City of Morgan Hill
Fiscal Year 2014-15
Operating and CIP Budget

Morgan Hill City Council

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

Steve Rymer, City Manager
Renee Gurza, City Attorney
Michael Roorda, City Treasurer
Irma Torrez, City Clerk

Leadership Team

Leslie Little, Assistant City Manager for Community Development
Karl Bjarke, Public Works Director/City Engineer
Andrew Crabtree, Community Development Director
Chris Ghione, Community Services Director
Kevin Riper, Administrative Services Director
David Swing, Chief of Police
Derek Witmer, Fire Chief

Budget Team

Monica Delgado, Budget Manager
Tina Reza, 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

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Morgan Hill

California

For the Fiscal Year Beginning

July 1, 2013

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Morgan Hill, California for its annual budget for the fiscal year beginning July 1, 2013. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communication tool.

California Society of
Municipal Finance Officers

Certificate of Award

Operating Budget Excellence Award
Fiscal Year 2014

Presented to the

City of Morgan Hill

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

February 11, 2014

Pauline Marx
CSMFO President

Ken Brown, 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 2013-14 to the City of Morgan Hill on February 11, 2014. As a recipient of this award, the City has met the criteria established to achieve the Excellence Award in Operating Budget development and presentation.

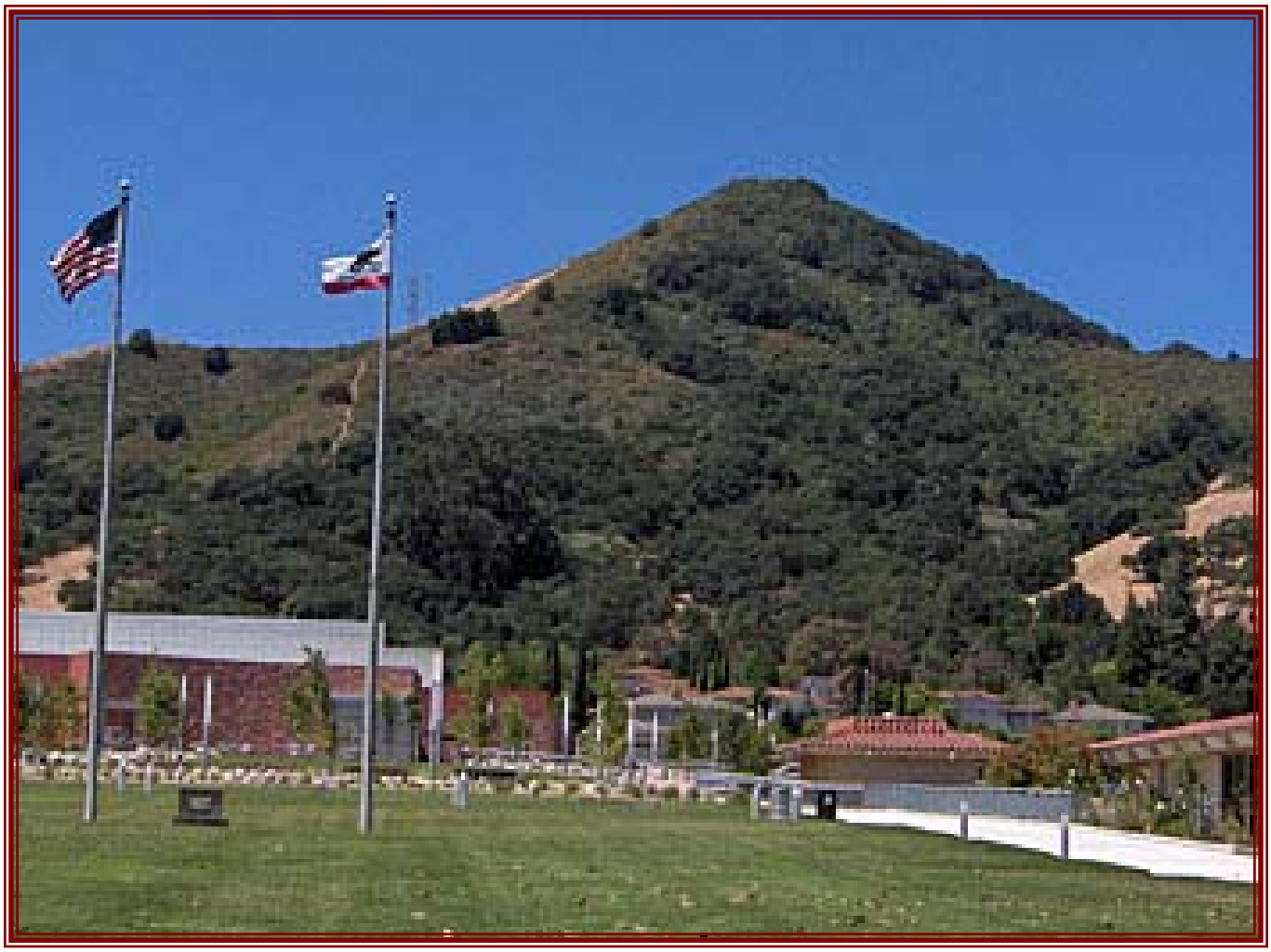


Table of Contents

Budget Transmittal 9

Budget Message 11

General Information 35
About the City 36
Budget Overview 39
Planning Documents 42
Fiscal Policies 43
Description of Funds 50
Glossary of Budget & Financial Terms 54
Resolution Adopting the City Budget 61
Appropriation Limit Calculation 63

