,691 - FY10/11 \$0 - FY09/10 \$0 - FY08/09 \$0 - FY07-08 \$0 - FY06/07 \$0 - FY05/06 \$0

OPERATIONS and MAINTENANCE FISCAL IMPACT: Minimal increases in operating costs which are offset by additional user fees.

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**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Storm Drainage**

(Thousands of Dollars)

2015-16 2016-17 2017-18 2018-19 2019-20 TOTALS

PROJECT TITLE

415097	Storm Pipe and Inlet Installation	\$105	\$50	\$150	\$120	\$0	\$425
417099	West Little Llagas Flood Control/Drainage Imps	\$20	\$20	\$2,450	\$3,050	\$0	\$5,540
		\$125	\$70	\$2,600	\$3,170	\$0	\$5,965

PROJECT FUNDING SOURCES

303	Drainage Impact Fund (AB1600)	\$20	\$20	\$2,450	\$3,050	\$0	\$5,540
304	Drainage Fund (non-AB1600)	\$105	\$50	\$150	\$120	\$0	\$425
		\$125	\$70	\$2,600	\$3,170	\$0	\$5,965

Project: Storm Pipe and Inlet Installation

Project Location: Citywide

Project No.: 415097

Category: Storm Drainage



DESCRIPTION: Construction of storm drains, storm inlets and other miscellaneous improvements at various locations in the city to address localized chronic drainage problems. Identified locations are first analyzed to determine if minimum measures can be taken to alleviate drainage issues. Then, determine if adding more drainage facilities that will connect to adjacent regional drainage pipes and channels will solve the localized problem. For example, many localized drainage problems lying in the Upper Llagas Creek watershed (and, thus, in the 100-year FEMA flood plain) are unable to be resolved with additional drainage facilities due to the current limited capacity in the Upper Llagas Creek channel. Areas of focus include the Burnett Avenue/Monterey Road intersection, the Llagas Creek Drive/Shadowbrook Way/Stoney Creek Way neighborhood, and the Church Street and E. Dunne Avenue area. Additional areas may also be considered.

JUSTIFICATION: Local flooding can cause damage to public and private property and may present safety issues.

RESPONSIBLE DEPARTMENTS: Public Works

415097 - Storm Pipe and Inlet Installation		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$15	\$40	\$10	\$10			\$75
6360 - Construction	\$75		\$120	\$100			\$295
6530 - Project Implementation	\$15	\$10	\$20	\$10			\$55
PROJECT COST	\$105	\$50	\$150	\$120			\$425
FUNDING SOURCE(S)							
304-Drainage Fund (non-AB1600)	\$105	\$50	\$150	\$120			\$425
FUNDING TOTALS	\$105	\$50	\$150	\$120			\$425

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20	
Funding Development	Q1	Q1		Q1		
Project Design	Q2	Q2		Q2		
Community Input & Environmental Reviews		Q2		Q2		
City Council Approvals						
Finalized Design		Q4				
Construction	Q3-Q4		Q2-Q4	Q2-Q4		
Project Close-out	Q4	Q4	Q4	Q4		

FINANCIAL DISCUSSION & FISCAL IMPACT

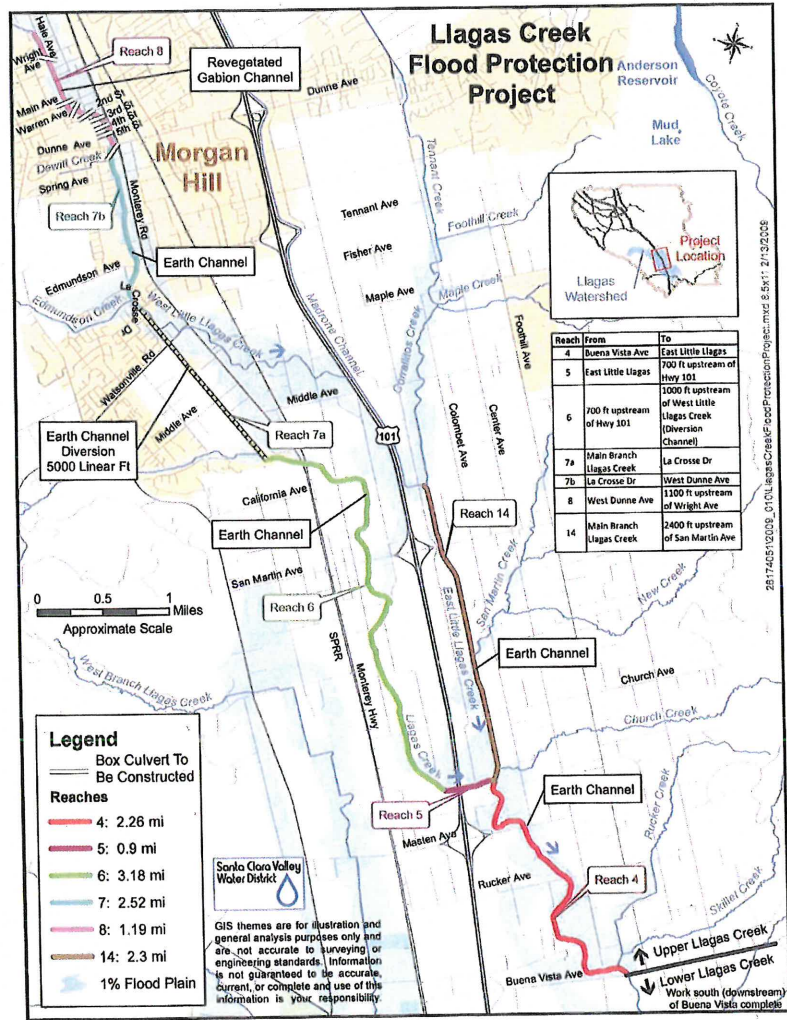
COST ESTIMATE ACCURACY: Based on recent drainage construction CIP projects.

PRIOR EXPENDITURES: - FY14/15 \$3,468 (estimated) - FY13/14 \$95,977 (Misc Storm Drain) - FY12/13 \$23,441 - FY11/12 \$0 - FY10/11 \$4,800 - FY09/10 \$780 - FY08/09 \$151,147 - FY07/08 \$17,789 - FY06/07 \$38,355 - FY05/06 \$412,163 - FY04/05 \$35,553

OPERATIONS and MAINTENANCE FISCAL IMPACT: As local drainage problems are repaired or improved, maintenance costs are reduced during rain events.

Project: West Little Llagas Flood Control/Drainage Imps
Project No.: 417099

Project Location: West Little Llagas Creek in Morgan Hill
Category: Storm Drainage



DESCRIPTION: This project addresses the Upper Llagas Creek Flood Protection Project (ULCFPP) and the necessary drainage facilities required to alleviate flooding in the West Little Llagas watershed. The ULCFPP is a \$120M project to build channels, underground conduits, tunnels, and bridges to capture the flood waters from a 100-year storm in Morgan Hill and eliminate the recurring flooding in the downtown and other parts of the City lying in the West Little Llagas Creek watershed. In 2009, the City and SCVWD entered into a cost sharing agreement to complete the design and environmental work for the project with the City contributing \$3M in Redevelopment Agency funds which has been paid. The design is now 90% complete. The southerly Morgan Hill section (Reaches 7 and 7A) will begin construction in 2015. The northerly segment (Reach 8), including downtown Morgan Hill, is scheduled for the 2017 timeframe, assuming sufficient construction funds are acquired. Once the ULCFPP is completed, the City can install local drainage facilities that will connect to the ULCFPP and complete the flood control system.

JUSTIFICATION: The ULCFPP is critical to alleviating the persistent flooding in Morgan Hill. In addition, the project will allow for a re-mapping of the FEMA flood plain in the City with the likely result that many properties will be removed from the 100-year floodplain and the mandatory flood insurance that goes with lying in the floodplain. The ULCFPP continues to be on the list of Council goals and priorities.

RESPONSIBLE DEPARTMENTS: Public Works

417099 - West Little Llagas Flood Control/Drainage Imps		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support				\$250	\$300		\$550
6360 - Construction				\$2,000	\$2,500		\$4,500
6530 - Project Implementation	\$20	\$20	\$200	\$250			\$490
PROJECT COST	\$20	\$20	\$2,450	\$3,050			\$5,540
FUNDING SOURCE(S)							
303-Drainage Impact Fund (AB1600)	\$20	\$20	\$2,450	\$3,050			\$5,540
FUNDING TOTALS	\$20	\$20	\$2,450	\$3,050			\$5,540

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20	
Funding Development						
Project Design	Q1-Q4	Q1-Q4	Q1-Q2	Q1-Q2		
Community Input & Environmental Reviews			Q1-Q2	Q1-Q2		
City Council Approvals			Q2	Q2		
Finalized Design			Q2	Q2		
Construction			Q3-Q4	Q3-Q4		
Project Close-out			Q4	Q4		

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on recent publicly bid drainage projects.

PRIOR EXPENDITURES: \$2,665,000 for environmental studies and design work, paid with former RDA Bond Proceeds - FY14/15 \$5,000 (estimated) - FY13/14 \$1,031,657 - FY12/13 \$801,139 - FY11/12 \$1,007,322 - FY10/11 \$244,062 - FY09/10 \$23,258 - FY08/09 \$12,066 - FY07/08 \$0 - FY06/07 \$128,863 - FY05/06 \$211,137 - FY04/05 \$0

OPERATIONS and MAINTENANCE FISCAL IMPACT: Costs to operate and maintain the Upper Llagas Creek Flood Protection Project will be borne by the Santa Clara Valley Water District. Costs to maintain local drainage facilities constructed in FY's 17-18 and 18-19 will be borne by the City. Those costs are unknown at this time but will be off-set by a reduction in O&M costs due to elimination of flooding in streets, once projects are completed.

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**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Streets & Roads**

(Thousands of Dollars)

2015-16 2016-17 2017-18 2018-19 2019-20 TOTALS

PROJECT TITLE

502000	New Signal Construction	\$0	\$250	\$0	\$300	\$0	\$550
512093	Underground Monterey Utilities	\$400	\$0	\$0	\$0	\$0	\$400
519000	Pavement Rehabilitation Program	\$2,561	\$1,147	\$1,147	\$1,147	\$1,147	\$7,149
546007	Hale Avenue Extension	\$450	\$1,330	\$800	\$0	\$0	\$2,580
551008	RDCS School Safety Improvements	\$120	\$125	\$460	\$400	\$400	\$1,505
561012	Monterey Road Medians	\$300	\$10	\$0	\$0	\$0	\$310
562012	DeWitt Avenue "S" Curve Realignment	\$1,003	\$0	\$0	\$0	\$0	\$1,003
563013	Assessment District - Streets	\$706	\$0	\$0	\$0	\$0	\$706
568014	Parking Lot Maintenance and Rehabilitation	\$40	\$40	\$40	\$40	\$40	\$200
569014	Fourth Street Reconstruction	\$435	\$0	\$0	\$0	\$0	\$435
570014	Charging Stations - Civic Center	\$40	\$0	\$0	\$0	\$0	\$40
574015	Sidewalk Repairs	\$250	\$250	\$60	\$60	\$60	\$680
575015	Traffic Signal and Intersection Capacity Study	\$30	\$0	\$0	\$0	\$0	\$30
DWNTW	Downtown Improvement Projects	\$2,040	\$0	\$0	\$0	\$0	\$2,040
		\$8,375	\$3,152	\$2,507	\$1,947	\$1,647	\$17,628

PROJECT FUNDING SOURCES

250	Successor Agency (Bond Proceeds)	\$2,040	\$0	\$0	\$0	\$0	\$2,040
308	Street Fund (gas Tax, formerly Prop. 42)	\$185	\$150	\$150	\$150	\$150	\$785
308	Street Fund (Measure B)	\$247	\$247	\$247	\$247	\$247	\$1,235
308	Street Fund (One Bay Area Grant)	\$1,379	\$0	\$0	\$0	\$0	\$1,379
308	Street Fund (xfr from General Fund)	\$750	\$750	\$750	\$750	\$750	\$3,750
308	Street Fund (xfr from Special Deposits 820)	\$706	\$0	\$0	\$0	\$0	\$706
309	Traffic Impact Fund (AB1600)	\$1,285	\$1,365	\$800	\$300	\$0	\$3,750
346	Public Facilities (non-AB1600 RDCS)	\$490	\$265	\$40	\$40	\$40	\$875
347	Public Facilities Impact Funds (AB1600)	\$40	\$0	\$0	\$0	\$0	\$40
350	Undergrounding Fund	\$150	\$0	\$0	\$0	\$0	\$150
355	School Pedestrian Safety	\$370	\$375	\$520	\$460	\$460	\$2,185
643	Sewer System Replacemt Fund (2015 Bonds)	\$125	\$0	\$0	\$0	\$0	\$125
653	Water System Replacement Fund	\$125	\$0	\$0	\$0	\$0	\$125
653	Water System Replacement (Bond Proceeds)	\$350	\$0	\$0	\$0	\$0	\$350
653	Water System Replacement (xfer Spec Deposits 820)	\$133	\$0	\$0	\$0	\$0	\$133
	TOTAL FUNDING SOURCES	\$8,375	\$3,152	\$2,507	\$1,947	\$1,647	\$17,628

Project: New Signal Construction

Project No.: 502000

Project Location: City-wide

Category: Streets & Roads



DESCRIPTION: New traffic signals are installed as needed to meet growing traffic demands and existing signals are periodically upgraded. In FY 16-17 the Vineyard/Monterey signal will be upgraded. In FYs 17-18 and beyond, intersections of major arterials will be studied to determine improvements that would increase capacity and/or efficiency of vehicle movements. New signals will be considered where traffic volumes warrant the need.

JUSTIFICATION: New signals, when warranted, provide for a more efficient movement of traffic and improve pedestrian safety.

RESPONSIBLE DEPARTMENTS: Public Works

502000 - New Signal Construction		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support			\$30		\$40		\$70
6360 - Construction			\$180		\$210		\$390
6530 - Project Implementation			\$40		\$50		\$90
	PROJECT COST		\$250		\$300		\$550
FUNDING SOURCE(S)							
309-Traffic Impact Fund (AB1600)			\$25		\$300		\$325
346-Public Facilities (non-AB1600 RDGS)			\$225				\$225
	FUNDING TOTALS		\$250		\$300		\$550

ESTIMATED PROJECT SCHEDULE		2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development			Q1		Q1	
Project Design			Q2		Q2	
Community Input & Environmental Reviews			Q2		Q2	
City Council Approvals						
Finalized Design			Q2		Q2	
Construction			Q3-Q4		Q3-Q4	
Project Close-out			Q4		Q4	

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on recent similar projects

PRIOR EXPENDITURES: - Digital/Bu \$206,012 FY13/14 - Digital/Bu \$128,306 FY12/13 - Spring/Mon \$41,481 FY12/13 - Spring/Mon \$259,576 FY11/12 - Spring/Mon \$78,525 FY10/11 - Spring/Mon \$3,175 FY09/10 - Spring/Mon \$0 FY08/09 - Spring/Mon \$25,817 FY07/08 - Spring/Mon \$2,605 FY06/07 - Dunne/Mont \$7,461 FY08/09 - Dunne/Mont \$13,320 FY07/08 - Main/Mont \$321,135 FY07/08 - Main/Mont \$37,030 FY06/07 - Main/Mont \$8,795 FY05/06 - Tenn/101 \$120,277 FY05/06 - Tenn/101 \$422,777 FY04/05

OPERATIONS and MAINTENANCE FISCAL IMPACT: Maintenance of new traffic signal to be performed by Community Services Maintenance Division at an estimated additional annual operating cost of \$1,500 per signal.

Project: Underground Monterey Utilities

Project No.: 512093

Project Location: Monterey Road - Dunne to 600'
north of Cosmo

Category: Streets & Roads



DESCRIPTION: City's goal is to underground the overhead utility lines along Monterey Rd. from Dunne Ave. to approximately 500' south of Spring Avenue using Rule 20A funds. The undergrounding district has been formed for the project.

Construction is anticipated to begin in the Fall of 2015 using \$2.6M of Rule 20A funding and be completed by FY15-16. PG&E has agreed to pay for the conversion costs to each individual customer affected by the project. Verizon and Charter will work separately from the City and PG&E to complete their portion of work.

Rule 20A funds are held by PG&E. They will provide one-half of the necessary funds up front to get the project started. The City will then invoice PG&E for contractor progress payments.

JUSTIFICATION: The undergrounding of utilities will improve both the aesthetics and safety along Monterey Road.

RESPONSIBLE DEPARTMENTS: Public Works

512093 - Underground Monterey Utilities		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support						\$0	
6360 - Construction	\$300					\$300	
6530 - Project Implementation	\$100					\$100	
PROJECT COST	\$400					\$400	
FUNDING SOURCE(S)							
350-Undergrounding Fund	\$150					\$150	
643-Sewer System Replacemt Fund (2015 Bond)	\$125					\$125	
653-Water System Replacement Fund	\$125					\$125	
FUNDING TOTALS	\$400					\$400	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design					
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design					
Construction	Q1-Q3				
Project Close-out	Q3				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Estimate based on past experience; preliminary engineering only, no field survey.

PRIOR EXPENDITURES: - FY14/15 \$1,252,390 (estimated) - FY13/14 \$102,581 - FY12/13 \$41,091 - FY11/12 \$141,638 - FY10/11 \$17,702 - FY09/10 \$20,442 - FY08/09 \$18,331 - FY07/08 \$967 - FY06/07 \$2,523 - FY05/06 \$2,182 - FY04/05 \$21,556

OPERATIONS and MAINTENANCE FISCAL IMPACT: None

Project: Pavement Rehabilitation Program

Project Location: City-wide

Project No.: 519000

Category: Streets & Roads



DESCRIPTION: This ongoing program is intended to address the City's pavement rehabilitation needs. Locations for maintenance are selected based on recent Pavement Management Program (PMP) data and field observations from Street Maintenance crews.

Projects by Fiscal Year

FY15/16: Design for Thomas Grade Repairs, slurry and crack seal work on Llagas Creek, Coyote Estates, and Jackson Meadows neighborhoods, Monterey Road overlay (Dunne to Middle), and Woodland Avenue.

FY16/17: Overlay E. Dunne Ave (Laurel to Condit), overlay Monterey Rd (Tilton to Cochrane) repairs to Thomas Grade.

FY17/18: Overlay Tennant Ave (Railroad to Highway 101), Hill Road maintenance.

JUSTIFICATION: Extends surface life of streets, thus reducing repair costs in the future. The 2014 Pavement Management Program recommends needed rehabilitation of \$3.0M per year to maintain the City's current pavement condition index (PCI) of 70, though the deferred maintenance backlog will increase from \$17.6 million

to \$21.3 million. The recent infrastructure report indicated a need to invest \$5.2 million annually to increase the PCI from 70 to 75 and decrease the backlog to \$13.9 million by FY 19-20.

RESPONSIBLE DEPARTMENTS: Public Works

519000 - Pavement Rehabilitation Program		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$276	\$72	\$72	\$72	\$72	\$564	
6230 - Legal Services	\$20					\$20	
6360 - Construction	\$2,065	\$1,025	\$1,025	\$1,025	\$1,025	\$6,165	
6530 - Project Implementation	\$200	\$50	\$50	\$50	\$50	\$400	
PROJECT COST	\$2,561	\$1,147	\$1,147	\$1,147	\$1,147	\$7,149	

FUNDING SOURCE(S)	2015-16	2016-17	2017-18	2018-19	2019-20	Year
308-Street Fund (gas Tax, formerly Prop. 42)	\$185	\$150	\$150	\$150	\$150	\$785
308-Street Fund (Measure B)	\$247	\$247	\$247	\$247	\$247	\$1,235
308-Street Fund (One Bay Area Grant)	\$1,379					\$1,379
308-Street Fund (xfr from General Fund)	\$750	\$750	\$750	\$750	\$750	\$3,750
FUNDING TOTALS	\$2,561	\$1,147	\$1,147	\$1,147	\$1,147	\$7,149

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1	Q1	Q1	Q1
Project Design	Q2	Q2	Q2	Q2	Q2
Community Input & Environmental Reviews	Q2	Q2	Q2	Q2	Q2
City Council Approvals	Q2	Q2	Q2	Q2	Q2
Finalized Design	Q2	Q2	Q2	Q2	Q2
Construction	Q3-Q4	Q3-Q4	Q3-Q4	Q3-Q4	Q3-Q4
Project Close-out	Q4	Q4	Q4	Q4	Q4

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Available funding drives level of project work each year

PRIOR EXPENDITURES: - FY14/15 \$2,753,705 (estimated) - FY13/14 \$176,955 (Sidewalk 13-Civic) - FY13/14 \$331,512 (Sidewlk 13-LaCros) - FY13/14 \$125,670 (St. Resurf 13-14) - FY13/14 \$132,292 - FY12/13 \$172,298 - FY11/12 \$1,257,405 - FY10/11 \$52,896 - FY09/10 \$501,402 - FY08/09 \$1,451,753 - FY07/08 \$870,120 - FY06/07 \$1,085,215 - FY05/06 \$42,145 - FY04/05 \$387,317

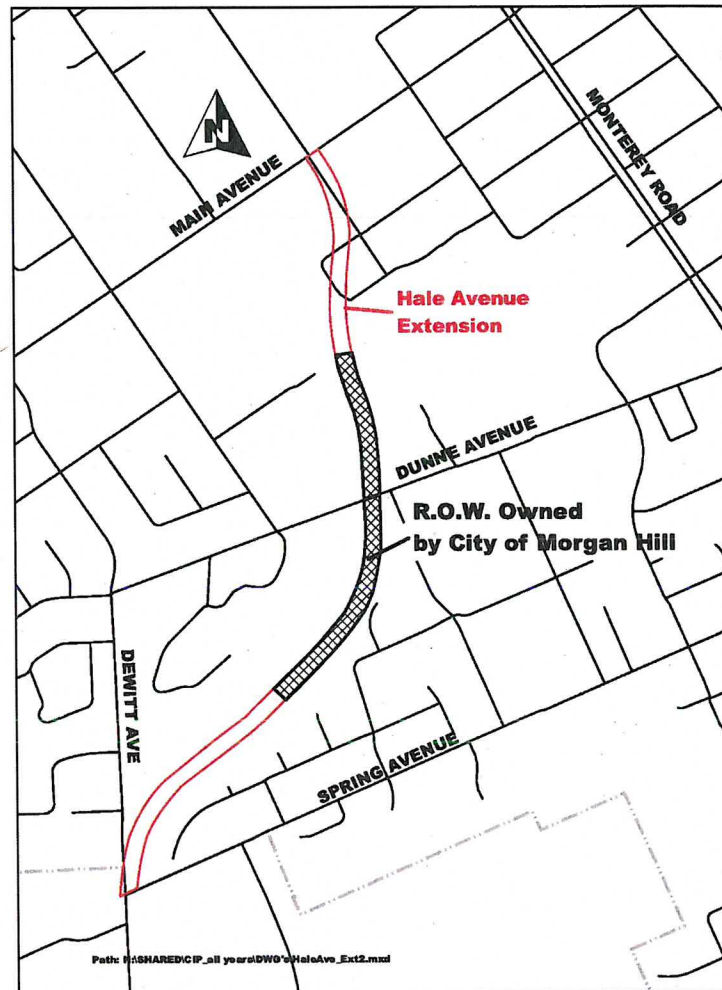
OPERATIONS and MAINTENANCE FISCAL IMPACT: Pavement rehabilitation reduces overall maintenance cost as affected streets are improved.

Project: Hale Avenue Extension

Project Location: From Main Ave to Spring Ave

Project No.: 546007

Category: Streets & Roads



DESCRIPTION: Construct Hale Avenue between Main Avenue and DeWitt Avenue. This portion of the larger Santa Teresa corridor does not currently exist but would provide a north-south arterial roadway alternative west of Monterey Road through the downtown. The Hale Avenue extension will be designed as a two lane (one in each direction) multi-modal roadway. The project is 90% designed. To complete the project it will be necessary to finish the design, purchase the necessary right-of-way, complete the CEQA processing, and build the roadway.

This project falls on the "Needed But Not Funded" list due to a shortfall of funding. Available Traffic Impact funds will provide only 30% of required funding. To complete the project, a supplemental funding source will be necessary.

JUSTIFICATION: The Hale Avenue extension is included in the City's General Plan Circulation Element and will provide relief for congestion along Monterey Road through the downtown and relief for the residential areas west of the downtown that now bear the burden of commute and pass-through traffic. The roadway will also have bike lanes and pedestrian walkways to accommodate other modes of transportation.

RESPONSIBLE DEPARTMENTS: Public Works

546007 - Hale Avenue Extension		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition	\$300	\$1,200	\$500			\$2,000	
6220 - Architecture, Design & Constr Support	\$30	\$40	\$50			\$120	
6230 - Legal Services	\$80					\$80	
6360 - Construction						\$0	
6530 - Project Implementation	\$40	\$90	\$250			\$380	
PROJECT COST	\$450	\$1,330	\$800			\$2,580	
FUNDING SOURCE(S)							
309-Traffic Impact Fund (AB1600)	\$450	\$1,330	\$800			\$2,580	
FUNDING TOTALS	\$450	\$1,330	\$800			\$2,580	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1				
Community Input & Environmental Reviews	Q1-Q2	Q1-Q2			
City Council Approvals	Q2-Q3	Q2			
Finalized Design	Q2-Q4	Q3-Q4	Q1		
Construction					
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on preliminary design.

PRIOR EXPENDITURES: - FY14/15 \$0 (estimated) - FY13/14 \$1,678 - FY12/13 \$199,685 - FY11/12 \$631,980 - FY10/11 \$118,760 - FY09/10 \$44,219 - FY08/09 \$1,202,080 - FY07/08 \$164,038

OPERATIONS and MAINTENANCE FISCAL IMPACT: Additional lane miles added to the street maintenance inventory. Possible new traffic signals will also added be to the Streets Division inventory.

Project: RDCS School Safety Improvements

Project No.: 551008

Project Location: City-wide

Category: Streets & Roads



DESCRIPTION: Construct school pedestrian safety improvements in accordance with Residential Development Control System (RDCS) ordinance. Locations and scope will be determined in collaboration with the Morgan Hill Unified School District, utilizing studies and maps. Future projects to include sidewalk repair near schools (i.e., Britton), Half Road near Live Oak High School, and other safety improvements near schools citywide.

JUSTIFICATION: School Pedestrian Safety Fund 355 fees collected from developers throughout the RDCS process are to be allocated for construction of school safety projects.

RESPONSIBLE DEPARTMENTS: Public Works

551008 - RDCS School Safety Improvements		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$20	\$25	\$60	\$20	\$20	\$145	
6360 - Construction	\$100	\$100	\$350	\$350	\$350	\$1,250	
6530 - Project Implementation			\$50	\$30	\$30	\$110	
PROJECT COST	\$120	\$125	\$460	\$400	\$400	\$1,505	
FUNDING SOURCE(S)							
355-School Pedestrian Safety	\$120	\$125	\$460	\$400	\$400	\$1,505	
FUNDING TOTALS	\$120	\$125	\$460	\$400	\$400	\$1,505	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1	Q1	Q1	Q1
Project Design	Q2	Q2	Q2	Q2	Q2
Community Input & Environmental Reviews	Q2	Q2	Q2	Q2	Q2
City Council Approvals	Q2	Q2	Q2	Q2	Q2
Finalized Design	Q2	Q2	Q2	Q2	Q2
Construction	Q3-Q4	Q3-Q4	Q3-Q4	Q3-Q4	Q3-Q4
Project Close-out	Q3-Q4	Q3-Q4	Q3-Q4	Q3-Q4	Q3-Q4

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on available funds

PRIOR EXPENDITURES: - FY14/15 \$680,000 (estimated) - FY13/14 \$0 - FY12/13 \$392,344 - FY11/12 \$135,829 - FY10/11 \$208,011 - FY09/10 \$35,727 - FY08/09 \$46,681

OPERATIONS and MAINTENANCE FISCAL IMPACT: Additional maintenance costs to Community Services Maintenance Division will be minimal.

Project: Monterey Road Medians

Project No.: 561012

Project Location: Monterey Road South of Dunne Avenue

Category: Streets & Roads



DESCRIPTION: Construct new medians in Monterey Road between Dunne and Cosmo Avenues. Medians are to be raised with curb and gutter and landscaped to match the character of the downtown medians north of Dunne Avenue. Construction of medians to happen in FY15/16 following the completion of the Monterey Road Utility Undergrounding project.

JUSTIFICATION: Completion of the new medians south of Dunne Avenue is in accordance with the City Council's direction to extend the downtown place-making efforts south of Dunne Avenue. The project will also provide a permanent and safer median in front of the local Post Office.

RESPONSIBLE DEPARTMENTS: Public Works

561012 - Monterey Road Medians		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$30						\$30
6360 - Construction	\$240						\$240
6530 - Project Implementation	\$30	\$10					\$40
PROJECT COST	\$300	\$10					\$310
FUNDING SOURCE(S)							
309-Traffic Impact Fund (AB1600)	\$300	\$10					\$310
FUNDING TOTALS	\$300	\$10					\$310

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1				
Community Input & Environmental Reviews					
City Council Approvals	Q2				
Finalized Design	Q2				
Construction	Q2-Q4				
Project Close-out		Q1			

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on recent design and construction costs for similar projects.

PRIOR EXPENDITURES: - FY14/15 \$0 (estimated) - FY13/14 \$0 - FY12/13 \$0

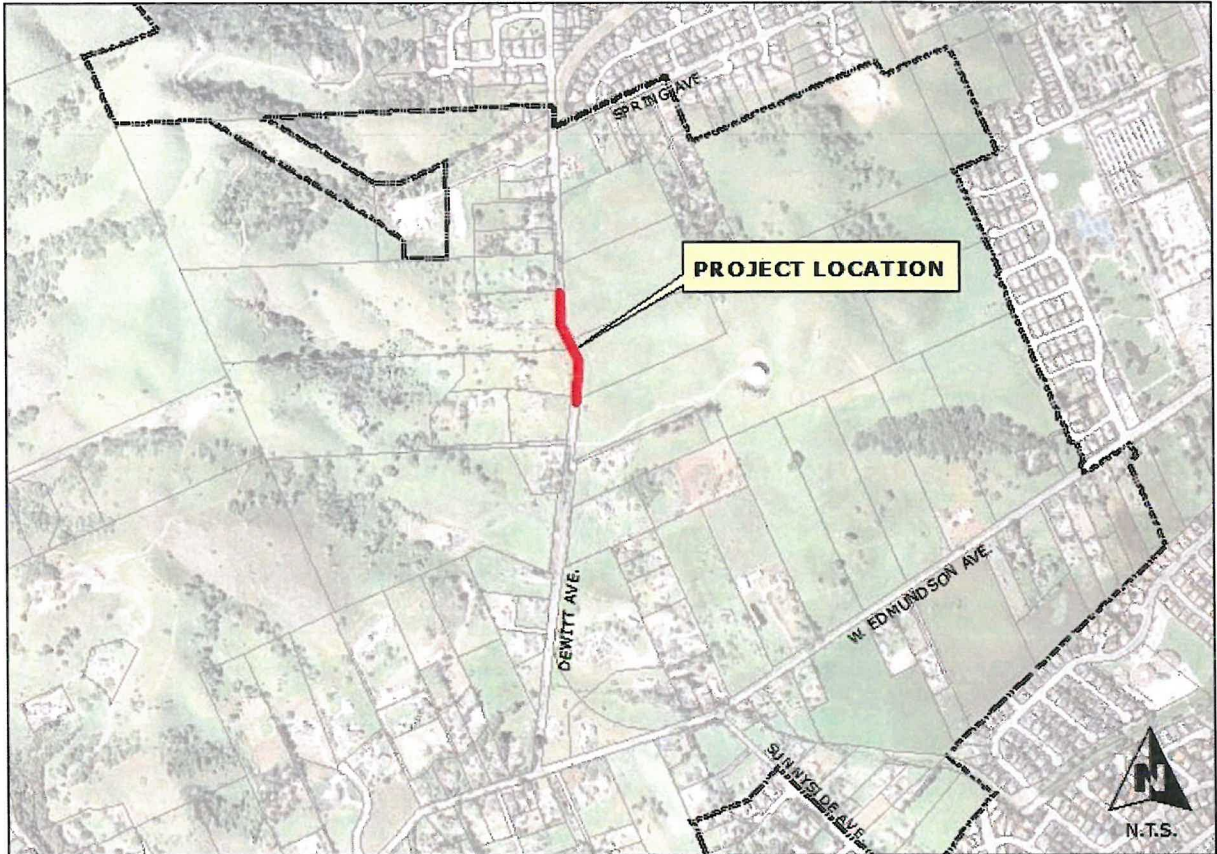
OPERATIONS and MAINTENANCE FISCAL IMPACT: New median landscaping will require additional O&M costs of approximately \$2,000 per year.

Project: DeWitt Avenue "S" Curve Realignment

Project Location: DeWitt Avenue

Project No.: 562012

Category: Streets & Roads



DESCRIPTION: DeWitt Avenue is a principal arterial roadway in Morgan Hill. Realignment of the "S" curve will improve the line of sight and flow of traffic along this section of the roadway. The County will be the lead agency to administer the project. The County allocated Measure B Sales Tax and County Road funds to this project, which will be combined with City of Morgan Hill's contribution of \$500,000 from traffic impact fees. The County is requesting an additional \$350,000 from the City to relocate a water main which was not included in the original estimate. The design was completed in FY13/14; construction is estimated to begin in July of 2015 pending the County's ability to bid the project by that time.

JUSTIFICATION: Over the last several years, there have been two fatal accidents, 5 accidents resulting in injuries, and 7 accidents causing property damage within the vicinity of the "S" curve on DeWitt Avenue. Various traffic devices have been installed to provide advance warnings, speed limit, etc., but the number of accidents has not decreased. As a result, the City of Morgan Hill and the local community expressed a desire to make improvements to the existing geometric conditions.

RESPONSIBLE DEPARTMENTS: Public Works

562012 - DeWitt Avenue "S" Curve Realignment		(Thousands of Dollars)					Five Year
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20		
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support						\$0	
6360 - Construction	\$983					\$983	
6530 - Project Implementation	\$20					\$20	
PROJECT COST	\$1,003					\$1,003	
FUNDING SOURCE(S)							
309-Traffic Impact Fund (AB1600)	\$520					\$520	
653-Water System Replacement (Bond Proceed)	\$350					\$350	
653-Water System Replacement (xfer Spec Dep)	\$133					\$133	
FUNDING TOTALS	\$1,003					\$1,003	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20	
Funding Development						
Project Design						
Community Input & Environmental Reviews						
City Council Approvals						
Finalized Design	Q1-Q2					
Construction	Q2-Q3					
Project Close-out	Q4					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on preliminary engineering.

PRIOR EXPENDITURES: - FY14/15 \$20,000 (estimated)

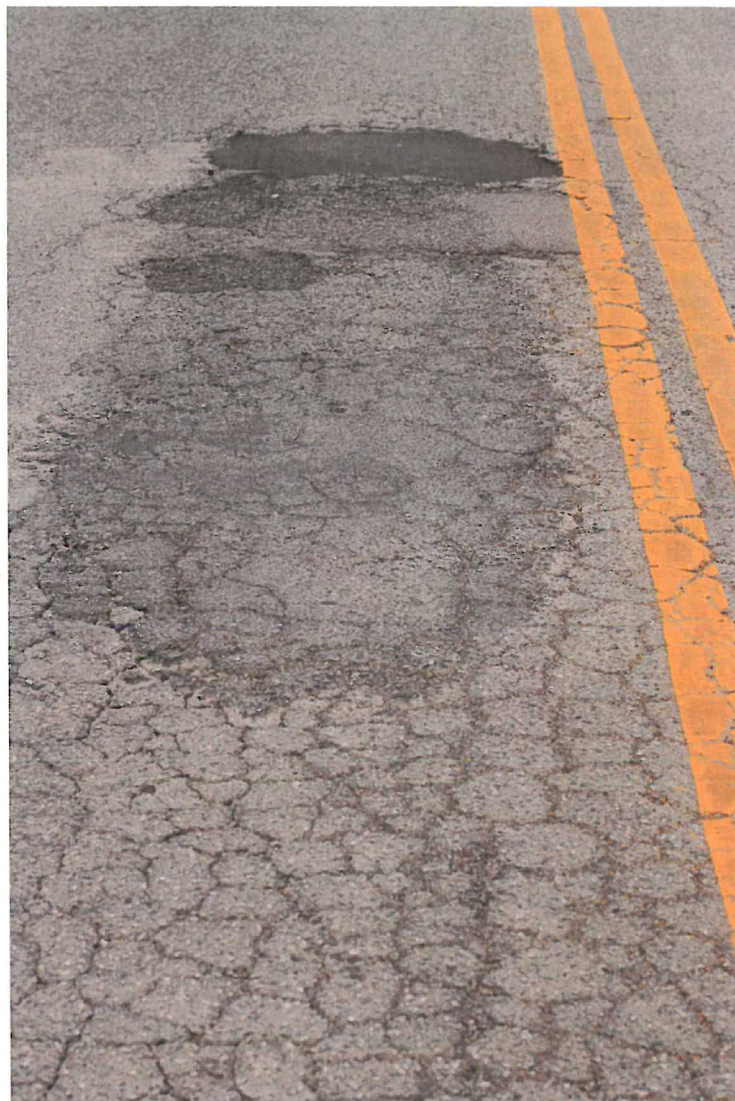
OPERATIONS and MAINTENANCE FISCAL IMPACT: Santa Clara County is responsible for operations and maintenance costs.

Project: Assessment District - Streets

Project Location: Citywide

Project No.: 563013

Category: Streets & Roads



DESCRIPTION: Funds collected from several legacy assessment districts will be used to construct maintenance-related public improvements. Eligible street improvements include the construction of streets and their related ancillary elements like signage, signalization, and landscaping.

JUSTIFICATION: Specific needed improvements have been identified in every district that will accomplish infrastructure upgrades serving the related developments.

RESPONSIBLE DEPARTMENTS: Public Works, Community Services

563013 - Assessment District - Streets		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$45					\$45	
6360 - Construction	\$601					\$601	
6530 - Project Implementation	\$60					\$60	
PROJECT COST	\$706					\$706	
FUNDING SOURCE(S)							
308-Street Fund (xfr from Special Deposits 820)	\$706					\$706	
FUNDING TOTALS	\$706					\$706	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q1-Q2				
Community Input & Environmental Reviews	Q2				
City Council Approvals					
Finalized Design	Q2				
Construction	Q3-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Estimate based on past experiences, intended uses of the funds, and the funding available; preliminary engineering only. Funds not used for design will be shifted to construction.

PRIOR EXPENDITURES: None

OPERATIONS and MAINTENANCE FISCAL IMPACT: Reduced street maintenance expenses for many years in most districts. Increased expenses for traffic signal battery maintenance in some districts.

Project: Parking Lot Maintenance and Rehabilitation

Project No.: 568014

Project Location: Citywide

Category: Streets & Roads



DESCRIPTION: The City owns parking lots in the Downtown and throughout the community at parks and public facilities. These lots require periodic slurry sealing and restriping which will be addressed on a rotational basis each year. For FY15-16, the parking lots at the Corporation Yard and Community and Cultural Center are scheduled to be addressed.

JUSTIFICATION: Maintaining parking lot surfaces is a required maintenance activity.

RESPONSIBLE DEPARTMENTS: Community Services

568014 - Parking Lot Maintenance and Rehabilitation	(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20	
EXPENDITURE CATEGORY						
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support						\$0
6360 - Construction	\$40	\$40	\$40	\$40	\$40	\$200
6530 - Project Implementation						\$0
PROJECT COST	\$40	\$40	\$40	\$40	\$40	\$200
FUNDING SOURCE(S)						
346-Public Facilities (non-AB1600 RDCS)	\$40	\$40	\$40	\$40	\$40	\$200
FUNDING TOTALS	\$40	\$40	\$40	\$40	\$40	\$200

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1	Q1	Q1	Q1	Q1
Community Input & Environmental Reviews					
City Council Approvals	Q1	Q1	Q1	Q1	Q1
Finalized Design					
Construction	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2
Project Close-out	Q2	Q2	Q2	Q2	Q2

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: This is a preliminary estimate based on prior similar projects.

PRIOR EXPENDITURES: None - FY14-15 \$40,000 (estimated)

OPERATIONS and MAINTENANCE FISCAL IMPACT: This project directly addresses maintenance needs. In addition, the slurry sealing of asphalt protects the surface from water, extends its life, and reduces long-term maintenance expenses.

Project: Fourth Street Reconstruction

Project No.: 569014

Project Location: Downtown between Monterey Rd. and Depot St.

Category: Streets & Roads



DESCRIPTION: Reconstruct Fourth Street between Monterey Road and Depot Street. Roadway to be improved by undergrounding overhead utilities, replacing curb, gutter, sidewalks, street lights, and paved roadway. In addition, the water main and sewer mains will both be upgraded. Construction started in 2014 and will be completed by 2015.

JUSTIFICATION: Fourth Street will serve as the only roadway to provide access to the City's new parking structure. Currently, the condition of Fourth Street is substandard and in disrepair.

RESPONSIBLE DEPARTMENTS: Public Works

569014 - Fourth Street Reconstruction		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$50					\$50	
6360 - Construction	\$335					\$335	
6530 - Project Implementation	\$50					\$50	
PROJECT COST	\$435					\$435	
FUNDING SOURCE(S)							
346-Public Facilities (non-AB1600 RDCS)	\$435					\$435	
FUNDING TOTALS	\$435					\$435	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design					
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design					
Construction	Q1-Q2				
Project Close-out	Q3				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on recent publicly bid projects of a similar nature.

PRIOR EXPENDITURES: None - FY14-15 \$1,665,000 (estimated)

OPERATIONS and MAINTENANCE FISCAL IMPACT: New street improvements will reduce O&M costs for the next 5 years.

Project: Charging Stations - Civic Center

Project No.: 570014

Project Location: DSC & Library

Category: Streets & Roads



DESCRIPTION: Install two Level 2 Electric Vehicle (EV) Charging Stations. The EV stations will be installed at the DSC and Library parking lots. Power will be supplied by the DSC building. The electrical system will be designed for future expandability, should more EV stations be needed.

JUSTIFICATION: To support the growing use of electric vehicles within our community. The City of Morgan Hill received \$6,000 TFCA grant funds for this project.

RESPONSIBLE DEPARTMENTS: Public Works, Community Services

570014 - Charging Stations - Civic Center

(Thousands of Dollars)

Five

2015-16 2016-17 2017-18 2018-19 2019-20

Year

EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Five Year
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support	\$5					\$5
6360 - Construction	\$30					\$30
6530 - Project Implementation	\$5					\$5
PROJECT COST	\$40					\$40
FUNDING SOURCE(S)						
347-Public Facilities Impact Funds (AB1600)	\$40					\$40
FUNDING TOTALS	\$40					\$40

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q1				
Community Input & Environmental Reviews	Q1				
City Council Approvals	Q1				
Finalized Design	Q1				
Construction	Q2				
Project Close-out	Q2				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on preliminary engineering estimate.

PRIOR EXPENDITURES: - FY14-15 \$10,850 (estimated)

OPERATIONS and MAINTENANCE FISCAL IMPACT: The EV charging stations annual network service plan cost is \$255 per station, for a total of \$2,040 per year. The stations are anticipated to cover these costs if the station demand is great enough.

Project: Sidewalk Repairs

Project No.: 574015

Project Location: Citywide

Category: Streets & Roads



DESCRIPTION: The City has completed multiple sidewalk repair projects over the last three fiscal years. This newly established project moves Citywide sidewalk repairs into a single area for continued focus. This project provides for responsive annual sidewalk repair to the areas of highest need in the City.

JUSTIFICATION: Continuous investment in sidewalks is necessary to reduce liability and provide for the safety for the City's residents.