Budget Summary 65
Combined Statement of Revenues, Expenditures and Changes in Fund Balance 66
Fund Balance Projections 67
General Fund Balance Charts 71
Summary of Resources 72
Major Revenue Assumptions 73
Summary of Revenues & Transfers In 76
Expenditure Charts 79
Summary of Expenditures & Transfers Out 81
Interfund Transfers 84
Internal Service Charges 86
Comparison of Municipalities 88

Personnel 89
Citywide Organization Chart 90
Personnel Summary by Programs 91
Personnel Summary by Fund 92
Personnel Summary by Department 93
Personnel Summary by Position 94
Personnel Detail by Program 96
History of PERS Rate Employer Contribution 105
History of Health Benefit Costs 106

City Council 107

City Manager's Office 113

City Attorney 119

Table of Contents

Administrative Services 127
Human Resources 129
Council Services and Records Management 133
Elections 137
Finance 139
Utility Billing 143

Community Services Department 147
Membership and Program Services 153
Facility Rentals 160
Community Services 164
Cable Services 168
Park Maintenance 171
Downtown Maintenance 174
Environmental Programs 177
Street Maintenance 181
Lighting and Landscape District 185
Burrowing Owl Reserve Land 188
Stormwater Pollution Prevention 190
Open Space Fund 193
Water Conservation 195

Fire 199

Police 203
Administration 205
Field Operations 213
Support Services 218
Emergency Services 221
Special Operations 225
Domestic Violence Grant 232
Dispatch Services 236

Community Development Department 239
Community Development 240
Economic Development 243
Planning 249
Building 253
Long Range Planning 256
Community Development Block Grant 263
Housing Programs 265
Mobile Home Rent Commission 271
Senior Housing Trust 272
Housing Mitigation 273
Successor Housing Agency 274
City of Morgan Hill Acting as the Successor Agency for the
Morgan Hill Redevelopment Agency Fund 250 275

• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 OPERATING AND CIP
CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY14-15 • OPERATING AND CIP BUDGET • CITY

Table of Contents

Public Works 281
Congestion Management 283
Engineering 285
Wastewater Operations 289
Water Operations 294
CIP Project Implementation 299

Internal Service Funds/Miscellaneous Programs 305
Employee Assistance Program 306
Information Services 308
Building Maintenance – Community and Cultural Center 312
Building Maintenance – Aquatics Center 314
Building Maintenance – Centennial Recreation Center 316
Building Maintenance – Police Station 319
Building Maintenance – Old City Hall / Others 321
Building Maintenance - City Hall/Development Services Center 323
Building Maintenance – Friendly Inn 325
Building Maintenance – El Toro Youth Center 327
Building Maintenance – Corporation Yard 329
Unemployment Insurance 331
Workers' Compensation 333
Equipment Replacement 336
Employee Benefits Fund 338
General Liability Insurance 340

Special Analysis 343
City Council 2014 Priorities, Goals, and Strategies 344
Discretionary Reserves 348
General Fund Five-Year Projections 349
Grant Revenue 352
Public Employees Retirement System (PERS) 353
Public Infrastructure Financing Summary 354

Capital Improvement Program (CIP) C1

BUDGET DOCUMENT GUIDE

This budget document contains the complete Fiscal Year 2014-15 adopted budget for the City of Morgan Hill. Included are budgets for the City's General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, and Agency Funds. A complete copy of the Five-Year Capital Improvement Program (CIP) is also included.

The ***Budget Message*** includes the City Manager's letter of transmittal which focuses on the local economy, the budget as a plan for service delivery and the goals of the team for implementation of service delivery.

The ***General Information*** section contains a brief history of the City of Morgan Hill and an overview of the budget. The Budget Overview contains general information regarding the budget process including a calendar and description of the budget development process, basis of accounting, key revenue projections and assumptions, a description of allocated costs, budget policies, debt policy, and a summary of significant planning policies.

A description of debt obligations, funds and a glossary of terms are also included in this section as well a copy of the resolutions adopting the City Budget (with the Gann appropriation limit calculations).

The ***Budget Summary*** section contains a summary of all budgeted funds. Each fund shows the actual beginning fund balances at July 1, 2013, and estimated ending fund balance on June 30, 2014. Projected revenues, expenditures, transfers in, transfers out and projected ending fund balances at June 30, 2015. Also included in this section are a line chart and bar chart reflecting multi-year trends for the General Fund fund balance and a chart comparing City of Morgan Hill major revenues with all cities in Santa Clara County.