RESPONSIBLE DEPARTMENTS: Public Works

574015 - Sidewalk Repairs	(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20	
EXPENDITURE CATEGORY						
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support						\$0
6360 - Construction	\$230	\$230	\$50	\$50	\$50	\$610
6530 - Project Implementation	\$20	\$20	\$10	\$10	\$10	\$70
PROJECT COST	\$250	\$250	\$60	\$60	\$60	\$680
FUNDING SOURCE(S)						
355-School Pedestrian Safety	\$250	\$250	\$60	\$60	\$60	\$680
FUNDING TOTALS	\$250	\$250	\$60	\$60	\$60	\$680

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1	Q1	Q1	Q1	Q1
Community Input & Environmental Reviews	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2
City Council Approvals	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2	Q1-Q2
Finalized Design	Q2	Q2	Q2	Q2	Q2
Construction	Q3-Q4	Q3-Q4			
Project Close-out	Q4	Q4			

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: The number of repairs each year is driven by the available funding and resources available to implement the project.

PRIOR EXPENDITURES: None in this specific CIP, however, funds have been previously spent on sidewalks in other CIPs.

OPERATIONS and MAINTENANCE FISCAL IMPACT: The Community Services Maintenance team makes immediate emergency repairs to severely damaged sidewalks. The sidewalk improvement project reduces the number of repairs necessary and provides for maintenance resources to be utilized in other areas.

Project: Traffic Signal and Intersection
Capacity Study

Project No.: 575015

Project Location: Various Intersections

Category: Streets & Roads



DESCRIPTION: Evaluate major intersections for traffic efficiency modifications/improvements with a focus on the following locations: Tennant Ave & Butterfield Blvd., E. Main Ave & Monterey Street, E. Dunne Ave & Condit Rd.

JUSTIFICATION: Improve intersection efficiency based on observed congestion.

RESPONSIBLE DEPARTMENTS: Public Works

575015 - Traffic Signal and Intersection Capacity Study		(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20		
EXPENDITURE CATEGORY							
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$30					\$30	
6360 - Construction						\$0	
6530 - Project Implementation						\$0	
PROJECT COST	\$30					\$30	
FUNDING SOURCE(S)							
309-Traffic Impact Fund (AB1600)	\$15					\$15	
346-Public Facilities (non-AB1600 RDCS)	\$15					\$15	
FUNDING TOTALS	\$30					\$30	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q3				
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design	Q4				
Construction					
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Estimate based on similar project.

PRIOR EXPENDITURES: This is a new project.

OPERATIONS and MAINTENANCE FISCAL IMPACT: No impact to operating budget.

Project: Downtown Improvement Projects

Project No.: DWNTWN

Project Location: Downtown Corridor

Category: Streets & Roads



DESCRIPTION: These Downtown projects will enhance Monterey Road, a multi-level parking structure on 3rd Street and the sidestreets in the Downtown area utilizing past visioning and scoping efforts, and with fresh input from Downtown stakeholders and the community at large. Improvements include the new parking structure on Third Street, utility undergrounding, new curb, gutter and sidewalk, new lighting, landscaping, decorative hardscape and median improvements.

541E12 - Multi-Level Parking Structure: Is under construction, anticipated to be complete by Nov 2015

543a15 - Third Street Reconstruction: Is under design, anticipated to be complete by Nov 2015

560012 - Monterey Rd. Streetscapes: Is under design, anticipated to be complete by Nov 2015

560a14 - Downtown Sidestreets: Is under design, anticipated to be complete by Dec 2015

571014 - Third Street Plaza: Is under design, anticipated to be complete by Nov 2015

JUSTIFICATION: In May 2014, a plan was developed to utilize \$23M in remaining RDA monies to develop public projects in the downtown area.

RESPONSIBLE DEPARTMENTS: Public Works

DWNTWN - Downtown Improvement Projects		(Thousands of Dollars)					Five Year
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20		
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$200					\$200	
6360 - Construction	\$1,490					\$1,490	
6530 - Project Implementation	\$350					\$350	
PROJECT COST	\$2,040					\$2,040	
FUNDING SOURCE(S)							
250-Successor Agency (Bond Proceeds)	\$2,040					\$2,040	
FUNDING TOTALS	\$2,040					\$2,040	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1-Q2				
Community Input & Environmental Reviews					
City Council Approvals	Q1-Q2				
Finalized Design	Q2				
Construction	Q2-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: The costs shown reflect the remaining former RDA Bond Proceeds available to complete the projects listed.

PRIOR EXPENDITURES: - FY14-15 \$17,000,000 (estimated)

OPERATIONS and MAINTENANCE FISCAL IMPACT: The costs associated with the operations and maintenance of the various projects have or will be included in the appropriate operations budget, depending on the time of completion.

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**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Water**

(Thousands of Dollars)

2015-16 2016-17 2017-18 2018-19 2019-20 TOTALS

PROJECT TITLE

601000	New Well Property/Construction	\$1,963	\$0	\$1,140	\$400	\$0	\$3,503
602000	New Water Reservoirs	\$2,286	\$0	\$0	\$0	\$0	\$2,286
603000	New Water Mains	\$1,423	\$1,050	\$0	\$200	\$200	\$2,873
607000	Booster Pump Rehabilitation	\$1,394	\$0	\$0	\$0	\$0	\$1,394
608000	Rehabilitate Water Wells	\$213	\$0	\$0	\$0	\$0	\$213
610000	Water Main Replacement	\$580	\$0	\$0	\$0	\$0	\$580
620007	Re-coat Water Reservoir/Tank	\$415	\$0	\$0	\$0	\$0	\$415
623014	Recycled Water MP Supplemental Study	\$400	\$0	\$0	\$0	\$0	\$400
		\$8,674	\$1,050	\$1,140	\$600	\$200	\$11,664

PROJECT FUNDING SOURCES

643	Sewer System Replacement Fund	\$300	\$0	\$0	\$0	\$0	\$300
651	Water Impact Fund (AB1600)	\$0	\$1,050	\$1,140	\$600	\$200	\$2,990
651	Water Impact Fund (Bond Proceeds)	\$3,834	\$0	\$0	\$0	\$0	\$3,834
653	Water System Replacement Fund	\$300	\$0	\$0	\$0	\$0	\$300
653	Water System Replacement (Bond Proceeds)	\$4,240	\$0	\$0	\$0	\$0	\$4,240
		\$8,674	\$1,050	\$1,140	\$600	\$200	\$11,664

Project: New Well Property/Construction

Project Location: City-wide

Project No.: 601000

Category: Water



DESCRIPTION: New water wells are required to meet the City's water supply needs as Morgan Hill grows and to provide the necessary reliability during drought conditions.

In FY 14/15, the City accelerated the development of two new wells to provide for more reliability. The Walnut Grove Well and Main Well were designed and drilled. For FY 15/16, these two wells will be fully developed and housed in protective structures.

In FY 17/18, a Future Well - Master Plan will start.

JUSTIFICATION: New wells are identified in the 2002 Water Master Plan and reflect the need for additional capacity as the community continues to develop and demand additional water resources. The 2002 Water Master Plan will be updated in FY15-16 and the need for future wells will be identified in order to meet new demand.

RESPONSIBLE DEPARTMENTS: Public Works

601000 - New Well Property/Construction		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$50		\$34	\$30			\$114
6360 - Construction	\$1,813		\$1,030	\$350			\$3,193
6530 - Project Implementation	\$100		\$76	\$20			\$196
PROJECT COST	\$1,963		\$1,140	\$400			\$3,503
FUNDING SOURCE(S)							
651-Water Impact Fund (Bond Proceeds)	\$1,963						\$1,963
651-Water Impact Fund (AB1600)			\$1,140	\$400			\$1,540
FUNDING TOTALS	\$1,963		\$1,140	\$400			\$3,503

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1		Q1	Q1	
Project Design	Q1-Q2		Q1-Q2	Q1-Q2	
Community Input & Environmental Reviews			Q2	Q2	
City Council Approvals					
Finalized Design	Q2		Q2	Q2	
Construction	Q3-Q4		Q3-Q4	Q3-Q4	
Project Close-out	Q4		Q4	Q4	

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Estimate is based on staff's recent experience constructing the Diana 1 well, however each well site is unique and cost estimates can vary greatly depending on many factors including the volatile cost for well construction materials, gravel pack, stainless steel, mechanical design, and the unknown groundwater formation.

PRIOR EXPENDITURES: - FY14/15 \$1,820,628 (estimated) - FY13/14 \$153 (Walnut Grove) - FY13/14 \$47,879 (New Wells) - FY12/13 \$1,976 - FY11/12 \$0 - FY10/11 \$100,412 - FY09/10 \$321,969 - FY08/09 \$986,486 - FY07/08 \$259,587 - FY06/07 \$227,169 - FY05/06 \$593,767 - FY04/05 \$606,291

OPERATIONS and MAINTENANCE FISCAL IMPACT: This project will increase maintenance and operating costs which will be offset by increased water sales.

Project: New Water Reservoirs

Project Location: City-wide

Project No.: 602000

Category: Water



DESCRIPTION: The 2002 Water Master Plan identified the need for several additional water reservoirs which will increase storage capabilities and fire protection and assist meeting peak demand levels. In FY14-15 a new tank at East Dunne Avenue and Flaming Oaks Lane with a capacity of 750,000 gallons was designed. Construction to occur in FY 15/16.

JUSTIFICATION: Reservoirs allow the City to meet peak demand, but also reduce electrical costs since they typically operate during off-peak times. Additional tanks also create redundancy in the system which allows the City to continually provide water for consumption and fire protection, even while other components may be off-line due to maintenance, repair, or natural disaster. The 2002 Water Master Plan will be updated in FY 15/16, and the need for future reservoirs will be identified to meet capacity needs.

RESPONSIBLE DEPARTMENTS: Public Works

602000 - New Water Reservoirs		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$150					\$150	
6360 - Construction	\$2,016					\$2,016	
6530 - Project Implementation	\$120					\$120	
PROJECT COST	\$2,286					\$2,286	
FUNDING SOURCE(S)							
651-Water Impact Fund (Bond Proceeds)	\$986					\$986	
653-Water System Replacement (Bond Proceeds)	\$1,300					\$1,300	
FUNDING TOTALS	\$2,286					\$2,286	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q2				
Community Input & Environmental Reviews	Q2				
City Council Approvals	Q2				
Finalized Design	Q3				
Construction	Q3-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Estimates are generalizations of what a tank might typically cost, however until design is completed, the true costs associated with each individual tank will not be identified.

PRIOR EXPENDITURES: - FY14/15 \$35,000 (estimated) - FY13/14 \$0 - FY12/13 \$0 - FY11/12 \$0 - FY10/11 \$3,448 - FY09/10 \$87,957 - FY08/09 \$617,261 - FY 07/08 \$367,708 - FY06/07 \$4,191 - FY05/06 \$192,067 - FY04/05 \$7,283

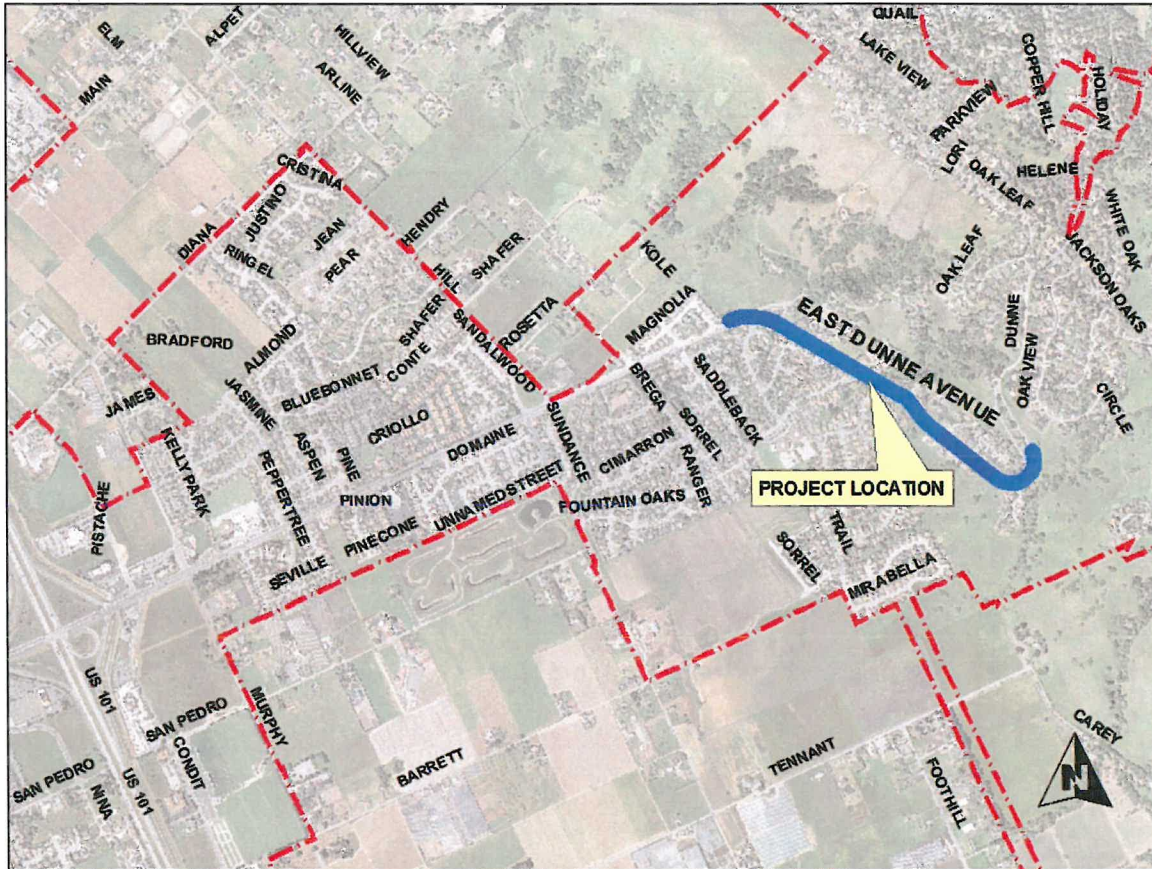
OPERATIONS and MAINTENANCE FISCAL IMPACT: This project will increase maintenance and operating costs which will be offset by increased water sales.

Project: New Water Mains

Project Location: City-wide

Project No.: 603000

Category: Water



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DESCRIPTION: Ongoing development results in greater demand for water services and thus new water mains are required for distributing water to the new areas.

For FY 15-16, the new water main to be installed is the Dunne Hill Tank Water Main.

FY 16-17 through FY 19-20 will include work on the Water Main Master Plan.

JUSTIFICATION: The new water mains will ensure that there is an adequate distribution system enabling the City to meet new water demands.

RESPONSIBLE DEPARTMENTS: Public Works

603000 - New Water Mains		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$80	\$60		\$25	\$25		\$190
6360 - Construction	\$1,253	\$940		\$160	\$160		\$2,513
6530 - Project Implementation	\$90	\$50		\$15	\$15		\$170
PROJECT COST	\$1,423	\$1,050		\$200	\$200		\$2,873
FUNDING SOURCE(S)							
651-Water Impact Fund (Bond Proceeds)	\$474						\$474
651-Water Impact Fund (AB1600)		\$1,050		\$200	\$200		\$1,450
653-Water System Replacement (Bond Proceeds)	\$949						\$949
FUNDING TOTALS	\$1,423	\$1,050		\$200	\$200		\$2,873

ESTIMATED PROJECT SCHEDULE		2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1	Q1				
Project Design	Q2	Q2		Q1-Q2	Q1-Q2	
Community Input & Environmental Reviews	Q2	Q2		Q3	Q3	
City Council Approvals	Q2	Q2		Q4	Q4	
Finalized Design	Q3	Q3				
Construction	Q3-Q4	Q3-Q4				
Project Close-out	Q4	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Engineer's estimates based on previous projects.

PRIOR EXPENDITURES: - FY14/15 \$1,083,643 (Mast Wtr Main est) - FY13/14 \$78,805 (Mast Water Main) - FY12/13 \$0 - FY11/12 \$0 - FY10/11 \$5,897 - FY09/10 \$1,552,134 (Burnett Water/Sewr) - FY08/09 \$129,396 - FY07/08 \$50,657 - FY06/07 \$0 - FY05/06 \$145,585 - FY04/05 \$0

OPERATIONS and MAINTENANCE FISCAL IMPACT: This project will increase maintenance and operating costs which will be offset by water sales.

Project: Booster Pump Rehabilitation

Project Location: City Booster Stations

Project No.: 607000

Category: Water



DESCRIPTION: The City has an ongoing maintenance program of repairs/updates for the City's ten booster stations. Upcoming projects in FY 15-16 include the retrofit of the E. Dunne Booster Station to support the new Hill Reservoir and the Oak Canyon Booster Station.

JUSTIFICATION: In order to ensure system reliability, the booster stations are on a scheduled maintenance program.

RESPONSIBLE DEPARTMENTS: Public Works

607000 - Booster Pump Rehabilitation		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$60					\$60	
6360 - Construction	\$1,244					\$1,244	
6530 - Project Implementation	\$90					\$90	
PROJECT COST	\$1,394					\$1,394	
FUNDING SOURCE(S)							
651-Water Imapct Fund (Bond Proceeds)	\$261					\$261	
653-Water System Replacement (Bond Proceec	\$1,133					\$1,133	
FUNDING TOTALS	\$1,394					\$1,394	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q1				
Community Input & Environmental Reviews	Q2				
City Council Approvals	Q2				
Finalized Design	Q2				
Construction	Q3-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on Engineer's Estimates

PRIOR EXPENDITURES: - FY14/15 \$115,302 (Oak Canyon est) - FY13/14 \$67,811 (E Dunne Booster) - FY12/13 \$120,866 - FY11/12 \$34,328 - FY10/11 \$369,481 - FY09/10 \$30,454 - FY08/09 \$29,667 - FY07/08 \$22,643 - FY06/07 \$2,705 - FY05/06 \$411,466 - FY04/05 \$835,142

OPERATIONS and MAINTENANCE FISCAL IMPACT: Investing in the booster station rehabilitation program ensures safety and reliability, and reduces emergency repair costs.

Project: Rehabilitate Water Wells

Project Location: City-wide

Project No.: 608000

Category: Water



DESCRIPTION: The City has an ongoing maintenance program of repairs/updates for the City's 17 active water wells.

Design for the Rehabilitation of the Water Supply Well Buildings started in FY 14/15 and construction will be done in FY 15/16.

JUSTIFICATION: In order to ensure system reliability, the water wells are on a scheduled maintenance program.

RESPONSIBLE DEPARTMENTS: Public Works

608000 - Rehabilitate Water Wells		(Thousands of Dollars)					Five
		2015-16	2016-17	2017-18	2018-19	2019-20	Year
EXPENDITURE CATEGORY							
6120 - Property Acquisition							\$0
6121 - Right-of-Way Acquisition							\$0
6220 - Architecture, Design & Constr Support	\$10						\$10
6360 - Construction	\$183						\$183
6530 - Project Implementation	\$20						\$20
PROJECT COST	\$213						\$213
FUNDING SOURCE(S)							
653-Water System Replacement (Bond Proceed	\$213						\$213
FUNDING TOTALS	\$213						\$213

ESTIMATED PROJECT SCHEDULE		2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1					
Project Design	Q1					
Community Input & Environmental Reviews	Q2					
City Council Approvals	Q2					
Finalized Design	Q2					
Construction	Q3-Q4					
Project Close-out	Q4					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on Engineer's Estimates

PRIOR EXPENDITURES: - FY14/15 \$541,700 (estimated) - FY13/14 \$18,594 (Boys Ranch #3-PS) - FY13/14 \$372,230 (Boys Ranch #3) - FY13/14 \$5,930 (Diana #1 Well Repl) - FY12/13 \$107,767 - FY11/12 \$272,675 - FY10/11 \$72,602 - FY09/10 \$89,636 - FY08/09 \$19,114 - FY07/08 \$14,362 - FY06/07 \$0 - FY05/06 \$24 - FY04/05 \$0

OPERATIONS and MAINTENANCE FISCAL IMPACT: Investing in the water well rehabilitation program ensures safety and reliability, and reduces emergency repair costs.

Project: Water Main Replacement

Project No.: 610000

Project Location: City-wide

Category: Water



DESCRIPTION: The City has approximately 182 miles of water pipelines in its water distribution system ranging in age. Replacement of aging pipelines is a routine, ongoing program.

In FY 15-16, the water pipelines in the downtown area will be replaced in conjunction with ongoing development activities. In addition to improving the system's reliability, these new water pipelines will be upsized to current City standards resulting in improved fire protection.

JUSTIFICATION: In order to ensure system reliability, the City's water mains are on a scheduled maintenance/replacement program.

RESPONSIBLE DEPARTMENTS: Public Works

610000 - Water Main Replacement		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$50					\$50	
6360 - Construction	\$480					\$480	
6530 - Project Implementation	\$50					\$50	
PROJECT COST	\$580					\$580	
FUNDING SOURCE(S)							
651-Water Impact Fund (Bond Proceeds)	\$108					\$108	
653-Water System Replacement (Bond Proceeds)	\$272					\$272	
653-Water System Replacement Fund	\$200					\$200	
FUNDING TOTALS	\$580					\$580	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development					
Project Design	Q1				
Community Input & Environmental Reviews	Q1-Q2				
City Council Approvals	Q2				
Finalized Design					
Construction	Q2-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on Engineer's estimates

PRIOR EXPENDITURES: - FY14/15 \$675,635 (Main Av Wtr Mn est) - FY13/14 \$2,517 (Main Ave Wtr Main) - FY12/13 \$841,528 - FY11/12 \$157,279 - FY10/11 \$3,448 - FY09/10 \$87,957 - FY08/09 \$617,261 - FY07/08 \$367,708 - FY06/07 \$4,191 - FY05/06 \$192,067 - FY04/05 \$7,283

OPERATIONS and MAINTENANCE FISCAL IMPACT: Investing in the water main replacement program ensures safety and reliability, and reduces emergency repair costs.

Project: Re-coat Water Reservoir/Tank

Project No.: 620007

Project Location: City's Water Storage Reservoirs

Category: Water



DESCRIPTION: The City has 13 water tanks/reservoirs that must be maintained in accordance with American Water Works Association (AWWA) standards. A typical re-coating includes the removal of the old coating, application of a new internal epoxy coating, corrosion-resistant paint on the exterior surface and structural repairs and required upgrades. In FY 15-16, the El Toro Tank rehabilitation will be finished, and repairs and stabilization to the access road (due to being adjacent to the hillside) will be completed.