Summaries are prepared for Revenues and Expenditures for all funds. These summaries include prior year's actual, FY 2013-14 budgeted and year-end projections , and FY 2014-15 adopted budget figures. General Fund revenues and expenditures are also summarized using graphs and/or bar charts for comparison purposes.

Personnel levels have a direct effect on public service delivery. The ***Personnel*** section shows Personnel levels by program (department). A Citywide organization chart (page 88) is provided in this section and in each departmental section where applicable.

Departmental budget sections also include a description of the department's activities, current year highlights, goals for the coming fiscal year and performance measures. The sections for each department contain historical information on personnel and expenditures.

Included in the ***Special Analysis*** section are various reports regarding important issues facing the City of Morgan Hill.

A complete copy of the Five-Year Capital Improvement Program (CIP) is included under the heading of ***Capital Improvement Program***. The five-year document represents a plan of improvements, a detailed description of each project and the available funding sources.

City Manager's Office
17575 Peak Avenue
Morgan Hill, CA 95037
TEL: 408.779.7271
Fax: 408.779.1592
www.morganhilll.ca.gov

DATE: July 1, 2014

SUBJECT: FISCAL YEAR 2014-15 BUDGET TRANSMITTAL

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

I am pleased to present the **City Council adopted FY 2014-15 Annual Operating and Capital Improvement Program Budgets** (CIP). As a result of the City Council's budget discussion and deliberation, several enhancements were made to the initial City Manager recommended budget. Each of these additions is intended to further the Council's priorities for the Morgan Hill community:

Enhancing Public Safety

- Hire a 39th Sworn Police Officer
- Participate in AB109/SCCEST (Santa Clara County Special Enforcement Team) and recognize additional revenue of $90,000
- Participate in DEA TF (Drug Enforcement Agency Task Force) and recognize additional revenue of $90,000

Supporting Youth

- Continuation of Healthy Youth Initiatives throughout the five year forecast - $20,000 in FY 16-17, 17-18 and 18-19

Maintaining Fiscal Responsibility

- Increase in property tax revenue, $400,000

Financing/Maintaining Infrastructure

- Increase in CRC/AC Membership service expenditures which are intended to enhance the member experience by increasing the variety and availability of fitness programming, purchase of new equipment, and training of staff - $57,000
- Construction of medians on Monterey Road South of Dunne Avenue - $300,000 (CIP)
- Revised Council priority wording from "Finance and Advocate for Infrastructure Improvements" to "Advocate for Infrastructure Improvement Funding"

Organizational Effectiveness

- Increase in Human Resource expenditures for the replacement and upgrade of computer workstations - $2,370
- Increase in Lighting and Landscape Assessment District expenditures for other supplies - $2,433

Enhancing Community Engagement and Diversity

- Conduct a bi-annual Community Opinion Survey - $35,000
- Purchase of citizen participation software for public meetings - $7,800 (ongoing) Purchase of electronic voting software - $9,890 in FY 14-15 and $7,200 each fiscal year thereafter
- Increase in Communications and Engagement funding - $10,000

Participating in Regional Issues

- Provide funding for United Way 211 - $5,000
- Participate in San Jose Silicon Valley Chamber Regional Economic Development partnership - $10,000 annually (trial for two years)

The Council reemphasized their commitment to leveraging non-housing funds with matching funds from other entities. The match does not necessarily have to be dollar for dollar.

In total, the adopted budgets includes:

Total Revenue: $104,049,385

Total Expenditures: $140,236,413

Total FTE: 180.25

The FY 2014-15 Adopted Budget represents the continued commitment of the City Council, Leadership Team, and all 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, Morgan Hill has positioned itself to take advantage of the growing economy. At the same time, the Council and community must continue to find ways to deal with the significant challenges that remain: investing in the community's aging public infrastructure and planning for future public facilities to ensure Morgan Hill remains a highly desirable place to live, work, play, and do business.

The following budget message has been revised to reflect the changes above.

Sincerely,

Steve Rymer

City Manager

City Manager's Office
17575 Peak Avenue
Morgan Hill, CA 95037
TEL: 408.779.7271
Fax: 408.779.1592
www.morganhilll.ca.gov

DATE: JULY 1, 2014 AMENDED POST BUDGET ADOPTION (Recommended budget message published May 16, 2014)

SUBJECT: FISCAL YEAR 2014-15 BUDGET MESSAGE

Dear Honorable Mayor and City Council

AMENDED POST BUDGET ADOPTION TO REFLECT ALL CHANGES MADE BY THE CITY COUNCIL

It is my privilege to present you, the community, and our employees with the City Manager's adopted FY 14-15 Operating Budget and FY 14-15 through FY 18-19 Capital Improvement Program Budget. These documents are the result of the Council and 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 adhering to the sustainable budget principles. 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 with the City Council adopting its priorities, goals, and strategies for the organization and community. For 2014, the Council's ongoing priorities include enhancing public safety, protecting the environment, maintaining fiscal responsibility, and fostering an organizational culture that focuses on teamwork, employee recognition, and open communication. The Council also decided it was important to add the priority of supporting youth from a year-specific priority to the list of ongoing priorities. Furthermore, the City Council established the following five priorities that are specific to this year: stimulating economic development, enhancing community engagement and diversity, participating in regional issues, improving organizational effectiveness, and advocating for infrastructure improvement funding.

This priority based budget strategy ensures that the Council's priorities are the guiding principles for developing the annual operating and capital improvement budgets. To achieve this, each operating department proposed enhancements--otherwise known as "decision packages"--which they believed would advance the Council's priorities and goals. The decision packages were categorized as ongoing (i.e. personnel) or one-time investments (i.e capital improvement project) and evaluated to determine which would best meet the community's needs within the City's financial re-

sources. Highlights of the resulting adopted decision packages follow with more detailed explanations in the department narratives. Each decision package may advance more than one Council priority though each has been included only in its most significant priority.

Enhancing Public Safety

- Hire a 38th sworn officer to work directly with our hotels in preventing crime. $202,000
- Hire a 39th sworn officer. $185,000
- Purchase PPE (personal protective equipment) for our newly established volunteer firefighter program. $25,000
- Purchase a new radar/message board/license reader (solar and battery powered) to assist with speed related traffic enforcement and community education/awareness. $50,470
- Purchase a Type VI fire engine which is a smaller, more versatile response vehicle equipped for wild land fires and advanced life support response. $250,000
- Conduct a 2015 Speed Survey that is required to be updated every 5 years to allow for enforcement of speed limits by radar and provides readily accessible traffic data city wide. $50,000
- Purchase a Portable Alternative Light Source for use in the field to locate fingerprints and DNA at crime scenes. $8,600
- Purchase a SafeSwab drying cabinet to provide for a controlled environment for drying DNA swabs. $1,000
- Upgrade DVR's at the Police Department to provide for an effective view of security cameras throughout the City. $24,000
- Participate in the Santa Clara County Special Enforcement Team (SCCSET); an all crimes task force that investigates drug sales, homicides, robberies, and conducts electronic and visual surveillance. $90,000 in revenue
- Participate in the San Jose Drug Enforcement Administration Task Force (DEA TF), a task force that conducts high level drug trafficking investigations which result in the seizure of large amounts of contraband and assets. $90,000 in revenue

Supporting Youth

- Fund five years of our partnership with the Healthy Kids Foundation to assist in procuring [or "finding"] health insurance for all of Morgan Hill's youth. $20,000
- Fund three years of TeenForce's local youth employment initiative to support the non-profit staffing agency for youth jobs in South County. $20,300
- Continue an ongoing commitment to the El Toro Youth Center. $15,000

- Continue ongoing support or the annual Youth Conference offered jointly between City and the Morgan Hill Unified School District. $1,500

Protecting the Environment

- Add a permanent 0.5 FTE Storm Water Compliance Coordinator position to address the State's complex and growing storm water pollution prevention compliance regulations. $46,000
- Purchase and install "smart irrigation controllers" at the City's recreation centers. $29,000
- Purchase additional software packages that further decrease our reliance on paper as a form of communication with our employees and vendors (Web Based Timecard Entry, Eden HR Software, Open Enrollment Web Extension Software, Tyler Output Processor email notification system, Electronic Voting, and Citizen Participation). $60,000

Maintaining Fiscal Responsibility

- Implement a new park maintenance funding strategy to enhance operations and decrease the annual General Fund subsidy.
- Initiate a plan to begin funding our Other Post-Employment Benefits (OPEB)/retiree health care liability for the general fund so that it will be extinguished in about 20 years. $110,000
- Add a permanent 0.5 FTE Risk Management Coordinator to minimize the organization's risk and provide strategic recommendations and training. $62,300
- Implement a new CRC membership rate increase strategy so that it occurs once every three years. Average $220,000 per year
- Implement a rental rate structure and plan for the new Council Chamber so that it can be rented by groups on Sundays. $22,000 in revenue
- Increase in property tax revenue, $400,000

Financing/Maintaining Infrastructure

- Transfer $250,000 to the Street Fund (308) to increase overlay projects in FY 14-15 (in future years, it is recommended the transfer amount equal $125,000).
- Resurface all eight Community Park tennis courts. $35,000
- Include annual funding of $125,000 beginning in FY 15-16 to pay for downtown parking garage operations and maintenance.
- Enhance Dog Park maintenance operations to improve the turf. $12,500
- Invest in Dog Park improvements (i.e. ADA gate, improved pathways). $11,000
- Allocate funds for annual maintenance of the new Butterfield Basin. $10,000
- Increase janitorial services at the Aquatics Center due to increased use. $11,000

- Fund many public facility improvements through GF appropriations and the Equipment Replacement Fund (740 and 741). $200,000
- Initiate and fund a public facility parking lot maintenance schedule through the Public Facilities Fund (346). $40,000
- Annual refresh of park mulch at all City parks, as needed. $15,000
- Construction of medians on Monterey Road South of Dunne Avenue. $300,000 (CIP)
- Revised Council priority wording from "Advocating and Financing for Infrastructure Fund ing" to "Advocating for Infrastructure Funding".