JUSTIFICATION: The ongoing re-coating project is required for compliance with the City's Water System Operating permit issued by the Department of Public Health. Each re-coating typically lasts for 15-25 years depending on the tank location and other environmental factors.

RESPONSIBLE DEPARTMENTS: Public Works

620007 - Re-coat Water Reservoir/Tank		(Thousands of Dollars)					Five
EXPENDITURE CATEGORY	2015-16	2016-17	2017-18	2018-19	2019-20	Year	
6120 - Property Acquisition						\$0	
6121 - Right-of-Way Acquisition						\$0	
6220 - Architecture, Design & Constr Support	\$20					\$20	
6360 - Construction	\$365					\$365	
6530 - Project Implementation	\$30					\$30	
PROJECT COST	\$415					\$415	
FUNDING SOURCE(S)							
651-Water Impact Fund (Bond Proceeds)	\$42					\$42	
653-Water System Replacement (Bond Proceeds)	\$373					\$373	
FUNDING TOTALS	\$415					\$415	

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q2				
Community Input & Environmental Reviews	Q2				
City Council Approvals	Q2				
Finalized Design	Q3				
Construction	Q3-Q4				
Project Close-out	Q4				

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on Engineer's estimates

PRIOR EXPENDITURES: - FY14/15 \$9,575 (estimated) - FY13/14 \$204,543 (Llagas Tank) - FY12/13 \$16,697 - FY11/12 \$0 - FY10/11 \$0 - FY09/10 \$89,040 - FY08/09 \$562,221 - FY07/08 \$0

OPERATIONS and MAINTENANCE FISCAL IMPACT: There is no significant ongoing fiscal impact associated with the reservoir/tank re-coating project.

Project: Recycled Water MP Supplemental Study

Project No.: 623014

Project Location: SCVWD & SCRWA - San Jose/Gilroy

Category: Water



DESCRIPTION: The Santa Clara Valley Water District (SCVWD) and South County Regional Wastewater Authority (SCRWA) are partnering in a revised Recycled Water Master Plan for FY 14/15. Because the wastewater treatment plant is jointly operated by the cities of Gilroy and Morgan Hill, a significant portion of water usage in Morgan Hill in the form of wastewater will be considered in the Master Plan study.

The scope of this supplemental study will be to coordinate with the efforts of the larger SCVWD/SCRWA Master Plan Study, and take a closer look at how Morgan Hill could receive recycled water in the future and to explore other areas that will help maintain a sustainable water supply.

The City study was awarded in FY 14/15 and will be complete in FY 15/16. For FY 15/16, design will begin on a recycled water project yet to be determined. Once the City has completed the supplemental study and a water rate study, funding for design and construction of projects will be better understood.

JUSTIFICATION: The Recycled Water Master Plan Supplemental Study will identify opportunities to increase the use of recycled water.

RESPONSIBLE DEPARTMENTS: Public Works

623014 - Recycled Water MP Supplemental Study	(Thousands of Dollars)					Five Year
	2015-16	2016-17	2017-18	2018-19	2019-20	
EXPENDITURE CATEGORY						
6120 - Property Acquisition						\$0
6121 - Right-of-Way Acquisition						\$0
6220 - Architecture, Design & Constr Support						\$0
6360 - Construction	\$350					\$350
6530 - Project Implementation	\$50					\$50
PROJECT COST	\$400					\$400
FUNDING SOURCE(S)						
643-Sewer System Replacement Fund	\$300					\$300
653-Water System Replacement Fund	\$100					\$100
FUNDING TOTALS	\$400					\$400

ESTIMATED PROJECT SCHEDULE	2015-16	2016-17	2017-18	2018-19	2019-20
Funding Development	Q1				
Project Design	Q1-Q4				
Community Input & Environmental Reviews					
City Council Approvals					
Finalized Design					
Construction					
Project Close-out					

FINANCIAL DISCUSSION & FISCAL IMPACT

COST ESTIMATE ACCURACY: Based on preliminary estimates from various Master Plan consultants.

PRIOR EXPENDITURES: None - FY14/15 \$40,192 (estimated)

OPERATIONS and MAINTENANCE FISCAL IMPACT: Investing in a Recycled Master Plan Supplemental Study will help to identify alternative opportunities to reduce water usage in the community.

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THE USE OF CAPITAL FUNDS FOR CIP PROJECTS

OVERVIEW

This section describes the capital funds used for the construction of capital improvement projects in the City's 5-Year Capital Improvement Program. Each fund is described on its own individual page with a brief description of the fund, followed by a description of how that fund generates money for capital investment; limitations and other important factors relating to the use of that fund; and, the goals for capital investment for that fund.

In accordance with the City's fiscal policies, capital improvements are financed primarily through user fees, service charges, assessments, special taxes or developer agreements when benefits can be specifically attributed to users of the facility. As these funds are received, they are accumulated into specific fund categories for tracking purposes, and for use only for capital projects.

Accordingly, development impact fees are created and implemented at levels sufficient to ensure that new development pays its fair share of the cost of constructing necessary community facilities as needed to handle the demand for new services. Development impact fees and residential development control system fees are major funding sources in financing City improvements. However, revenues from these fees are subject to significant fluctuation based upon the rate of new development.

The following guidelines are followed in designing and building projects funded with development impact fees or Measure C fees:

- The availability of fees in funding a specific project will be analyzed on a case-by-case basis as plans and specifications or contract awards are submitted for City Manager or City Council approval.
- If adequate funds are not available at that time, the City Council will make one of two determinations:
 - 1) Defer the project until funds are available, or
 - 2) Based on the high-priority of the project, advance funds from other available City funds.
- Repayment of advances and related interest will be the first use of development impact funds and Measure C funds when they become available.

PRO FORMA AND HOW IT IS USED IN CAPITAL BUDGET PLANNING

A "pro forma" is a balance sheet that shows the balances projected to be available in each fund at the end of each fiscal year based on projected revenues (using conservative estimates) and a detailed program of expenditures as laid out in the 5-Year CIP. Projects are funded on the basis of available funding. In those out-years, if the pro forma shows a negative fund balance, the decision will be made in the interim as to whether to move the project out, reduce the scope of work for that year, develop alternate revenue sources, or delete the project. These decisions will be made by aligning available funding with the overall goals of the 5-Year CIP.

There are two tables at the bottom of each page that accomplish the following purpose:

- "Projects within Fund" - This lists the projects that are funded (partially or in whole) by the use of that fund. Projects funded by more than one fund are listed again within the page(s) that describe the other participating funds.
- "5-Year Pro Forma within Fund" - This shows the progression of fund balance within a particular fund over the next five years based on revenues received (as projected) and capital expenditures as programmed in the 5-Year CIP. The fund balance begins with the estimated ending balance as of June 30, 2015.

NEEDED-BUT-NOT-FUNDED PROJECTS

This is a listing of capital projects for which no funding sources are currently available, yet which are described as needed within the General Plan, within the Master Plans (for Storm Drainage, Sewer, and Water), and within other planning documents.

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Fund 215 - CDBG

The Community Development Block Grant (CDBG) and CDBG Revolving Loan Funds are special revenue funds used to account for Federal low and moderate income housing program funds. These funds are restricted to low and moderate income housing uses. These funds are issued by the U.S. Department of Housing and Urban Development, and fund local community development activities such as affordable housing, anti-poverty programs, and infrastructure development.

How this Fund Generates Money for Capital Investment. These funds are issued by the U.S. Department of Housing and Urban Development, funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$142,000	FY15/16	\$77,952
FY13/14	\$59,988	FY16/17	\$0
FY12/13	(\$46)	FY17/18	\$0
FY11/12	\$90,051	FY18/19	\$0
FY10/11	\$338,038	FY19/20	\$0
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. Overall uses allowed include: community development activities (such as real estate acquisition, relocation, demolition, rehabilitation of housing and commercial buildings), construction of public facilities and improvements (such as water, sewer, and other utilities, street paving, and sidewalks), construction and maintenance of neighborhood centers, and the conversion of school buildings, public services, and economic development and job creation/retention activities.

Goals for Capital Investment. In compliance with the intended CDBG purpose, the funds made available for the City's 5-Year CIP program will be used for ongoing installment of curb ramps city-wide to make sidewalks more accessible for the disabled, improvements to recreational facilities located in eligible neighborhoods, and security improvements, such as surveillance cameras, in eligible locations.

Projects within Fund 215						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
247012 - CDBG Funded Projects	\$77,000	\$0	\$0	\$0	\$0	\$77,000
Totals	\$77,000	\$0	\$0	\$0	\$0	\$77,000

5-Year Pro Forma within Fund 215							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$77,952	\$0	\$0	\$0	\$0	
CIP Expenditures		\$77,000	\$0	\$0	\$0	\$0	
Other Expenditures		\$0	\$0	\$0	\$0		
Balances	(\$902)	\$50	\$50	\$50	\$50	\$50	

Fund 250 - Redevelopment Bond Proceeds

The Redevelopment Agency (RDA), established in 1980 and eliminated in 2012, had as one of its primary goals the rehabilitation and revitalization of blighted areas in residential neighborhoods and business districts. The projects developed underutilized and vacant lands, assisted in providing affordable housing, assisted in business attraction, retention and rehabilitation programs, and provided community services such as housing and business counseling. Additionally, the RDA provided financial assistance for many capital improvement projects and rehabilitated and constructed the City's infrastructure such as streets, water and sewer lines, storm drains, and community facilities.

How this Fund Generates Money for Capital Investment. In 2007, the former Redevelopment Agency issued approximately \$120 Million in bonds to finance an array of public facilities, public infrastructure, and economic development projects. While much has been accomplished, there remains a balance of bond proceeds. The balance of this fund's revenues come from remaining bond proceeds to complete contractual obligations at the time the RDA was abolished.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$0	FY15/16	\$0
FY13/14	\$105,375,44	FY16/17	\$0
FY12/13	\$15,575,175	FY17/18	\$0
FY11/12	\$420,519	FY18/19	\$0
FY10/11	\$16,764,416	FY19/20	\$0
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. These funds may be used only for the purposes for which the original bond issue was intended, and that is to rehabilitate and revitalize blighted areas in residential neighborhoods and business districts.

Goals for Capital investment. The goals for the use of this fund during this period are to assist the City in accomplishing its economic development goals, funding expansion of sewer system capacity, and investing into the infrastructure of the Downtown area and adjacent streets. Key projects include expanding and improving the parking inventory, upgrades to Downtown streets (utilities, pavement, lighting, sidewalks), upgrades to Monterey Road, and to further the planning and design of the Hale Avenue extension. The balance of funds remaining are set aside for expenses related to tenant relocation for Site 3 and Private Development.

Projects within Fund 250

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
DWNTWN - Downtown Improvement Projects	\$2,040,000					\$2,040,000
Totals	\$2,040,000	\$0	\$0	\$0	\$0	\$2,040,000

5-Year Pro Forma within Fund 250

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$0	\$0	\$0	\$0	\$0
CIP Expenditures		\$2,040,000				
Other Expenditures		\$0	\$0	\$0	\$0	\$0
Balances	\$6,113,133	\$4,073,133	\$4,073,133	\$4,073,133	\$4,073,133	\$4,073,133

Fund 301 - Park Impact (AB1600)

Park Development Impact Fund revenues are received from developers when they pay impact fees. The funds may only be used for design, development and construction of new parks as the City grows. Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment. New development creates the need for expanded inventory of parks facilities. Impact fee revenues are intended for the capital investment into new parks. The City imposes parks fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$930,682	FY15/16	\$4,041,090
FY13/14	\$1,497,143	FY16/17	\$4,198,451
FY12/13	\$1,601,885	FY17/18	\$1,440,634
FY11/12	\$887,841	FY18/19	\$1,440,893
FY10/11	\$804,124	FY19/20	\$1,362,538
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act. As residents are considered to be the primary users of parks, demand for parks and associated facilities is based on the City's residential population, rather than a combined resident-worker service population.

Goals for Capital Investment. The goal is to expand park facilities to meet the demands of a growing community. Prior to capital investment, a citywide assessment of potential park impact projects and an evaluation of trail needs vs. park needs will be reviewed and a prioritization plan will be established. The Other Expenditures include an annual Transfer Out to General Fund of \$60,000.

Projects within Fund 301						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
106B09 - Butterfield Blvd. Linear Park	\$132,000	\$2,640,000	\$0			\$2,772,000
110097 - Parks Land Purchase	\$2,100,000	\$3,700,000				\$5,800,000
117001 - West Little Llagas Creek Trail	\$315,000	\$125,000				\$440,000
132008 - El Toro Trail	\$0	\$255,000				\$255,000
135013 - Downtown Parks and Trails	\$2,690,000					\$2,690,000
136014 - Parks, Trails & Bikeways Master Plan	\$40,000					\$40,000
137015 - Inclusive Playground	\$330,000					\$330,000
247012 - CDBG Funded Projects	\$110,000					\$110,000
Totals	\$5,717,000	\$6,720,000	\$0	\$0	\$0	\$12,437,000

Fund 301 - Park Impact (AB1600)

5-Year Pro Forma within Fund 301

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$4,041,090	\$4,198,451	\$1,440,634	\$1,440,893	\$1,362,538
CIP Expenditures		\$5,717,000	\$6,720,000	\$0		
Other Expenditures		\$94,755	\$95,805	\$96,892	\$98,015	\$99,178
Balances	\$4,716,504	\$2,945,839	\$328,485	\$1,672,227	\$3,015,105	\$4,278,465

Fund 302 - Park Maintenance Fund

The Park Maintenance Fund was derived from the ongoing Residential Development Control System (RDSCS) whereby developers volunteer to make a financial commitment towards park maintenance to allow them to score additional points for their proposed projects.

How this Fund Generates Money for Capital Investment. Funds received from developers through the RDSCS process are deposited in the Park Maintenance Fund to pay for maintenance activity in parks or to improve or reduce maintenance activity. Transfers to the General Fund are periodically made to support park maintenance activities. Capital expenditures can be made at park facilities to address or minimize future maintenance efforts.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$897,595	FY15/16	\$1,000,703
FY13/14	\$711,575	FY16/17	\$846,464
FY12/13	\$701,990	FY17/18	\$725,321
FY11/12	\$536,269	FY18/19	\$728,028
FY10/11	\$417,977	FY19/20	\$706,091
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. Park Maintenance Funds are to be spent only on the maintenance activities in City parks. Expenditures made for capital improvements will deplete resources allocated in the future for ongoing operations and maintenance.

Goals for Capital Investment. Improvements to the support infrastructure of the Spray Feature at the Community and Cultural Center will make maintenance of the Spray Feature financially acceptable. Other Expenditures include salaries, supplies, and internal services.

5-Year Pro Forma within Fund 302						
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$1,000,703	\$846,464	\$725,321	\$728,028	\$706,091
CIP Expenditures						
Other Expenditures		\$917,185	\$913,756	\$941,922	\$971,260	\$996,601
Balances	\$4,824,167	\$4,907,685	\$4,840,393	\$4,623,792	\$4,380,560	\$4,090,050

Fund 303 - Drainage Impact (AB1600)

Local Drainage Impact Fund revenues are received from developers of properties and the funds may only be used for the design and construction of new storm drains. Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment. Revenues result from the City's development impact fee program, through which new development pays the capital costs associated with growth. New development creates the need for City to expand its inventory of public facilities and build new - or add on to current - infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council-adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$1,160,632	FY15/16	\$2,070,189
FY13/14	\$1,584,390	FY16/17	\$1,648,894
FY12/13	\$1,176,878	FY17/18	\$1,016,144
FY11/12	\$624,992	FY18/19	\$1,016,256
FY10/11	\$549,518	FY19/20	\$960,118
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act. Most new development generates storm water runoff. This runoff must be controlled through storm drain facilities. Storm drain demand is measured by impervious (solid) surface. The more impervious surface a land use creates, the more demand for storm drain facilities it creates.

Goals for Capital Investment. The goal for this fund during this period is to install improvements needed to service anticipated future growth in Morgan Hill.

Projects within Fund 303						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
417099 - West Little Llagas Flood Control/Drai	\$20,000	\$20,000	\$2,450,000	\$3,050,000		\$5,540,000
Totals	\$20,000	\$20,000	\$2,450,000	\$3,050,000	\$0	\$5,540,000

5-Year Pro Forma within Fund 303							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$2,070,189	\$1,648,894	\$1,016,144	\$1,016,256	\$960,118	
CIP Expenditures		\$20,000	\$20,000	\$2,450,000	\$3,050,000		
Other Expenditures		\$15,024	\$15,240	\$15,463	\$15,694	\$15,932	
Balances	\$5,378,725	\$7,413,890	\$9,027,544	\$7,578,225	\$5,528,787	\$6,472,973	

Fund 304 - Drainage

Local Drainage Fund (non-AB1600) revenues are received from developers of properties and the funds may be used for the design, construction, and maintenance of storm drains.

How this Fund Generates Money for Capital Investment. Fees are paid by developers of properties.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$82,941	FY15/16	\$126,300
FY13/14	\$184,157	FY16/17	\$83,831
FY12/13	\$316,953	FY17/18	\$67,361
FY11/12	\$91,840	FY18/19	\$67,392
FY10/11	\$170,856	FY19/20	\$67,423
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. These funds are for use for design, the construction, and maintenance of the City's storm drain system.

Goals for Capital Investment. The goals for the use of this fund are to improve existing storm drainage systems and to mitigate existing capacity deficiencies for property frontage. The City is no longer collecting property frontage fees for this fund.

Projects within Fund 304

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
415097 - Storm Pipe and Inlet Installation	\$105,000	\$50,000	\$150,000	\$120,000		\$425,000
Totals	\$105,000	\$50,000	\$150,000	\$120,000	\$0	\$425,000

5-Year Pro Forma within Fund 304

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$126,300	\$83,831	\$67,361	\$67,392	\$67,423
CIP Expenditures		\$105,000	\$50,000	\$150,000	\$120,000	
Other Expenditures		\$4,712	\$4,875	\$5,042	\$5,216	\$5,396
Balances	\$1,178,188	\$1,194,776	\$1,223,732	\$1,136,051	\$1,078,227	\$1,140,254

Fund 306 - Open Space

This fund accounts for open space fees collected from developers for the purpose of buying land for open space purposes and for certain maintenance activities in open space areas.

How this Fund Generates Money for Capital Investment. Funds collected in the Open Space Fund are primarily used for acquiring properties for open space as part of the Capital Improvements Program. They can also be used to acquire properties to mitigate the loss of agricultural lands.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$983,839	FY15/16	\$624,120
FY13/14	\$837,680	FY16/17	\$624,241
FY12/13	\$730,904	FY17/18	\$624,362
FY11/12	\$221,025	FY18/19	\$624,484
FY10/11	\$310,245	FY19/20	\$624,606
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. Open Space funds are to be used for the acquisition of open space areas and for certain maintenance activities in open space areas.

Goals for Capital Investment. The City will continue to acquire lands for open space purposes which can include mitigation for the loss of agricultural lands as the City builds out or for recreational purposes. Other Expenditures include primarily Contract Services.

Projects within Fund 306						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
125004 - Open Space Acquisitions	\$870,000	\$1,585,000				\$2,455,000
132008 - El Toro Trail	\$0	\$300,000				\$300,000
Totals	\$870,000	\$1,885,000	\$0	\$0	\$0	\$2,755,000

5-Year Pro Forma within Fund 306							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$624,120	\$624,241	\$624,362	\$624,484	\$624,606	
CIP Expenditures		\$870,000	\$1,885,000				
Other Expenditures		\$109,706	\$113,015	\$116,424	\$119,936	\$123,554	
Balances	\$4,870,312	\$4,514,726	\$3,140,952	\$3,648,890	\$4,153,438	\$4,654,490	

Fund 308 - Streets

This fund was established effective July 1, 2007. The fund accounts for resources and requirements for capital projects that support the City of Morgan Hills streets and roads. The fund has been separated from Street Operations, fund 202.

How this Fund Generates Money for Capital Investment. The funds allocated, which are normally transfers from other revenue funds such as the Traffic Impact Fund 309 and grant reimbursements, may be expended on new streets, traffic signals, and improvements of existing streets. Increasing Fund 308 investment of \$2.5 million annually would stabilize street maintenance levels and maintain the current pavement condition index (PCI) of 76.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$1,162,645	FY15/16	\$3,275,917
FY13/14	\$1,647,519	FY16/17	\$1,153,631
FY12/13	\$812,452	FY17/18	\$1,153,667
FY11/12	\$1,179,499	FY18/19	\$1,153,702
FY10/11	\$1,034,125	FY19/20	\$1,153,738
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. This fund does not independently generate any revenues. For the most part, the funds used for street-related work have been primarily grants. Since grants are paid on a reimbursement basis: 1) the work is first completed, 2) a reimbursement request is submitted, and 3) in approximately 60-90 days a reimbursement check is received). Because award of a grant constitutes a "reimbursement promise" by the granting agency, it is not unusual for the process to overlap fiscal years - the work might be completed in one fiscal year, and the reimbursement is received in the new fiscal year.

Expenditures are only made on the assurance of funds to be received. Because Fund 308 has no income sources beyond grants, it occasionally receives loans from another fund so that the grant application process can be initiated (design work, renderings, studies, etc.). These loans are routinely repaid upon receipt of grant reimbursements for the project.

Goals for Capital Investment. The goals of this fund's use during this period are to install improvements that will make the existing roads network more efficient, solve some of the current existing traffic delays, and to expand transit opportunities. Other Expenditures include the general administration.

Projects within Fund 308

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
519000 - Pavement Rehabilitation Program	\$2,561,000	\$1,147,000	\$1,147,000	\$1,147,000	\$1,147,000	\$7,149,000
563013 - Assessment District - Streets	\$706,000	\$0				\$706,000
Totals	\$3,267,000	\$1,147,000	\$1,147,000	\$1,147,000	\$1,147,000	\$7,855,000

5-Year Pro Forma within Fund 308

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$3,275,917	\$1,153,631	\$1,153,667	\$1,153,702	\$1,153,738
CIP Expenditures		\$3,267,000	\$1,147,000	\$1,147,000	\$1,147,000	\$1,147,000
Other Expenditures		\$10,193	\$10,549	\$10,916	\$11,297	\$11,691
Balances	\$95,694	\$94,418	\$90,500	\$86,251	\$81,656	\$76,703

Fund 309 - Traffic Impact

Traffic Impact Fund revenues are received from developers if their projects have an adverse impact on traffic flows, street, etc. The funds collected may be expended on new streets, traffic signals, and improvements of existing street where they are impacted by new development. Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment. Revenues result from the City's development impact fee program, through which new development pays the capital costs associated with growth. New development creates the need for City to expand its inventory of public facilities and build new - or add on to current - infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council-adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$388,559	FY15/16	\$1,077,631
FY13/14	\$908,771	FY16/17	\$1,001,049
FY12/13	\$657,704	FY17/18	\$529,092
FY11/12	\$611,312	FY18/19	\$529,188
FY10/11	\$572,830	FY19/20	\$500,424
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment. The goals for this fund during this period are to expand transit and non-motorized travel opportunities, as needed to service anticipated future growth. Other Expenditures include the general liability insurance and transfer out to the General Plan Fund.

Projects within Fund 309						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
502000 - New Signal Construction	\$0	\$25,000	\$0	\$300,000		\$325,000
546007 - Hale Avenue Extension	\$450,000	\$1,330,000	\$800,000	\$0		\$2,580,000
561012 - Monterey Road Medians	\$300,000	\$10,000				\$310,000
562012 - DeWitt Avenue "S" Curve Realignment	\$520,000					\$520,000
575015 - Traffic Signal and Intersection Capac	\$15,000					\$15,000
Totals	\$1,285,000	\$1,365,000	\$800,000	\$300,000	\$0	\$3,750,000

5-Year Pro Forma within Fund 309							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$1,077,631	\$1,001,049	\$529,092	\$529,188	\$500,424	
CIP Expenditures		\$1,285,000	\$1,365,000	\$800,000	\$300,000		
Other Expenditures		\$126,055	\$136,477	\$147,925	\$160,501	\$174,317	
Balances	\$4,112,988	\$3,779,564	\$3,279,136	\$2,860,303	\$2,928,990	\$3,255,097	

Fund 311 - Police Impact Fund

Police Impact Fee revenues are derived from a fee charged to developers to cover the costs to construct public improvements for Police facilities needed as a result of new development. Expenditures may only be made for future construction of the required new Police facilities or to reimburse the City for funds advanced to construct such facilities. Fund is subject to the restriction of AB1600.

How this Fund Generates Money for Capital Investment. New development creates the need for City to expand its inventory of public facilities and build new, or add on to current, infrastructure to handle the demands for new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Section 66000 et seq.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$118,814	FY15/16	\$360,359
FY13/14	\$230,582	FY16/17	\$275,513
FY12/13	\$223,143	FY17/18	\$197,677
FY11/12	\$106,642	FY18/19	\$197,675
FY10/11	\$85,558	FY19/20	\$186,469
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Program (CIP), by which the City identifies and directs its fee revenue to public facilities/ infrastructure projects that will accommodate future growth.

Goals for Capital Investment. The goal for this fund during this period is to fund the Police Department debt service payments in the Other Expenditures.

5-Year Pro Forma within Fund 311							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$360,359	\$275,513	\$197,677	\$197,675	\$186,469	
CIP Expenditures							
Other Expenditures		\$243,551	\$242,595	\$244,186	\$242,674	\$242,725	
Balances	(\$106,244)	\$10,564	\$43,482	(\$3,027)	(\$48,026)	(\$104,282)	

Fund 313 - Fire Impact

Fire Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct public improvements required for Fire facilities as a result of new development. Expenditures may only be made for the future construction of the required new Fire facilities or to reimburse the City for funds advanced to construct such facilities. Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment. New development creates the need for City to expand its inventory of public facilities and build new, or add on to current, infrastructure to handle the demands for new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$43,130	FY15/16	\$83,822
FY13/14	\$185,748	FY16/17	\$73,630
FY12/13	\$220,275	FY17/18	\$49,152
FY11/12	\$111,211	FY18/19	\$49,246
FY10/11	\$115,536	FY19/20	\$77,615
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth.

Goals for Capital Investment. The goal for the use of this fund during this period is to fund the study for the building of a new Fire Station in the City. Other Expenditures include Fire portion of the Silicon Valley Regional Interoperability Authority (SVRIA) costs.

Projects within Fund 313						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
250014 - Fire Station on Butterfield	\$0	\$145,000		\$0	\$0	\$145,000
Totals	\$0	\$145,000	\$0	\$0	\$0	\$145,000

5-Year Pro Forma within Fund 313							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$83,822	\$73,630	\$49,152	\$49,246	\$77,615	
CIP Expenditures		\$0	\$145,000		\$0	\$0	
Other Expenditures		\$105,153	\$67,466	\$97,523	\$1,826	\$1,887	
Balances	\$3,571,039	\$3,549,708	\$3,410,872	\$3,362,501	\$3,409,921	\$3,485,649	

Fund 346 - Public Facilities non-AB 1600 (CIP/Measure C Fees)

Public Facilities Fund (non-AB1600) revenues are received from developers of properties and the funds may be used for the design, construction, and maintenance of public facilities or to reimburse the City for funds advanced to construct such facilities. As part of the Residential Development Control System (RDCS), also known as Measure C, subdivision developments are required to compete to obtain building allocations. By scoring favorable scores in various categories, the highest aggregate scores of developments are awarded building allocations. Developers commit a certain amount per point per domestic unit of the proposed development towards construction of various improvements, or providing the cash in-lieu of the improvements.

How this Fund Generates Money for Capital Investment. Fees are paid by developers of properties.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$681,499	FY15/16	\$756,456
FY13/14	\$276,019	FY16/17	\$631,488
FY12/13	\$995,161	FY17/18	\$581,521
FY11/12	\$196,231	FY18/19	\$581,553
FY10/11	\$1,219,447	FY19/20	\$531,586
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. This dollar commitments made by developers are used specifically for design/construction of public off-site improvements.

Goals for Capital Investment. The goal of the use of this fund is to expand City facilities to accommodate growth, with an exception for Police and Fire. This fund is not intended for Police and Fire as they are funded by their own impact fees.

Projects within Fund 346						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
502000 - New Signal Construction	\$0	\$225,000				\$225,000
568014 - Parking Lot Maintenance and Rehabi	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000
569014 - Fourth Street Reconstruction	\$435,000					\$435,000
575015 - Traffic Signal and Intersection Capac	\$15,000					\$15,000
Totals	\$490,000	\$265,000	\$40,000	\$40,000	\$40,000	\$875,000

5-Year Pro Forma within Fund 346							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$756,456	\$631,488	\$581,521	\$581,553	\$531,586	
CIP Expenditures		\$490,000	\$265,000	\$40,000	\$40,000	\$40,000	
Other Expenditures		\$4,694	\$4,852	\$5,015	\$5,183	\$5,357	
Balances	\$74,118	\$335,880	\$697,516	\$1,234,022	\$1,770,392	\$2,256,621	

Fund 347 - Public Facilities (AB 1600)

Public Facilities Fund revenues are derived from fees charged to developers to cover the costs to construct public improvements required as a result of new development. Expenditures may only be made for the future construction of the required new facilities or to reimburse the City for funds advanced to construct such facilities. Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment. Revenues result from the City's development impact fee program, through which new development pays the capital costs associated with growth. New development creates the need for City to expand its inventory of public facilities and build new - or add on to current - infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council-adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$79,664	FY15/16	\$254,256
FY13/14	\$149,071	FY16/17	\$184,573
FY12/13	\$158,792	FY17/18	\$132,387
FY11/12	\$76,599	FY18/19	\$132,388
FY10/11	\$69,031	FY19/20	\$124,904
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment. The goals for the use of this fund during this period include the installation of electric vehicle charging stations at the Civic Center for better meeting public needs and to improve amenities for more effective public participation.

Projects within Fund 347						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
570014 - Charging Stations - Civic Center	\$40,000					\$40,000
Totals	\$40,000	\$0	\$0	\$0	\$0	\$40,000

5-Year Pro Forma within Fund 347							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$254,256	\$184,573	\$132,387	\$132,388	\$124,904	
CIP Expenditures		\$40,000					
Other Expenditures		\$1,253	\$1,295	\$1,338	\$1,338	\$1,429	
Balances	\$39,555	\$252,558	\$435,836	\$566,885	\$697,935	\$821,410	

Fund 348 - Library Impact

Library Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct library improvements required as a result of new development. Expenditures may only be made for the future construction of the required new library facilities or to reimburse the City for funds advanced to construct such facilities. Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment. New development creates the need for the City to expand its inventory of public facilities and build new, or add on to current, infrastructure to handle the demands for new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$443,137	FY15/16	\$975,444
FY13/14	\$679,813	FY16/17	\$792,697
FY12/13	\$677,869	FY17/18	\$648,429
FY11/12	\$344,907	FY18/19	\$690,593
FY10/11	\$216,826	FY19/20	\$661,766
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate growth.

Goals for Capital Investment. The goal of the use of this fund is to fund the design for the expansion of the Morgan Hill Library. The Other Expenditures line item includes the Transfers Out for Bond/Debt.

Projects within Fund 348						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
251015 - Library Expansion	\$320,000					\$320,000
Totals	\$320,000	\$0	\$0	\$0	\$0	\$320,000

5-Year Pro Forma within Fund 348							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$975,444	\$792,697	\$648,429	\$690,593	\$661,766	
CIP Expenditures		\$320,000					
Other Expenditures		\$247,601	\$247,762	\$247,743	\$251,143	\$251,240	
Balances	\$1,308,023	\$1,715,866	\$2,260,801	\$2,661,487	\$3,100,937	\$3,511,463	

Fund 350 - Undergrounding

Undergrounding Fund receives revenues from developers for the undergrounding of utilities in areas of new development. Expenditures may be made from these funds only for design and construction associated with such undergrounding.

How this Fund Generates Money for Capital Investment. Fees are paid by developers of properties. In FY 15/16, \$1,054,971 of Rule 20A funds will be received from PG&E for work on the Undergrounding Monterey Utilities Project. (512093).

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$125,182	FY15/16	\$1,105,529
FY13/14	\$7,631	FY16/17	\$50,565
FY12/13	\$56,111	FY17/18	\$50,573
FY11/12	\$93,433	FY18/19	\$50,580
FY10/11	\$6,957	FY19/20	\$50,588
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. These funds must be used for undergrounding of utilities in areas of new development.

Goals for Capital Investment. The goals for this fund during this period are the placement of overhead utilities in underground conduits and vaults to eliminate safety hazards and unsightly conditions. To make the most effective use of these funds, it is necessary to aggregate multiple years of revenues and apply them towards a larger utility undergrounding project.

Projects within Fund 350

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
512093 - Underground Monterey Utilities	\$150,000					\$150,000
Totals	\$150,000	\$0	\$0	\$0	\$0	\$150,000

5-Year Pro Forma within Fund 350

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$1,105,529	\$50,565	\$50,573	\$50,580	\$50,588
CIP Expenditures		\$150,000				
Other Expenditures		\$489	\$506	\$524	\$542	\$561
Balances	(\$703,641)	\$251,399	\$301,458	\$351,507	\$401,545	\$451,572

Fund 355 - School Pedestrian Safety

The fund accounts for resources and requirements for capital projects that support the City of Morgan Hill's school pedestrian safety needs. Projects utilizing these funds include street crossing safety improvements and warning notifications to motorists of school children presence.

How this Fund Generates Money for Capital Investment. This fund receives revenues from residential developers who make school pedestrian safety monetary commitments to score points under the Residential Development Control System (RDSCS) program.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$533,136	FY15/16	\$725,851
FY13/14	\$168,399	FY16/17	\$569,142
FY12/13	\$485,822	FY17/18	\$445,433
FY11/12	\$123,901	FY18/19	\$445,473
FY10/11	\$317,118	FY19/20	\$383,265
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. These funds are to be expended on projects that enhance the safety of school children going to and from school.

Goals for Capital Investment. The goal for this use of this fund during this period is for the construction of school safety projects in collaboration with the Morgan Hill Unified School district.

Projects within Fund 355						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
135013 - Downtown Parks and Trails	\$250,000					\$250,000
551008 - RDSCS School Safety Improvements	\$120,000	\$125,000	\$460,000	\$400,000	\$400,000	\$1,505,000
574015 - Sidewalk Repairs	\$250,000	\$250,000	\$60,000	\$60,000	\$60,000	\$680,000
Totals	\$620,000	\$375,000	\$520,000	\$460,000	\$460,000	\$2,435,000

5-Year Pro Forma within Fund 355							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$725,851	\$569,142	\$445,433	\$445,473	\$383,265	
CIP Expenditures		\$620,000	\$375,000	\$520,000	\$460,000	\$460,000	
Other Expenditures		\$4,854	\$5,018	\$5,187	\$5,362	\$5,543	
Balances	\$834,223	\$935,220	\$1,124,344	\$1,044,590	\$1,024,701	\$942,423	

Fund 641 - Sewer Impact

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 AB1600.

How this Fund Generates Money for Capital Investment. New development creates the need for City to expand its inventory of public facilities and build new - or add on to current - infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000. A City Council-adopted "Impact Fee Report" provides the necessary findings required for adoption of the fees.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$2,322,387	FY15/16	\$6,841,445
FY13/14	\$3,656,905	FY16/17	\$6,106,097
FY12/13	\$3,053,847	FY17/18	\$3,699,389
FY11/12	\$1,820,548	FY18/19	\$3,699,569
FY10/11	\$1,437,312	FY19/20	\$3,492,390
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), to build out new public facilities/infrastructure projects to accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment. The goals for this fund during this period are to expand and improve the sewer enterprise system to accommodate anticipated future growth. Other Expenditures include interest payment on the share of the sewer bond debt service.

Projects within Fund 641

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
302000 - Sanitary Sewer Rehabilitation	\$49,000		\$1,818,000			\$1,867,000
303093 - Sewer Plant Expansion Project	\$1,328,000	\$693,000	\$1,279,000	\$4,452,000	\$0	\$7,752,000
303A11 - Sewer Plant Improvement	\$8,525,000	\$633,000	\$0	\$0	\$0	\$9,158,000
304000 - Lift Station Rehabilitation	\$133,000	\$108,000	\$1,025,000			\$1,266,000
308A08 - New Trunk Line	\$1,886,000	\$3,024,000	\$2,937,000	\$2,530,000	\$2,900,000	\$13,277,000
315006 - New Sewer Mains	\$0	\$208,000	\$1,069,000			\$1,277,000
Totals	\$11,921,000	\$4,666,000	\$8,128,000	\$6,982,000	\$2,900,000	\$34,597,000

5-Year Pro Forma within Fund 641

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$6,841,445	\$6,106,097	\$3,699,389	\$3,699,569	\$3,492,390
CIP Expenditures		\$11,921,000	\$4,666,000	\$8,128,000	\$6,982,000	\$2,900,000
Other Expenditures		\$179,313	\$163,706	\$147,433	\$129,304	\$109,773
Balances	\$11,997,701	\$6,738,833	\$8,015,224	\$3,439,180	\$27,445	\$510,062

Fund 643 - Sewer System Replacement

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 System Replacement Fund was \$1,300,000 from the Sewer operations Fund. Future funding will come from transfers from the Operations Fund when available.

How this Fund Generates Money for Capital Investment. Funding comes from transfers from the Sewer Operations Fund, when available. Through the issuance of the Sewer Revenue Bonds Series 2015, the City anticipates receiving \$8,000,000 in new bond proceeds to fund capital improvement projects. The bond proceeds are anticipated to be received in June 2015.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$8,618,849	FY15/16	\$606,592
FY13/14	\$459,392	FY16/17	\$606,682
FY12/13	\$536,292	FY17/18	\$606,772
FY11/12	\$1,086,810	FY18/19	\$606,863
FY10/11	\$1,788,076	FY19/20	\$606,954
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. The projects paid for through this fund are projects for the purpose of rehabilitation and replacement work for the City's water system.

Goals for Capital Investment. The goals for this fund during this period consist of improvements to enhance system reliability and maintenance of existing system deficiencies. Other Expenditures include debt service payment portion for the new sewer bond.

Projects within Fund 643						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
302000 - Sanitary Sewer Rehabilitation	\$681,000	\$605,000	\$1,719,000	\$0	\$0	\$3,005,000
303A11 - Sewer Plant Improvement	\$0	\$550,000	\$80,000	\$77,000	\$80,000	\$787,000
304000 - Lift Station Rehabilitation	\$1,165,000	\$932,000	\$672,000		\$0	\$2,769,000
308A08 - New Trunk Line	\$0	\$348,000	\$225,000			\$573,000
315006 - New Sewer Mains	\$0	\$622,000	\$0	\$0		\$622,000
512093 - Underground Monterey Utilities	\$125,000					\$125,000
623014 - Recycled Water MP Supplemental St	\$300,000					\$300,000
Totals	\$2,271,000	\$3,057,000	\$2,696,000	\$77,000	\$80,000	\$8,181,000

5-Year Pro Forma within Fund 643							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$606,592	\$606,682	\$606,772	\$606,863	\$606,954	
CIP Expenditures		\$2,271,000	\$3,057,000	\$2,696,000	\$77,000	\$80,000	
Other Expenditures		\$597,971	\$598,186	\$598,407	\$598,637	\$598,873	
Balances	\$8,139,287	\$5,876,908	\$2,828,404	\$140,769	\$71,995	\$76	

Fund 651 - Water Impact Fund

The Water Impact Fund receives revenues from developer charges to cover the costs to construct water improvements required as a result of the 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 AB1600.

How this Fund Generates Money for Capital Investment. New development creates the need for City to expand its inventory of public facilities and build new - or add on to current - infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act, contained in California Government Code Sections 66000. A City Council-adopted "Impact Fee Report" provides the necessary findings required for adoption of the fees.

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$606,587	FY15/16	\$1,677,529
FY13/14	\$9,933,158	FY16/17	\$1,331,540
FY12/13	\$968,006	FY17/18	\$960,868
FY11/12	\$563,453	FY18/19	\$960,992
FY10/11	\$356,412	FY19/20	\$908,137
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. All development impact fee-funded capital projects are programmed through the City's 5-Year Capital Improvement Plan (CIP), to build out new public facilities/infrastructure projects to accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment. The goals for this fund during this period consist of funding for new water wells, reservoirs, and water mains to service future growth. Other Expenditures include portion (30%) of the debt service payment for the water revenue bond.

Projects within Fund 651						
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
601000 - New Well Property/Construction	\$1,963,000	\$0	\$1,140,000	\$400,000		\$3,503,000
602000 - New Water Reservoirs	\$986,000		\$0			\$986,000
603000 - New Water Mains	\$474,000	\$1,050,000		\$200,000	\$200,000	\$1,924,000
607000 - Booster Pump Rehabilitation	\$261,000		\$0			\$261,000
610000 - Water Main Replacement	\$108,000					\$108,000
620007 - Re-coat Water Reservoir/Tank	\$42,000					\$42,000
Totals	\$3,834,000	\$1,050,000	\$1,140,000	\$600,000	\$200,000	\$6,824,000

5-Year Pro Forma within Fund 651							
	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	
Revenues		\$1,677,529	\$1,331,540	\$960,868	\$960,992	\$908,137	
CIP Expenditures		\$3,834,000	\$1,050,000	\$1,140,000	\$600,000	\$200,000	
Other Expenditures		\$491,798	\$495,168	\$495,097	\$494,700	\$495,476	
Balances	\$3,701,552	\$1,053,283	\$839,655	\$165,426	\$31,718	\$244,379	

Fund 653 - Water System Replacement Fund

This fund was renamed and combined with the Water Capital Projects Fund. This fund was established to avoid fluctuations in water rates by providing reserve funding for future water system replacements. The initial contribution to this fund was \$2,550,000 from the Water Operations Fund. Future funding will come from transfers from the Water Operations Fund when available.

How this Fund Generates Money for Capital Investment. Funding comes from transfers from the Water Operations Fund when available. In May 2014, the City received \$13 million of new financing from water revenue bond to be used to fund new projects. This fund pays 70% of debt service payment for the water revenue bond, and 30% is paid out of the Water Impact Fund (650).

* Past 5 Years		* Next 5 Years - projected	
FY14/15 - estimated	\$1,150,867	FY15/16	\$1,276,754
FY13/14	\$15,807,613	FY16/17	\$1,151,031
FY12/13	\$111,258	FY17/18	\$1,150,258
FY11/12	\$369,658	FY18/19	\$1,148,698
FY10/11	\$508,041	FY19/20	\$1,149,852
* may include various grants, interest, internal transfers, reimbursements, etc.			

Limitations and Other Important Factors. The projects paid for through this fund are projects for the purpose of rehabilitation and replacement work for the City's existing water system.

Goals for Capital Investment. The goals for this fund during this period consist of improvements to enhance system reliability and to take care of existing system deficiencies by replacing deteriorated water main. Other Expenditures include portion (70%) of the debt service payment for the water revenue bond.

Projects within Fund 653

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Totals
512093 - Underground Monterey Utilities	\$125,000					\$125,000
562012 - DeWitt Avenue "S" Curve Realignme	\$483,000	\$0				\$483,000
602000 - New Water Reservoirs	\$1,300,000		\$0			\$1,300,000
603000 - New Water Mains	\$949,000	\$0		\$0		\$949,000
607000 - Booster Pump Rehabilitation	\$1,133,000		\$0			\$1,133,000
608000 - Rehabilitate Water Wells	\$213,000	\$0		\$0		\$213,000
610000 - Water Main Replacement	\$472,000					\$472,000
620007 - Re-coat Water Reservoir/Tank	\$373,000	\$0	\$0		\$0	\$373,000
623014 - Recycled Water MP Supplemental St	\$100,000					\$100,000
Totals	\$5,148,000	\$0	\$0	\$0	\$0	\$5,148,000

5-Year Pro Forma within Fund 653

	Fund Balance 6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues		\$1,276,754	\$1,151,031	\$1,150,258	\$1,148,698	\$1,149,852
CIP Expenditures		\$5,148,000	\$0	\$0	\$0	\$0
Other Expenditures		\$1,119,699	\$1,126,998	\$1,126,252	\$1,124,724	\$1,125,915
Balances	\$4,992,464	\$1,519	\$25,552	\$49,558	\$73,532	\$97,469

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NEEDED-BUT-NOT-FUNDED PROJECTS

Needed-but-not-funded CIP projects are those for which no funding sources are currently available, yet which are described as needed within the General Plan, within the Master Plans (for Storm Drainage, Sewer, and Water), and within other planning documents. The projects are listed so that they can be tracked in the event that funding does become available. This listing also keeps these projects visible as other alternative funding options and other competing projects are being considered.