Organizational Effectiveness

- Add 1.0 FTE Programmer Analyst to provide software support for programming and maintaining interfaces, reports, programs and databases as well as support for data analysis and requirements. $115,000
- Add a permanent 0.5 FTE Office Assistant to assist with passports and free up time for the Council Services and Records Management Division to better manage our records management system and Council/Successor Agency/Oversight Board agendas and minutes. $33,000
- Increase the Administrative Analyst position in the City Manager's office from 0.5 FTE to 0.75 FTE to accommodate more responsibilities. $32,000
- Increase the Human Resources Assistant position in Administrative Services from 0.75 FTE to 1.0 FTE to accommodate more responsibilities. $20,000
- Upgrade an existing Planning Technician position to an Assistant Planner to provide greater capacity to process planning permit applications. $8,000
- Add part-time temporary dollars to account for the transition of the Facility Maintenance Specialist at the Community and Cultural Center to higher level facility maintenance activities throughout the City's building maintenance structure. $30,000
- Install a HIPC (Hosted IP Centrex) phone system at the Police Department so that it is on the same system as other public facilities. $40,000
- Replace computer workstations and upgrades to workstations that are currently running Windows XP, which will no longer be supported effective Fall 2014. $154,000
- Develop and implement a comprehensive employee health and wellness program focused on providing teammates with the essential tools and resources to assist with staying healthy in all areas of life. $5,000
- Conduct a Planning and Building Comprehensive Fee Study. $35,000
- Increase in Human Resource expenditures for the replacement and upgrade of computer workstations. $2,370

• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 OPERATING AND CIP
• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY14-15 • OPERATING AND CIP BUDGET • CITY

- Increase in Lighting and Landscape Assessment District expenditures for other supplies. $2,433

Stimulate Economic Development

- Invest approximately $25 million in downtown place making and public infrastructure improvements.
- Fully fund the Economic Development Manager from the GF since this position does not directly support planning services any longer. $125,000
- Add a 1.0 FTE Senior Planner to focus on long range planning and special projects. $146,000
- Reclassify one Building Inspector position to a Supervising Building Inspector position. $20,000
- Fund additional building inspector part-time personnel for two years as the City's housing backlog is constructed. $173,000
- Increase part-time temporary employee funding in FY 14-15 to assist with Economic Development activities. $60,000
- Increase the amount of Engineering Contract Services to account for the increase in land development activity. $105,000

Enhancing Community Engagement and Diversity

- Increase funds to (Total budget $101,000):
  - Implement a public participation plan throughout the organization and community.
  - Increase use of social media and digital civic engagement technologies.
  - Select, contract for and implement use of open data platform.
  - Implement complete website refresh and updating, including the introduction of a new mobile application.
  - Advance the City's bilingual communication efforts.
- Conduct a Community Opinion Survey every other year. $35,000

Participating in Regional Issues

- Include annual funding of $150,000 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.
- Assign a Detective to the Regional Auto Theft Task Force (RATTF) with offsetting grant revenue of $82,000 annually.
- Actively participate in regional housing discussions focused on creating a strategy to collaboratively address housing needs.

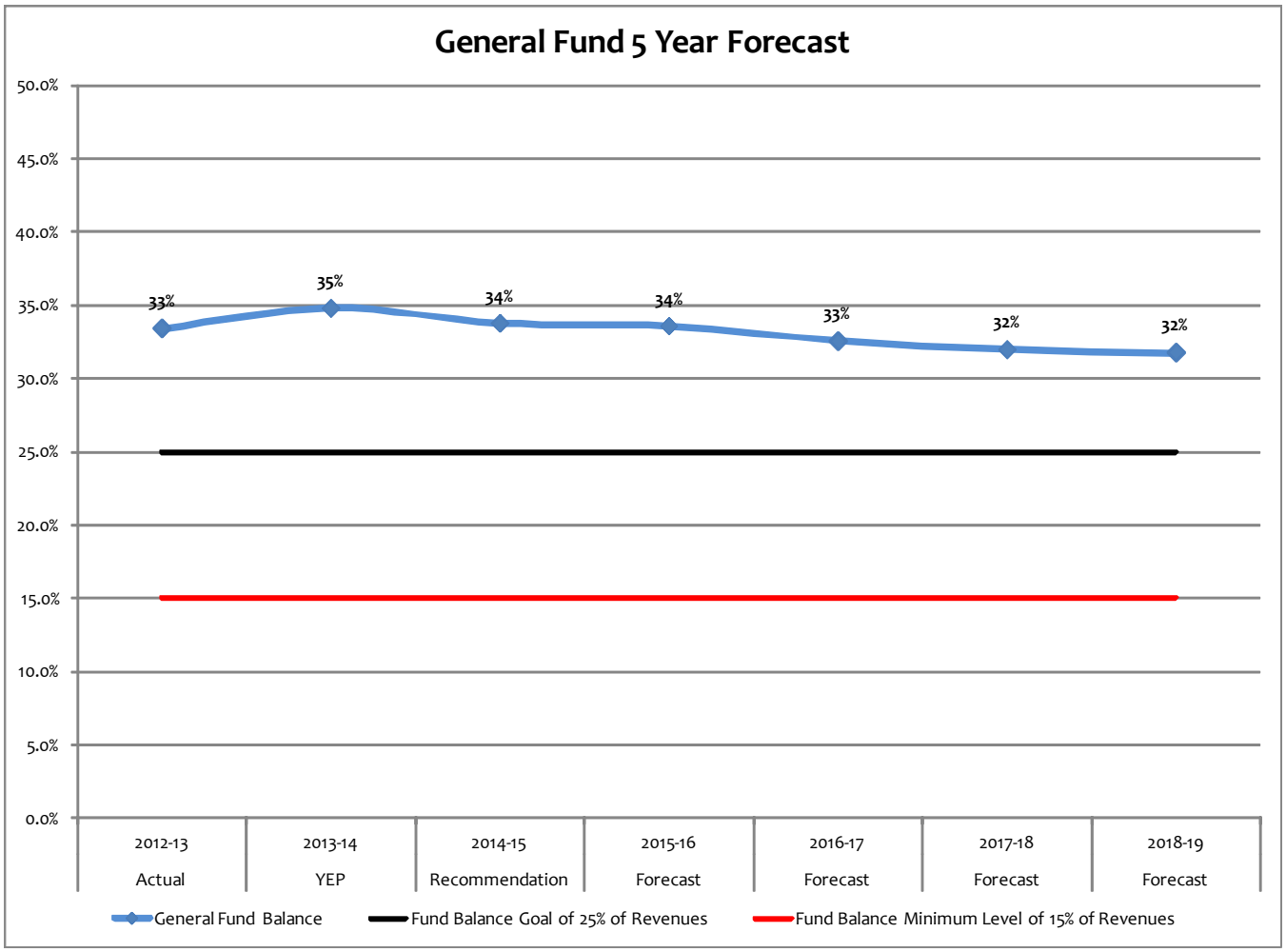
- Increase the Municipal Services Assistant position from 0.5 FTE to 0.75 FTE in the Administrative Services Department to accommodate more responsibilities (paid for by Habitat Agency). $20,000
- Provide funding for United Way 211. $5,000
- Participate in San Jose Silicon Valley Chamber Regional Economic Development Partner ship for a two year trial period (FY 14-15 and FY 15-16). $10,000 annually

Economic Outlook

The City of Morgan Hill's revenues are forecasted to continue to remain strong during the next two fiscal years. This allows the City to maintain its current levels of service and, in many areas, enhance services as described above. With this being said, it is important for the Council and community to understand that 1) the City is not in the financial position to address its aging public infrastructure (streets, facilities, parks) in a manner that reduces its deferred maintenance backlog or decreases the level of annual decline, 2) that the Community Development Fund will begin experiencing a financial structural imbalance in FY 16-17, 3) the City's Housing Funds are financially strong for the short-term (5 years), but annual revenue will decline in the out years at the same time as fund balance is being depleted by projects utilizing one-time revenue infusions, and 4) drought conditions beyond 2014 will require further water reduction that will have a negative impact on operating revenues.

General Fund

The General Fund (GF) is the City's most visible fund and provides services that most residents relate to -- police, fire, recreation, street maintenance, municipal governance and administrative services. In FY 14-15, over 76 percent of General Fund revenues will be derived from four sources 1) property tax of $8.5 million, 2) sales tax of $8.1 million, 3) recreation revenues of $5.9 million, and 4) Transient Occupancy Tax (TOT) of $1.8 million. The remainder of revenue is generated by other charges for services, grants, and transfers. For FY 14-15, property tax will increase by 8 percent as new housing is built, Prop 8 bounce back occurs (house values return to pre-recession values), and property values increase. For FY 14-15 sales tax revenue is estimated to decrease by roughly 2 percent largely due to timing issues caused by the 10-year old "triple-flip" sales tax maneuver used by the State to balance its 2004 budget. Subsequent forecast years assume an average annual growth of just above 5 percent. Recreation revenues from membership sales, program registrations, and facility rentals continues to maintain high levels though future growth is limited due to many facilities reaching their maximum capacity during peak use times. To ensure the City has the resources to operate and maintain its recreation facilities, a new membership rate strategy



has been adopted where rates would increase once every three years. The first increase is

	Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
Beginning Balance	7,086,957	10,584,218	11,165,666	10,797,991	11,256,364	11,151,663	11,354,923
Revenues & Transfers In	31,689,399	32,084,247	31,979,197	33,524,980	34,226,020	35,531,694	36,911,546
Expenditures & Transfers Out	(28,192,138)	(31,502,800)	(32,346,872)	(33,066,606)	(34,330,722)	(35,328,434)	(36,549,106)
Ending Balance	10,584,218	11,165,666	10,797,991	11,256,364	11,151,663	11,354,923	11,717,362
General Fund Fund Balance as a % of Revenue	33%	35%	34%	34%	33%	32%	32%

scheduled for January 2015 at 7 percent (approximately 2.33 percent annually on average).