(NOTE: List is not in priority order)

Item # Project Type Location

Item #	Project Type	Location	Amount	
Park Facilities				
1	Parks Facilities	Butterfield Blvd Linear Park, Phase IV	\$2,320,000	
Public Facilities				
2	Public Facilities	Morgan Hill Library Expansion	\$4,200,000	
Sanitary Sewer				
3	304000	Replace Wet-Well and Pumps at O Lift Station	\$350,000	
Storm Drainage				
4	Storm Drain	Llagas Rd. between Castle Ridge Dr. & Glen Ayre Dr.	\$300,000	
5	Storm Drain	Mission View Dr. & Half Rd.	\$500,000	
6	Storm Drain	Spring St. & Bisceglia Ave.	\$150,000	
			Total	\$950,000
Streets & Roads				
7	Streets & Roads	Pavement Rehabilitation Program	\$4,500,000	annually
8	Streets & Roads	Hale Avenue Extension	\$10,620,000	
9	Streets & Roads	Butterfield Blvd. North Extension	\$1,200,000	
			Total	\$16,320,000
Water				
10	624014	Solar: San Pedro Well	\$400,000	
11	603000	W. Main P/M Booster to DeWitt	\$125,000	
12	603000	Dewitt: Between @. Main & Spring	\$1,024,825	
13	607000	Encinos Booster: Remove From System	\$88,899	
14	620007	Jackson Oaks: Recoat	\$355,500	
15	602G15	Woodland: 2nd Tank	\$592,663	
16	603000	Barrett: Between Condit and Murphy301	\$55,1025	
17	602000	Hill Booster: E. Dunne Dr.	\$1,422,000	
18	620007	El Toro: Recoat	\$355,500	
19	610000	Copper Hill: Butterfly & Holiday	\$829,000	
20	620007	Encino: Recoat	\$385,125	
			Total	\$6,129,537
Total			\$30,269,537	

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COMPREHENSIVE WATER REPORT



Purpose of Report

The City of Morgan Hill, along with the State of California, is entering the fourth year of drought conditions. 2014 has been recorded as the warmest and driest year on record for California. The City Council, at its goal-setting retreat in January 2015, adopted a drought response position that included the following goal and strategy:

Goal

The Morgan Hill Community will continue to be leaders in the state responding to the drought conditions and will support water rate increases to ensure system reliability.

Strategy

By March 2015, the Council will receive a comprehensive report that identifies short and long term strategies to address the environmental and financial impacts of drought conditions which may include new rate structure, Proposition 218 water rate election, public investment in recycled water, and other measures as necessary.

The purpose of the report will describe:

- Water Sources
- Water System
- Level of Service and Maintenance Standards
- Rate Structure
- Consumption
- Water Conservation
- Recycled Water
- Drought Response Activities
- Expanding, Preserving, and Conserving for Future Water Supplies
- Report Conclusions and Next Steps

Current Conditions

- California Snow Pack at 19%
- Imported Water Supplies Severely Constrained
- Groundwater Levels Falling Throughout California
- Water District Unable to Fully Recharge Morgan Hill Aquifer

Introduction

While there is no question that California is currently experiencing a drought that is causing significant challenges, there is also considerable concern that California's water system is built on unsustainable parameters. Historical records indicate that the State experienced a relatively wet period throughout the 20th Century and built a water system based on rainfall amounts that are not likely to be consistently experienced in the future. As the State's economy and population continue to grow, the unsustainability of California's water system will be exposed with increasing frequency. This new reality will ultimately increase the cost of producing water.

Morgan Hill's water system is no exception. While the Santa Clara Valley Water District (District) actively recharges Morgan Hill's aquifers with imported water, their ability to do so is limited by the amount of imported water made available to the District.

In addition, the water infrastructure serving our State and the community of Morgan Hill

continues to age and require substantial investments in maintenance and replacement. The fragility of the California Delta has been well documented and will require billions of dollars in near-term investments in order to ensure that California's water system can continue to operate. Locally, the need to better seismically protect Anderson Dam will require hundreds of millions of dollars from Santa Clara County residents.

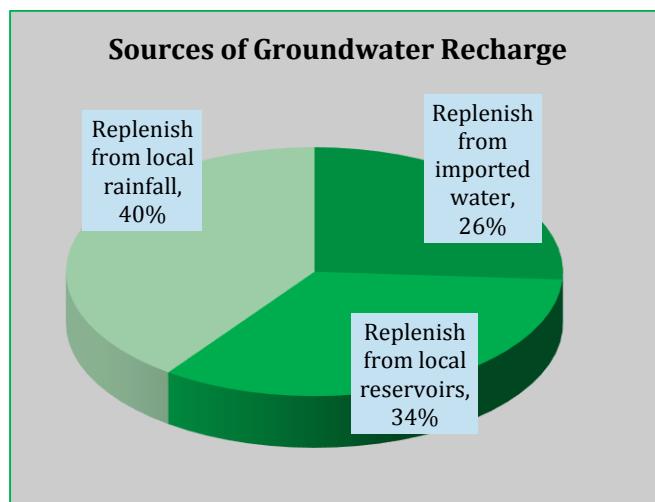
To address these challenges, both the District and the City continue to explore ways to expand the amount of water available, to reduce the amount of water consumed by enhancing efficiency and changing consumer behavior, and to make the investments needed to reliably maintain water infrastructure. These improvements, however, require additional investments and expenditures which ultimately increase the cost of water. In short, all of the lowest cost sources of water in California have already been developed and future sources of water will come at a higher cost.

Water Sources

The City of Morgan Hill receives its water from groundwater wells that feed an interconnected grid of pipelines to deliver water to homes and businesses in our community.

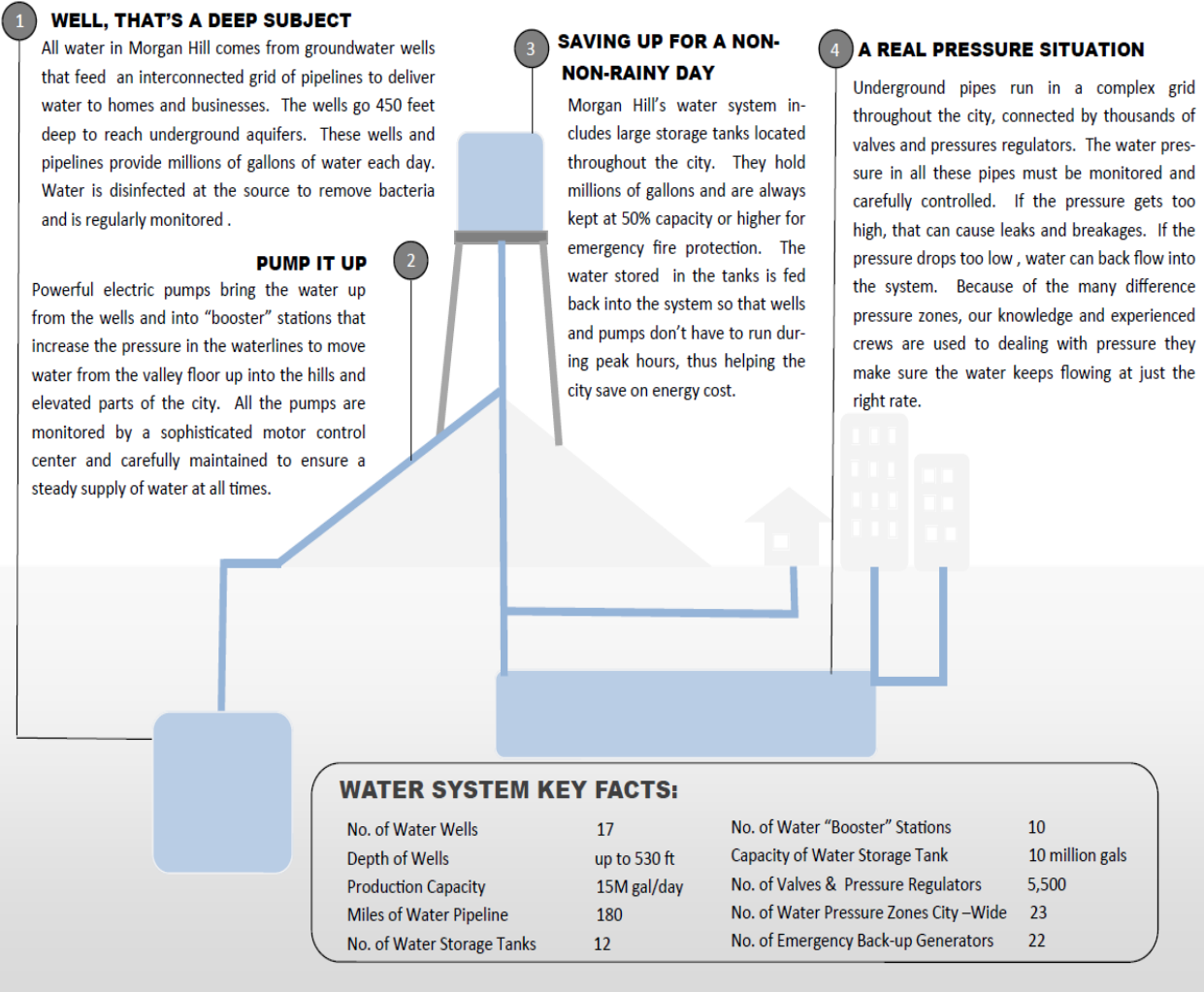
The City depends on regional, state and federal water agencies to supply additional water to replenish the groundwater. Imported water originates from natural runoff and releases from statewide reservoirs and is pumped out of the Sacramento San Joaquin Delta by the State Water Project (SWP) and the federal Central Valley Project (CVP). The District manages water recharge by releasing water captured and stored in local reservoirs, and water imported from the Delta, to creeks and recharge ponds.

Groundwater provides nearly half the water used in Santa Clara County and is the sole drinking water source in South County. The Water District manages the Santa Clara and Llagas Subbasins in Santa Clara County through statutory authority granted by the District Act. Among other responsibilities, the District's objectives and authority related to groundwater management are to recharge groundwater basins, conserve, manage, and store water for beneficial and useful purposes.



Overdrafting of the groundwater basin can have severe impacts to the municipal water supplies in the South County and could ultimately lead to land subsidence. To prevent this, the Water District takes imported water and recharges it into the groundwater basin by means of recharge basins strategically located in the South County. Because of the drought and subsequent lack of imported water availability, the recharge activities of the Water District have been significantly curtailed.

Where our water comes from:



Water System

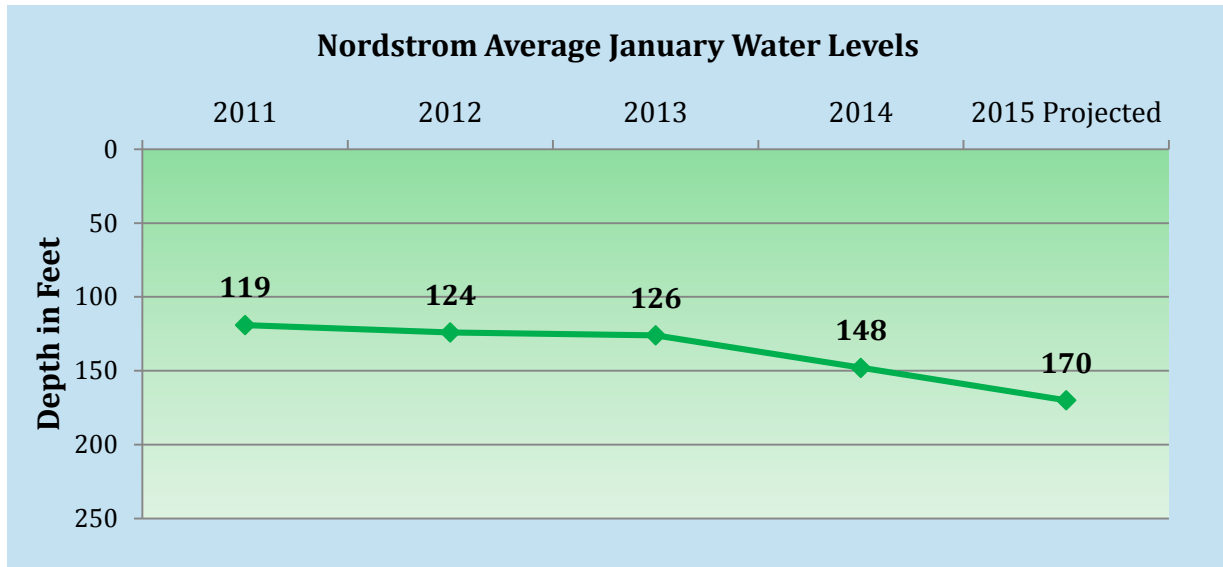
All water delivery systems are unique due to a variety of factors, including source of water (surface, underground, recycled, etc.), quality of water from source, topography, level of service and maintenance provided, and the age and condition of the infrastructure.

The City's water system consists of 17 wells, 10 booster stations, 12 storage tanks, 1,927 fire hydrants, and over 180 miles of water pipeline. Water wells in Morgan Hill range in depth from 220 feet to 530 feet deep. The amount of water flowing into the well determines the amount the City can pump out. As water levels drop, so does the amount of water that can effectively be extracted from the well.

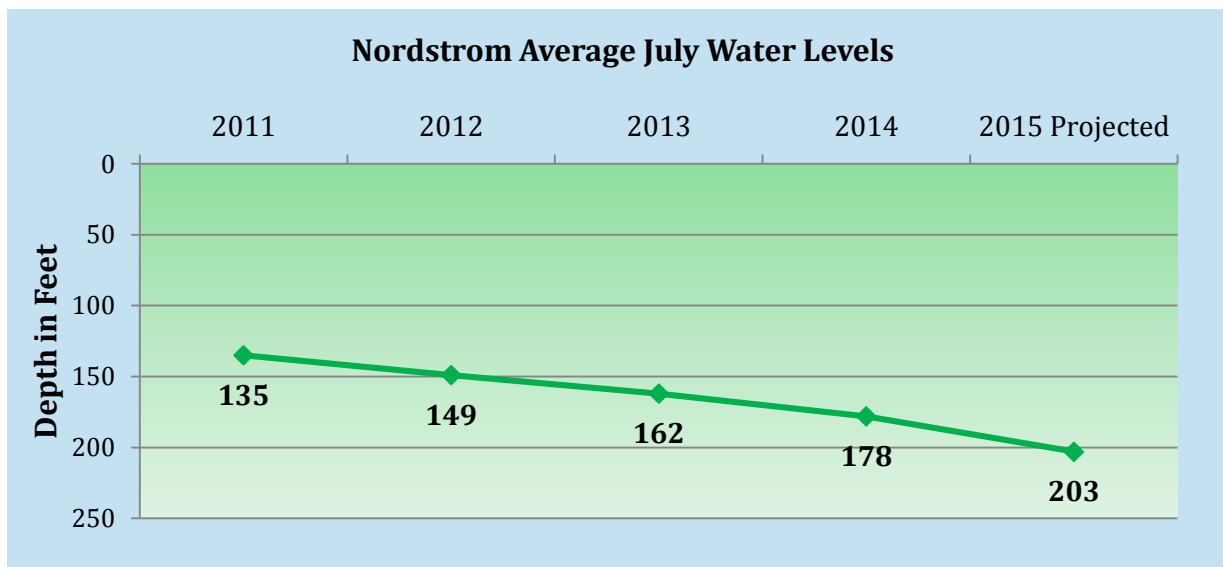
Well pumps operate every day. Powerful electric pumps bring the water up from the wells and into pumping stations that increase the pressure in the water lines to move water from the valley floor up into the hills and elevated parts of the city. All the pumps are monitored by a sophisticated motor control center and carefully maintained to ensure a steady supply of water at all times. The topography that enhances the quality of life in Morgan Hill

presents a unique challenge for the water system. The hills that provide our community with unique living and recreational spaces, require additional water system facilities to maintain the appropriate water pressure. There are 23 pressure zones in the water distribution system and most can be found in the surrounding hills.

As an example, one of seventeen groundwater wells, the Nordstrom Well, has seen its water level drop. The graph below shows the declining water level in Nordstrom Well and is also representative of all the City's well levels.



The trends we see develop in this graph clearly shows the decrease in Nordstrom Well's water level from January 2011 to 2014. January is typically the month well levels are at their highest. This graph shows a 24% drop in water level from 2011 to 2014. This drop in water level meant there was less water available in the well. What we see in January's graph can then be utilized to project July's water levels.



July well levels for 2015 are projected to drop even lower than July 2014 levels. This will be the lowest recorded water level for this well. We can only count on 66% of the water to be available for our use in July 2015 compared to July 2011. The rain we count on to recharge the groundwater and fill local reservoirs never came and the District's recharge program has been scaled back. The water levels in all of the City's wells are expected to drop in a similar manner.

Level of Service and Maintenance Standards

Across American cities, it is well documented and widely accepted that the infrastructure that supports our communities such as roadways, bridges, treatment plants, and underground facilities, are in need of attention and require investment. While we can see the effects of decaying bridges and pot-holed roadways, our water pipelines are hidden from view. With over a million feet of water main out of sight in Morgan Hill, an asset management program helps City engineers systematically evaluate the pipeline conditions and guides them in determining where to invest the community's infrastructure replacement dollars. A commitment by the City Council to fund the true cost of water service sustains a level of funding for the capital improvement program that contributes to maintaining the high level of the City's water system reliability.

In 2011, the City Council made a commitment to maintain a certain level of service to the community when the Council adopted a five year water rate structure. The Council continued to support the decision to maintain this level of reliability in the City's water system when the Council set the 2015 City Council Goals and Priorities. The maintenance standards that sustain the water enterprises to meet Council's expectations are found in part in the utilities performance measures.

The level of effort needed to maintain the City's water system can be bench-marked using Best Management Practices (BMP). BMPs are developed by organizations that include the International Water Agency, Water Resource Foundation, and the American Water Works Association. Using these guidelines and combining them with the institutional knowledge developed by the City's water operational staff over years of operating and maintaining the City's water systems, helps guide the process for setting effective performance measure.

Currently, unfilled positions have temporarily reduced preventive maintenance service. As a result, the large water meter program has been suspended, and the valve replacement program and dead-end flushing program have been reduced by 90% and 95% respectively, among other reductions. The Water Division's primary focus and order of priorities haven't changed with the temporary staffing reductions. Emergency response activities such as water leaks and repairs must be first on the priority list, followed by customer service issues, and finally programmed maintenance activities. These short-term savings are not believed to be sustainable if the City desires to provide the expected level of service into the future and ensure that system reliability is maintained.

Rate Structure

In Morgan Hill, significant resources are needed to operate the City's water enterprise. The associated expenses are paid for by the revenues generated from customer charges. The rates pay for the services we provide to deliver high quality water to our community. This section will explain how the water rates were developed and adopted.

For any water utility, determining your rate structure is a complex process. Rates should reflect community priorities and Council policies. In doing so, it is important to understand how a selected rate structure supports financial and environmental sustainability.

From a water industry perspective there are many different rate structures that are utilized. These include:

- Uniform Rates (constant cost per unit)
- Declining Block Rates (unit price declines as consumption increases)
- Increasing Block Rates (unit price increases as consumption increases)
- Seasonal Rates (unit price varies by season)

Council Adopted Water Rates

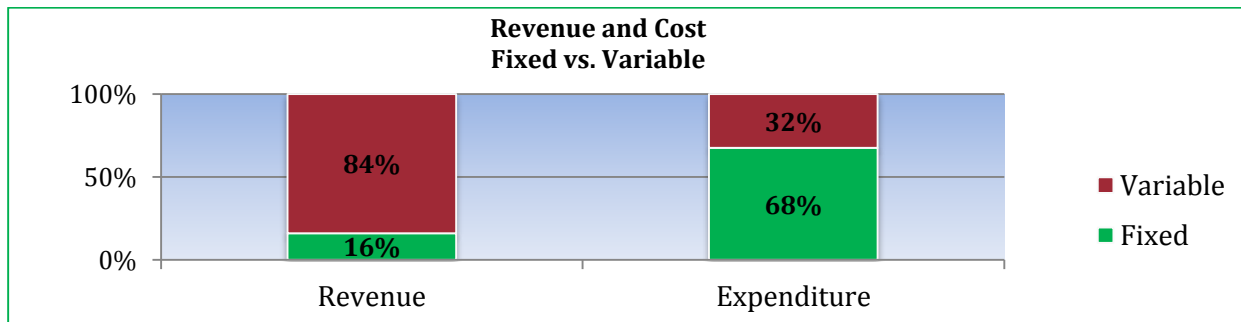
On November 16, 2011, the City Council approved a resolution revising the monthly water system fees for the next five years beginning in January 2012. The Council approved water rate increases of 16.50% in January 2012, and an increase of 6.25% annually from January 2013 through January 2016.

How Water Rates Were Set

The current water rates are based on the 2011 water rate study from Bartle Wells Associates (BWA). The rate study demonstrated that the rates the City Council adopted are rationally related to the reasonable cost of providing water services, and the rates proportionally distribute the costs to different classes of users (i.e., residential, business, commercial, industrial). Additionally, Water Code sections 372 and 375 authorize public utilities to adopt water conservation programs for its customers and permits the adoption of rate structure design and allocation-based conservation pricing to promote conservation.

The Council adopted a "conservation tier structure" (Increasing Block Rates) in residential water accounts so that the majority of indoor household water use is captured in the lowest rate tier to accommodate nondiscretionary use that represents the bare minimum that households need to function, such as water used to wash dishes, shower, and do laundry. The second and third tiers capture water use for discretionary purposes, such as landscape irrigation and washing cars.