Finally, the City is experiencing historic high revenue from TOT due to a strong economy and the regional use of the City's Outdoor Sports Center and Aquatics Center. As a result of all of these factors, annual GF revenues are anticipated to increase from approximately $31.9 million in FY 14-15 to $36.9 million in FY 18-19.

As evidenced above, by the General Fund 5 Year Forecast, GF reserves remain above the Council's 25 percent policy during the entire five year forecast.

To further GF sustainability and enhance park maintenance service levels, a new strategy has been adopted this year for park maintenance funding. Currently, $400 thousand is transferred from the Park Maintenance Fund (302) to the GF annually to offset a portion of the expenses. Fund 302 revenues are derived from the Residential Development Control System (RDCS) 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 $4.7 million.

Since this laudable goal will never be a reality, we are changing how we fund park maintenance so that it reduces the annual GF amount, utilizes a portion of Fund 302 fund balance annually, and is sustainable into the future. The new strategy involves moving all park maintenance expenses to Fund 302 and then having the GF transfer funds to Fund 302 annually. This 180 degree change will actually decrease the GF's park maintenance contribution by approximately $225 thousand annually and allows the City to enhance service levels.

The GF's fund balance is forecasted to increase from $10.8 million at the conclusion of FY 14-15 to over $11.7 million by the end of FY 18-19, providing the City with the necessary resources to address any unanticipated short-term declines to revenue forecasts.

From a spending perspective, the Council has discretion on how to spend approximately $18 million of the $31.9 million in GF revenues. This is due to the fact that over $13.5 million in GF revenue is related to a specific service and can only be used to provide that service (e.g. recreation services). The FY 14-15 adopted budget allocates its discretionary funds as depicted in the following chart. As demonstrated, public safety continues to be the number one priority as 82.6 percent will be for Police and Fire services. The remaining 16+ percent of discretionary revenue is

appropriated to pay for finance, human resources, City Clerk, recreation services, environmental services, street maintenance, City Attorney, and City Manager services.