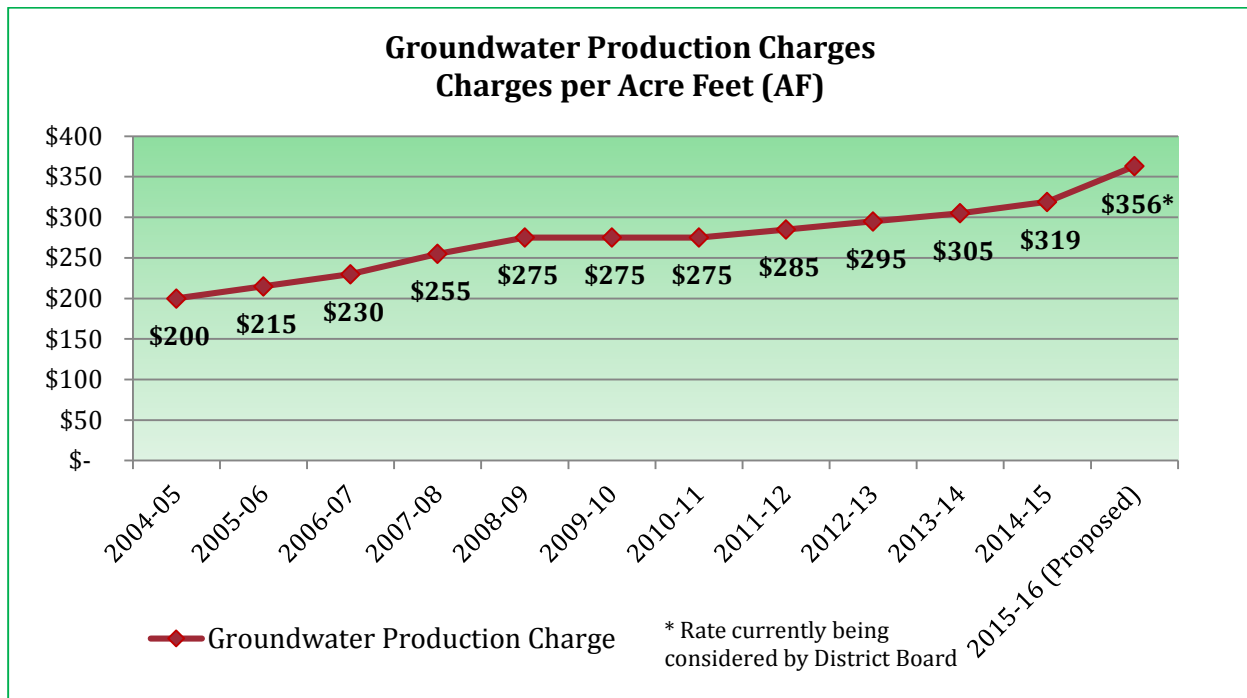
The current rate was designed so that approximately 16% of the water operation revenue is fixed and collected through meter charges. The remaining 84% is variable revenue derived from water sales (commodity) charges.



Conversely, the majority of the water operation costs for delivering high quality drinking water in the City are fixed costs, which only vary slightly based on actual water consumption. Variable costs fluctuate on the amount of water used and they include the groundwater production charge paid to the Santa Clara Valley Water District (District), electricity used to pump water from wells, and chemical costs used to treat water at the source.

	% of Total Cost
Fixed Cost:	
Personnel	23.8%
Supplies	10.8%
Capital (Meters, Machinery, Equipment)	7.3%
Debt Service	14.9%
Internal Services (Building, Fleet, IT, General Administration)	5.3%
Transfers Out (to General Fund, Environmental Programs, General Plan Update)	5.5%
Total Fixed Cost	67.6%
Variable Cost:	
Electricity	7.2%
Groundwater Production	24.9%
Supplies (11% of total)	0.3%
Total Variable Cost	32.4%
Total Cost	100.0%

The groundwater production charge (water extraction fee) the City pays to the District is one of the largest expenses for the Water Operation Fund. As shown on the graph below, the charges have significantly increased over the last ten years.



In addition, Council adopted a financial policy that requires the Water Operation Fund to maintain a reasonable level of reserves equivalent to 25% of operational revenues necessary for the financial stability of the water system as well as for emergency operation and capital needs. Additionally, the covenants of the water debt service require that the annual net operating revenues (total revenues less operating expenses) must be sufficient to pay its debt service 1.25 times over.

Rate Assumptions

In the 2011 water rate study, BWA factored in the above Council's policy regarding reserve and the debt coverage ratio. Also factored into the rate development are the following assumptions in regards to projected water consumption, water operation revenues and expenditures.

The assumption was that water use per capita would remain at the calendar year 2010 levels and conservation measures would reduce per capita water use by 20% of 2010 level by 2020. Water sales would decrease 0.5% annually beginning in FY 2013-14. On the expense side, the annual cost escalators were built in the projected years, including 3% inflationary increases for salaries, benefits, supplies and services, contract services, and administration; 3.5% increase for groundwater production charge; 4% increase for electricity costs, and 5% increase for capital replacement.

Cash Flow Projection (Table from BWA 2011 Rate Study)

	Year End Projection FY 10-11	Projected FY 11-12	Projected FY 12-13	Projected FY 13-14	Projected FY 14-15	Projected FY 15-16
Rate Increases		16.50%	6.25%	6.25%	6.25%	6.25%
Beginning Fund Balance	3,109,000	2,428,000	1,651,000	1,624,000	1,921,000	1,475,000
Revenues	7,228,000	7,842,000	8,717,000	9,280,000	9,833,000	10,397,000
Expenditures	7,909,000	8,619,000	8,744,000	8,983,000	10,279,000	9,997,000
Ending Fund Balance	2,428,000	1,651,000	1,624,000	1,921,000	1,475,000	1,875,000

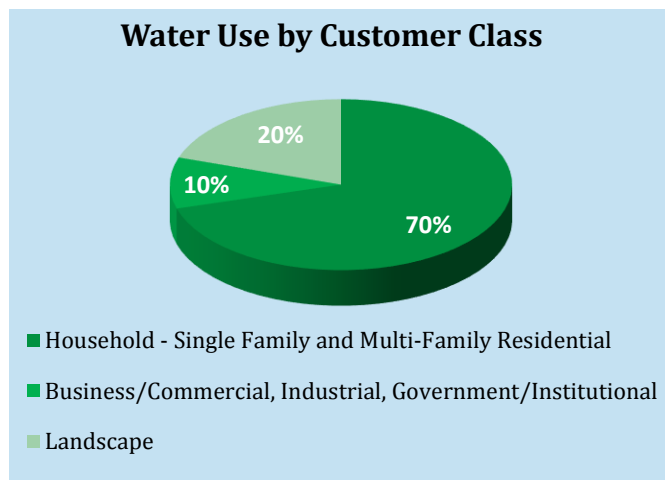
Moving Forward

As the City Council considers future water rates, it will be important to balance both environmental and financial sustainability. As part of this, establishing rates that encourage permanent water conservation while ensuring that sufficient fixed revenues are generated should be closely evaluated. For example, the City could consider increasing the fixed/base charge at a much greater percent of the total rate revenue. A higher percentage of fixed revenue could be considered appropriate because most of the operating expenses are fixed. Additionally, a larger fixed revenue source would ensure a more stable (or less volatile) cash flow during periods of significant consumption reduction.

Consumption

The City of Morgan Hill is committed to providing the community a safe and reliable supply of excellent quality drinking water.

The City provides water service to over 13,300 metered customers inside and outside the city limits. The majority (about 85%) of our customers are residential (single and multi-family). These residential households use approximately 70% of total water consumption. The remaining customers and usage are for businesses, commercial, industrial, government, institutional, fire sprinklers, and landscapes.

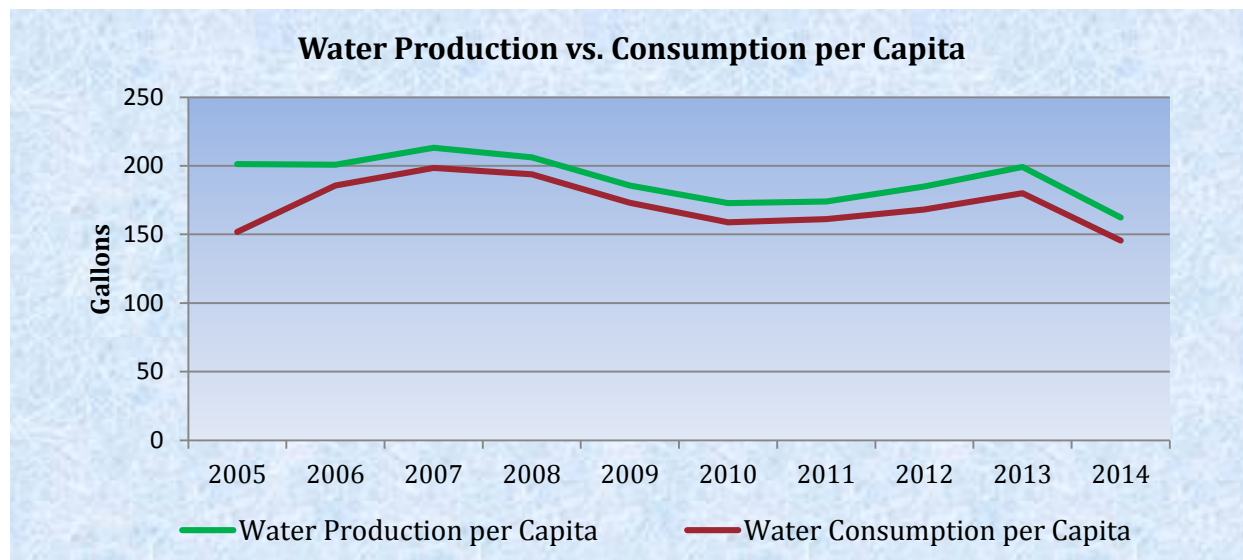


Water Production vs. Water Consumption

The City's water rates are based on water consumption, not water production, because consumption is measurable at each water customer's water meter. Water production and water consumption are two distinct measures of water that are related but not equal. The gap between measured water consumption and measured water production is recognized by the Federal Environmental Protection Agency (EPA) as unaccounted water or non-

revenue water (NRW). EPA has established an industry goal of 10% NRW. For Morgan Hill, the NRW ranges from 7% to 10% annually.

Non-revenue water includes losses resulting from source meter errors, customer meter under-registrations, accounting procedure or billing errors, system flushing activities, hydrant maintenance, illegal connections, malfunctioning distribution system controls, storage tank overflows, theft, and underground leaks. Addressing these contributing factors to minimize NRW is an on-going task for the City departments connected to the utility.

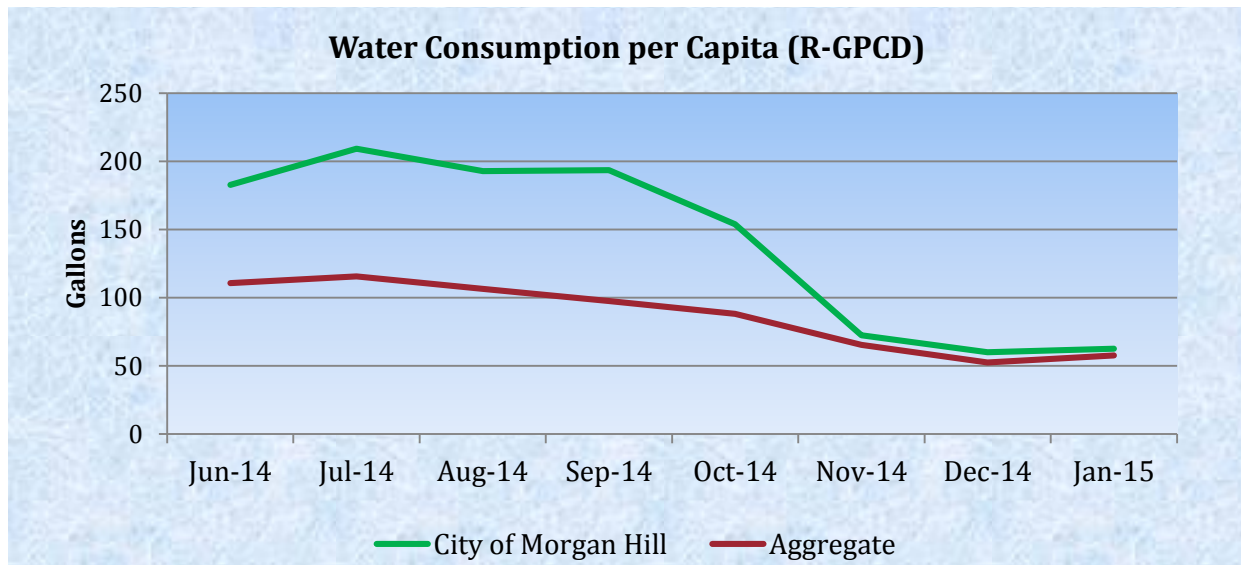


The City's water distribution system is made up of approximately 1,000,000 feet of underground pipelines ranging in age and condition. Finding water leaks can be difficult when leaking water does not surface. To overcome this condition, industries are developing affordable solutions. The City of Morgan Hill is an early adopter in the developing leak detection environment. The City is expanding its leak detection program portfolio to include emerging leak detection technologies such as fixed radio water distribution system monitoring sensors and smarter water meters. Distribution system monitoring sensors are currently installed in the Woodland Acres neighborhood. This is a good pilot program site because the hilly topography in the area creates higher water pressures, a variable that increases the chance of water leaks.

Searching for leaks in the water distribution system is not enough. The City's new smart meter program currently aids staff in finding water leaks on the customer's side of the water meter. Staff is able to detect leak patterns develop in days instead of weeks. Twenty-five percent (25%) of the water meters in the City are active in this program. In fiscal year 2016, the City anticipates adding 11% of the City's customers to the program. The City will be providing this set of customers with access to their water consumption information so they can monitor their use. Whether customers use mobile devices or personal computers, they will have the power to stay informed and take control of their water use.

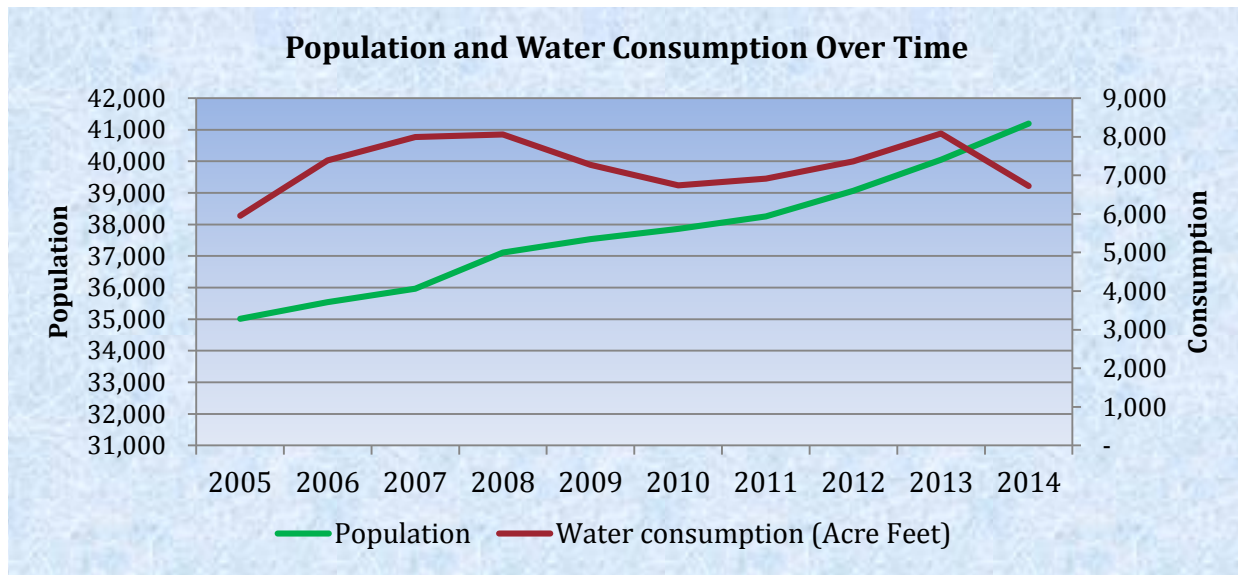
The following graph shows the consumption per capita (R-GPCD) for the City of Morgan Hill and the aggregate consumption. The aggregate R-GPCD is calculated by dividing each

retailer's residential monthly water usage by the total aggregate monthly population served, divided by the number of days in that month. The data is from the State Water Resource Control Board (SWRCB).



Population and Water Consumption Over Time

The graph below shows historical water consumption in comparison to population for Morgan Hill.



Water Conservation

The City of Morgan Hill has historically been a water conservation leader in Santa Clara County. In addition to actively participating in Santa Clara Valley Water District committees and activities, the City’s water conservation program has engaged in the following activities:

- Developed and adopted model water waste ordinance
- Adopted ordinance requiring multifamily units to be individually metered
- Adopted landscape ordinance for new development and incorporated additional water conservation points into residential development control system
- Matched major district rebate programs for toilets and landscape upgrades
- Developed three conservation garden demonstration sites
- Distributed home water reports to engage customers
- Utilized Home Water Report - provides customers with their most recent 13-month view of their water consumption in comparison to the "efficient households" and the "average households."

When considered together with the City's tiered rate structure that encourages conservation, these activities have enabled the community to reduce the amount of water consumed daily per capita while simultaneously growing the local economy.

Recycled Water

What is recycled Water?

Recycled water is wastewater that is purified through multiple levels of treatment. Recycled water is clean, clear, and safe. This processed water is treated to strict standards set by the California Department of Health Services and is rigorously monitored by local, state and federal agencies to ensure it continuously meets those standards. Recycled water is safe for irrigation, industrial, and agricultural uses.



By the year 2020, the Santa Clara Valley Water District predicts that without additional water supplies, the South Bay could have severe water shortages during a drought. This issue threatens the South Bay's economic and environmental vitality, which depend on having enough water to meet demand. Conservation may not provide enough. Recycled water will become a significant component of the long term water supply sustainability.

During the past 75 years, water agencies have constructed recycling projects where treated wastewater is used for non-potable (non-drinking) purposes. More recently, water agencies have been using advanced treatment techniques such as microfiltration, reverse osmosis, and UV disinfection to produce highly-purified (near distilled quality) recycled water for a wider range of purposes including indirect potable re-use, in which highly purified recycled water is used to recharge underground aquifers. Currently, Morgan Hill's water enterprise does not utilize recycled water.

Benefits of recycled water

Water recycling has numerous benefits including:

- Conservation of drinking water supplies
- Less dependency on imported water
- Preservation of saltwater marshland habitats
- Development of a new water supply with a locally controlled reliable source
- Less water required to be pumped out of the ground
- Environmentally beneficial – same concept as recycling bottles, cans and paper
- Provides a drought-proof water supply
- Allows continued economic vitality for the region

Where does recycled water come from?

Recycled water comes from the treatment of wastewater. Wastewater is produced when we use sinks, showers, toilets, appliances and machinery in our homes, shops, offices and factories. Wastewater is piped through sanitary sewers to wastewater treatment plants where it progresses through three stages of treatment and disinfection.



The second stage of wastewater treatment is sufficient for landscape irrigation according to the California Department of Health Services. The Water District has strived to go above and beyond that standard in Santa Clara County. All recycled water in Santa Clara County meets or exceeds standards set by the State for the various uses of recycled water.

Bringing Recycled Water to Morgan Hill

The majority of recycled water comes from wastewater treatment plants. Geographically, Morgan Hill is far removed from this source of recycled water, both to the south and to the north. Morgan Hill's wastewater flows south to Gilroy where it is treated at the South County Regional Wastewater Authority (SCRWA) plant. While the SCRWA facility has established itself as the premier recycled water provider of all treatment plants in Santa Clara County based on percentage of water recycled, none of that recycled water has made it back to Morgan Hill historically because of the cost to do so. Treated water from the SCRWA plant would have to be pumped 10 - 12 miles uphill to reach the larger agricultural and recreation users in Morgan Hill. Given the large number of current and future agricultural, industrial, and recreation users of recycled water in south Gilroy, it has been much more cost effective to date to distribute that water in Gilroy, than to pump it north.

The Water District and the SCRWA collaborated on a recycled water master plan that was completed in 2004. That study found that while potential customers for recycled water could be identified in Morgan Hill, the capital costs of running a pipeline to Morgan Hill rendered the project economically unfeasible. In addition, the 2004 study took a cursory

look at the possibility of building a scalping plant to capture Morgan Hill wastewater flows east of Highway 101. In the study, the proposed scalping plant would be a mini-waste water treatment plant that would produce recycled water for Fry's Golf Course. It was found that the projected flows captured and treated would meet only a portion of the need at Fry's and, therefore, not worth further study.

Expansion of Recycled Water in Santa Clara County

To ensure an adequate and reliable supply of high-quality water, the Santa Clara Valley Water District has partnered with cities and water retailers in the county to develop recycled water supplies. About four percent of the county's total water use currently consists of recycled water, limited primarily to landscaping and industrial uses.

Recycled water use is expected to expand in the coming years. Towards this end, the District partnered with the City of San Jose to build an Silicon Valley Advanced Water Purification Center, an advanced water treatment facility, that will produce up to eight million gallons per day of highly purified recycled water. This highly purified water will be blended into existing recycled water provided by the neighboring Santa Clara/San Jose Water Pollution Control Plant, which will improve overall recycled water quality so that the water can be used for a wider variety of irrigation and industrial purposes.

Longer term, the District is investigating the possibility of using highly purified recycled water for replenishment of groundwater basins. Recharging ground water basins would represent a significant benefit for Morgan Hill since 100% of the City's water is pumped from the ground.

SCRWA/SCVWD Recycled Water Master Plan 2015

The South County Regional Wastewater Authority and the Santa Clara Valley Water District are again teaming up to update the 2004 master plan. The 2015 South County Recycled Water Master Plan Update is in the latter stages of development with a final report due in June of 2015. The purpose of the Master Plan Update is to:

- ✓ Identify potential new customers and recycled water needs
- ✓ Update regulatory and treatment requirements
- ✓ Update demand projections
- ✓ Develop and evaluate alternatives
- ✓ Evaluate recycled water options for **Morgan Hill**
- ✓ Prepare 10% designs of near term projects
- ✓ Identify outreach, environmental, and funding needs

This analysis and report will identify the potential for expanding recycled water from the treatment plant, matching the supply with the demand now and into the future, and to identify rough order of magnitude costs to deliver the water. Finding ways to bring recycled water to Morgan Hill is included in the Master Plan Update.

Morgan Hill Recycled Water Master Plan 2015

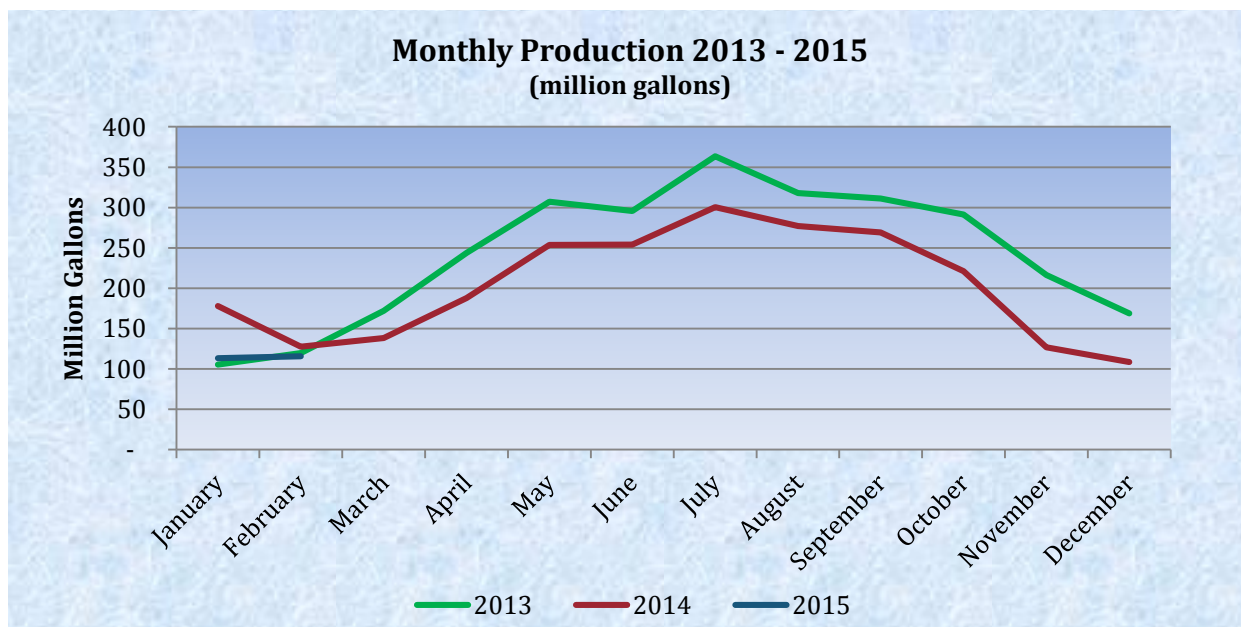
In Morgan Hill's FY 2014/15 Capital Improvements Program (CIP) budget, \$35,000 was appropriated for a recycling master plan. As conceived in the CIP, the Morgan Hill plan would "piggyback" on the work put into the larger SCRWA/SCVWD plan, and focus on

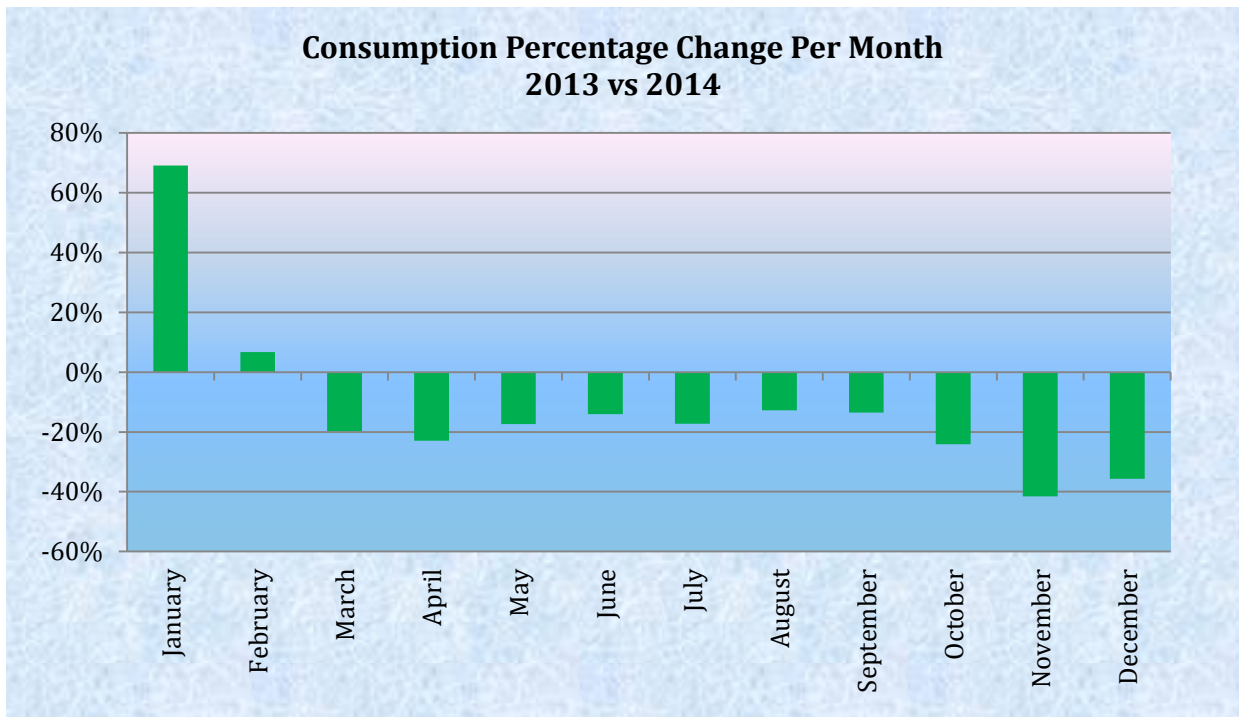
options available to Morgan Hill. Included in the Morgan Hill study will be recycled water options, the feasibility of a scalping plant, and greywater. The Morgan Hill study will provide more detail on distribution to potential customers, regulatory considerations, and costs to provide recycled water. It is estimated that the study will be complete four months after notice to proceed and will be presented to Council in late summer 2015.

2014 Drought and Response Activities

In response to calls from Governor Brown’s Office and the District for a 20% reduction in water demand in early 2014, the City Council adopted a resolution on April 2, 2014 declaring a Level 1 Water Supply Shortage and directed staff to further engage customers using the WaterSmart program. Under a Level 1 Water Supply Shortage, landscape irrigation is limited to three days per week, leaks must be repaired quickly, and the washing down of hard or paved surfaces is prohibited except when necessary to alleviate safety or sanitary hazards.

With the City actively engaging the community in the Level 1 Shortage by sending out notices and using the full array of City communication resources, the community collectively reduced water demand by 550 million gallons and conserved over 20% between March and December 2014. The graph below depicts monthly water production since 2013. While the City led the District’s service area in responding to the drought, the performance from month to month varied and it was clear that there were additional opportunities to further reduce water demand. While the first two months of 2015 showed a net increase in water production when compared to 2013, preliminary data from March indicates that the community is now conserving a substantial amount of water.

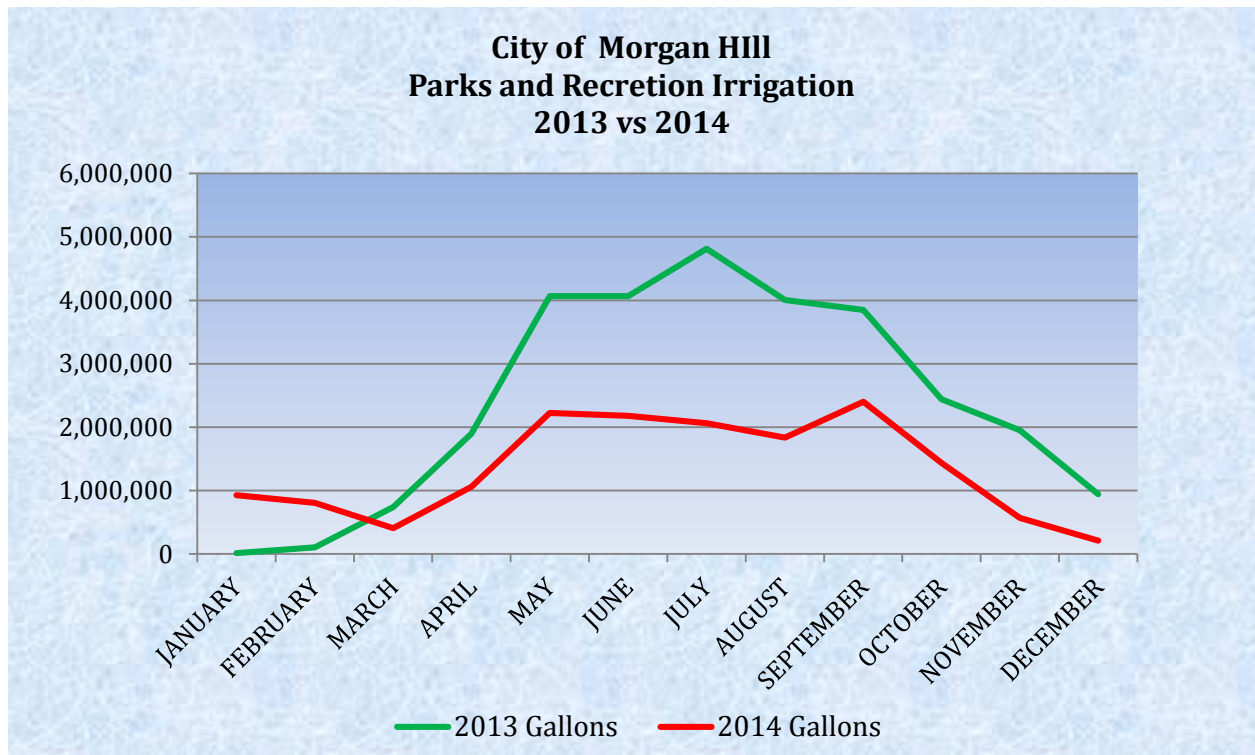




The City's 2014 drought response also incorporated many changes to City operations designed to conserve water including:

- Reducing the City's landscape irrigation use by 20%
- Escalating the City's response to water leaks
- Eliminating the use of water in fire drills and training
- Washing fire engines only as necessary
- Evaluating all plumbing fixtures to ensure they are low flow and replacing fixtures as needed at all fire stations
- Modifying fire hydrant testing and maintenance to reduce water consumption
- Adjusting water system flushing and meter testing schedules
- Reprogramming pool filtration equipment to eliminate unnecessary backwashing operations
- Increasing frequency of irrigation checks to reduce irrigation overspray and minimize water waste in the landscape

As anticipated, the City's reduction of landscape irrigation contributed significantly to the City's response and the City was able to substantially beat the 20% conservation target in this major area.



2015 Drought and Drought Response

With California experiencing another dry winter, 2015 will be the third year in a row of drought response activities. As of March 3, the California snow pack is at 19% of its normal amount and many of the State's reservoirs are well below 50% of their average level for this time of year. On March 17, the State Water Resources Control Board extended and expanded its emergency regulations addressing the drought which force water retailers to reduce water demand and restrict activities.

Water deliveries from the large Federal and State water projects are projected to be extremely low for the second year in a row. While many agricultural users are getting no water at all, the District is currently projected to get 25% of its allocation from the Federal project and 20% of its allocation from the State.

Since over one-half of the water used in Santa Clara County comes from imported sources, these significantly reduced commitments from the Federal and State projects severely constrain regional water supplies. These low commitments come on the heels of 2014 when similarly low commitments resulted in a districtwide drawdown of approximately 80,000 acre feet of groundwater. With fewer reserves "in the bank" for 2015, the District needs to further limit water use in order to protect the remaining groundwater supplies.

On March 24, the Santa Clara Valley Water District Board of Directors voted to request that all water retailers in the District reduce water demand to a level 30% below 2013 water demand. The City's Water Shortage Contingency Plan, as incorporated into the City's Adopted Urban Water Management Plan, includes a 30% reduction within the range of a Level 2 Water Supply Shortage. In addition to the City's permanent water use restrictions

and the measures the City took last year in response to the 20% (Level 1) call for demand reductions, the 30% response plan includes the following provisions:

Level 2 Water Use Reduction Measures

- Irrigation limited to two days per week
- Water leaks to be repaired within 48 hours
- Filling of ornamental lakes and ponds prohibited except as needed to maintain aquatic life
- Washing of cars prohibited except at commercial facilities recycling water
- Filling of residential pools prohibited

Permanent and Level 1 (20%) Water Use Reduction Measures Currently Instituted Which Would Remain in Place During a Level 2 Shortage

- Washing down of hard or paved surfaces prohibited except to alleviate safety or sanitary hazards
- Irrigating is prohibited between the hours of 9:00 a.m. and 5:00 p.m.
- Irrigation is limited to no more than fifteen 15 minutes per day per station
- Irrigation that causes or allows excessive water flow or runoff is prohibited
- Water fountains and other decorative water features must recirculate water
- Washing a vehicle requires the use of a hand-held bucket or a hand-held hose equipped with a positive self-closing water shut-off nozzle
- Drinking water must only be served upon request at local food establishments
- Motels must provide customers the option of not having towels and linen laundered daily.
- Installation of single pass cooling systems is prohibited
- Installation of nonrecirculating water systems is prohibited in new commercial conveyor car wash and new commercial laundry systems
- Food preparation establishments must use water conserving dish wash spray valves
- Commercial conveyor car wash systems must recycle water

Based on the City's experience in 2014, staff believes that a 30% reduction can be achieved by pursuing the following three strategies:

1. Declare a Level 2 Water Supply Shortage with a call for 30% reduction in water use as described in the City's Urban Water Management Plan;
2. Amend the City's water waste ordinance to include well water and to close loopholes in irrigation scheduling protocols; and
3. Significantly expand proactive water waste enforcement and customer engagement and education programs.

Each of these strategies will now be further described.

1. Declare Level 2 Water Supply Shortage - The Level 2 restrictions would further restrict water use beyond current levels. For the sake of balancing demands on the water system, staff recommends that the following schedule be considered:

- Odd addresses and accounts without addresses - Irrigation allowed on Monday & Thursday
- Even addresses - irrigation allowed on Tuesday and Friday

The switch to odd/even scheduling is recommended because having the community schedule all of its irrigation on only two days of the week would stress the City's ability to adequately supply water and may require the pumping of water during the afternoon peak period when electricity is most expensive. All public education materials developed would clearly explain the scheduling system and how each customer can comply. If adopted, City staff will work with other local retailers in an attempt to implement a common two day per week schedule in order to provide customers with clear messaging.

2. Amend City Water Waste Ordinance - The City's ordinance currently exempts water drawn from private wells from the City's restrictions. This is both counterproductive, since water drawn from private wells depletes the groundwater aquifer, and confusing since residents see irrigation from private wells occurring on nonirrigation days. Eliminating this exemption would further conserve groundwater and eliminate confusion. In addition, the City's ordinance contains language exempting irrigation controlled by "smart" weather-based controllers. This exemption is also confusing and should be eliminated. Staff recommends that amendments to the ordinance be brought back to the Council this spring after private well owners are notified of the proposed change and provided with an opportunity to participate in the process of developing amendments.
3. Significantly Expand Proactive Water Waste Enforcement and Engagement - As described above, the City's drought response activities have not resulted in fines to date as staff have focused on educating water customers. While overall compliance is reasonable, there is no question that a substantial amount of noncompliance remains. While systemwide winter water use, when irrigation is minimized, frequently ranges between 3 and 4 million gallons per day, summer usage was frequently between 6 and 7 million gallons on *nonirrigation* days last year. There was, therefore, about 3 million gallons of noncompliant water use each summer day last year.

Expanding, Preserving, and Conserving Future Water Supplies

As the City continues to grow, it will be necessary to consider a variety of approaches to meet the water needs of new homes and businesses. These approaches can generally be divided into the following three areas:

- Expanding Water Supplies
- Preserving Water Supplies
- Conserving Water Supplies

Expanding Water Supplies

The City's past approach to providing water for community growth has largely consisted of expanding the number of wells and storage reservoirs serving the community. While this remains a necessary strategy and the City's Water Master Plan includes plans for four additional wells, there is a limit as to how much water the aquifer serving the community can provide. In addition, there is also uncertainty as to how much water the District can provide for their managed groundwater recharge program. In the current drought, the District has continued to utilize the Madrone Channel for recharge, although it is unknown how active their groundwater recharge program will be in 2015. The dry winter has clearly limited the rate of unmanaged natural recharge.

While accepting direct deliveries of imported surface water would be technologically possible, doing so would require the construction and ongoing operation of a local water treatment facility. Most importantly, a surface water plant would be subject to the same interruptions in imported water that the other District facilities experience. Given the growing instability facing the State's water network, there would be no guarantees that a local plant could reliably deliver water to the community.

As previously discussed in this report, the City currently receives no recycled water and has no "purple pipe" infrastructure to deliver recycled water to local customers. Unlike imported water, recycled water is a highly reliable source of supply because it could be locally generated. The challenges of recycled water are finding the most appropriate uses for it, building the delivery infrastructure, and funding the recycled water production facility. As described earlier in this report, SCRWA is currently working on developing a study to evaluate opportunities to expand recycled water production and use. The City is currently commissioning a complementary study that will specifically identify opportunities for making recycled water available in Morgan Hill. This report is scheduled to be presented to the Council in late summer 2015.

Preserving Water Supplies

The District continues to aggressively act to secure additional imported water supplies through water purchases and transfers from other water entities. Gaining additional water via transfers would allow the District to preserve its active groundwater recharge system that supports Morgan Hill's aquifer. The primary mechanism the City has for supporting District efforts is by paying the District's groundwater fees.

The District has also supported the State's efforts to improve the condition of the Delta and to improve the reliability of the delivery systems that provide imported water to Santa Clara County. While the City's main mechanism of supporting the District's efforts remains via the payment of fees, it would also be possible to ensure that the City's legislative representatives at the State and Federal government are aware of the City's support if the Council desires.

A last approach to preserving water is to evaluate opportunities for maximizing the diversion of stormwater into groundwater infiltration basins. While stormwater pollution prevention regulations are forcing new developments to minimize storm flow, they do not require the retention of 100% of storm flow and are designed to protect creeks – not to maximize infiltration. In addition, diverting any of the water currently flowing through the

stormwater system of the community into infiltration basins is not a concept that has been extensively explored. It may be feasible to establish additional large stormwater retention or detention basins that would allow storm runoff to infiltrate into the groundwater instead of proceeding out to the ocean. It also may be possible to divert runoff into existing groundwater recharge facilities.

Conserving Water Supplies

While the City administers an active conservation program, as described above, there are numerous opportunities the City has to expand the current conservation program. These include:

- Adding outreach resources to boost participation in existing programs
- Implementing a new rate structure model which balances permanent conservation (i.e., permanent lower consumption) and financial stability
- Initiating new rebate or direct install programs
- Requiring the retrofit of existing homes when they are sold

When new structures are built, there are many opportunities for enhanced efficiency that are difficult to construct or require at a later date. These include:

- Specifying super-efficient fixtures
- Requiring the inclusion of water circulating pumps that minimize water waste associated with hot water start ups
- Mandating the elimination of front lawns
- Requiring greywater to be captured, filtered, and reused for nonpotable indoor uses like toilets and laundry
- Requiring the installation of complete greywater systems that make water available for landscapes
- Directing that all new development must be “Net Zero” in which the developer would need to improve existing homes and businesses in order to “free up” the water required for a new development

All of the above conservation concepts are based on physical changes to buildings or landscapes. Another opportunity for expanding water conservation is to require behavior changes, like irrigation scheduling, on a permanent basis. This approach would reduce water consumption on an ongoing basis – but would limit the City’s ability to respond to droughts and other shortages when extra efforts are required.

Report Conclusions

The following conclusions are supported by the data compiled in this report.

- Moving forward, the cost of producing water will be greater than anticipated in the 2011 Rate Study.
- Morgan Hill community's water stewardship has significantly reduced consumption.

- City's current rate structure does not adequately balance short term and long term financial/environmental sustainability.
- Reducing water consumption by 30% will be required in 2015.
- New comprehensive water rate study should commence immediately.
- Investment in water recycling should be evaluated by Council.

Next Steps

The team is ready to implement the next step in the overall water operation planning process, including drought planning, at the direction of the Council.

The following table provides the Council a suggested schedule to consider as the Council looks to implement the 2015 priorities, goals and strategies as adopted by the Council.

	April 2015	May 2015	June 2015	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016
Council Meeting: Present Drought Policy Study	April 1									
Declaring a Level 2 Water Shortage	April 1									
Release RFP for Comprehensive Water Rate Study	April 8									
RFP for Water Rate Study Due to City	April 22									
Award Contract for Water Rate Study	May 6									
Council Workshop: Water Workshop		May 20								
Public Hearing for Water Ordinance Revisions		May 20								
Council Meeting: Council Receives Water Rate Study Report					August 5					
Council Meeting: Council Approves Prop 218 and Public Outreach Schedule <ul style="list-style-type: none"> • Launch Proposition 218 Process • Launch Public Engagement Process 						Sept 2				
Community Engagement Workshop/Notices Mailed to Ratepayers						Sept 18				
Water Rate Special Mailer - Water's New Normal							Oct 9			
Council/Community Engagement Workshop #2: Water's New Normal							Oct 21			
Public Hearing/Council Meeting to Consider Protest: <ul style="list-style-type: none"> • Conduct Public Hearing • Receive Proposition 218 Protest Letters • Approve Resolution Adopting Water Rate Increase Effective January 2016 								Nov 18		
Council Adopts Rate Resolution								Nov 18		
New Water Rates Effective										Jan 2016