Community Development Fund

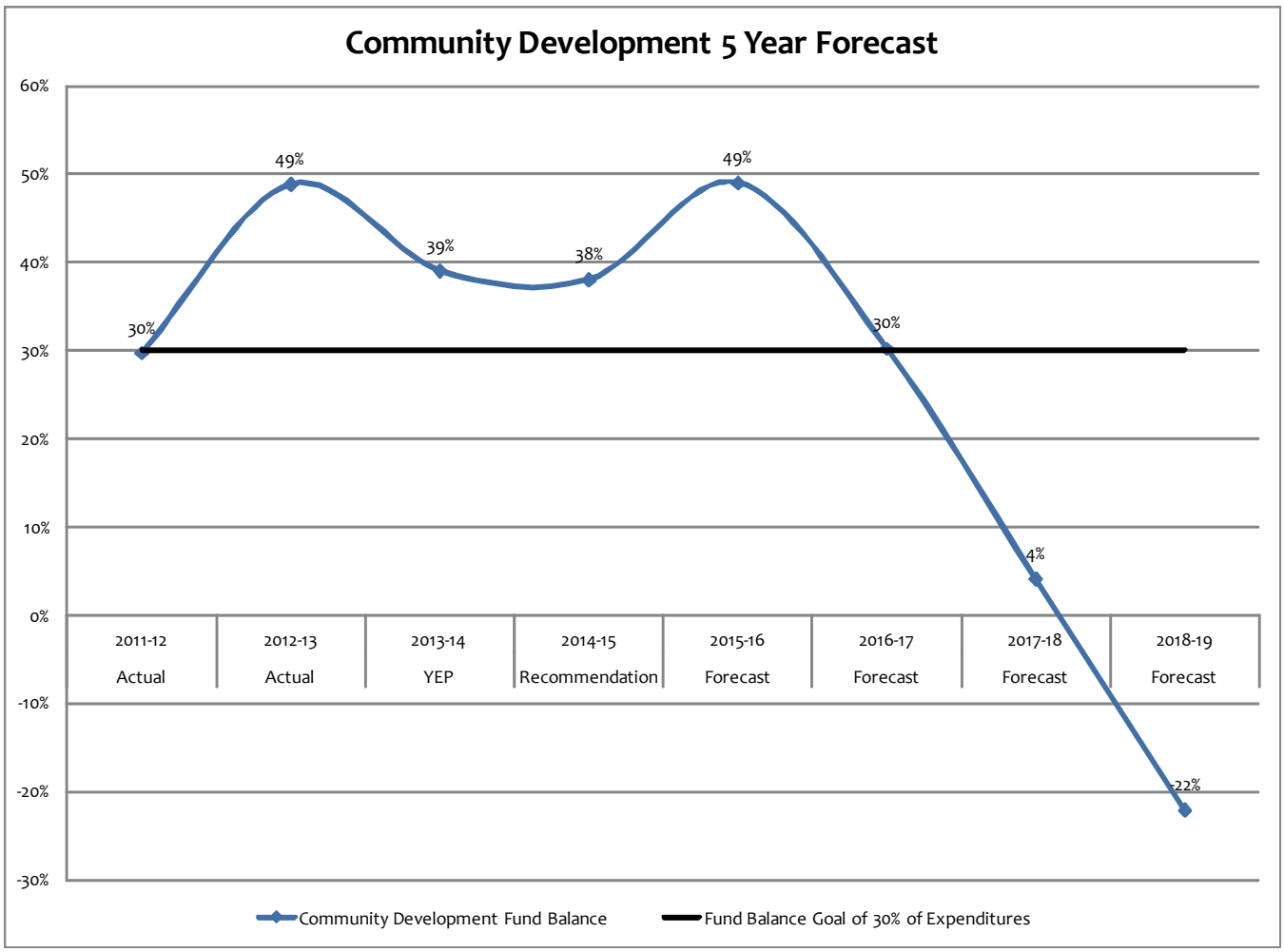
The Community Development Fund is a special revenue fund that is entirely supported by fees paid from developers and residents for planning, building, and engineering services. Due to the recent surge in building activity, this fund is forecasted to see positive fund balance growth during the next two fiscal years as we work through the backlog of housing allocations. The amount of housing development has caused a significant strain on existing personnel resources and is being mitigated by utilizing additional contractors and part-time temporary employees. This strategy is consistent with the Council's Long Term Labor Strategy to ensure that the City has the necessary resources to provide quality services and economic growth, while maintaining flexibility with its permanent personnel levels.

Beginning in FY 16-17, the fund is forecasted to be structurally imbalanced requiring significant use of its reserves to cover estimated expenses. At that point, reserve levels will still be in excess of the Council's 30 percent reserve level policy so there will not be an issue with paying all expenses and still maintaining a healthy fund balance for the short term. However, if all assumptions (both revenues and expenses) hold true, the structural imbalance will continue in years four and five of the forecast at which point the fund will deplete its fund balance and rely on support from another fund. In any event, it is prudent and responsible to acknowledge the issue immediately and begin evaluating opportunities to address the financial forecast in a manner that does not reduce the City's ability to provide high quality and timely service or stymie economic development.

As a starting point, it is important to understand that revenue estimates are based primarily on housing construction and limited commercial and industrial development is projected during the life of the five year forecast. However, there may be several opportunities over the course of the next 24 months for significant progress to be made in commercial and industrial development. These include, but are not limited to 1) the sale and development of the former RDA opportunity sites, 2) a General Plan amendment that is currently in process to allow for two additional hotels near Cochrane Road, 3) existing businesses reinvesting in capital equipment, 4) new medical facilities being developed, and 5) new staff initiative to work with the City's 25 largest businesses in an effort to retain and possibly grow business in Morgan Hill. Even though there is the potential to stimulate economic development from each of these strategies, staff has not included any new revenue, as there is a significant amount of uncertainty in each of these. In saying that, we believe that FY 14-15 will be a pivotal year in better understanding which of these may realistically result in new development, thus generating revenue for the fund (as well as increased GF revenue).

In FY 14-15 the City will complete a comprehensive fee study update so the areas not recovering 100 percent of their costs can be identified. The next step in this year-long process will be to evaluate our fees and determine what level of fee increase would be necessary to cover the costs in providing development services. The final step will be for Council to consider adopting new fees as necessary. Any potential increase will need to be balanced with the City's ability to secure new development (of any kind).

Finally, as a lean organization, anticipating significant savings related to personnel is not prudent. As previously stated, the City's current permanent personnel level, coupled with temporary part-time and contract positions provides us the opportunity to ensure that customer service levels remain high and we maintain flexibility for future decisions without impacting permanent employees.



	Actual 2011-12	Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
Beginning Balance	264,305	707,283	1,589,138	1,675,945	1,650,218	2,086,596	1,267,329	178,890
Revenues & Transfers In	2,822,383	4,136,080	4,376,975	4,316,268	4,694,510	3,374,176	3,269,857	3,301,037
Expenditures & Transfers Out	(2,379,405)	(3,254,225)	(4,290,168)	(4,341,995)	(4,258,132)	(4,193,443)	(4,358,297)	(4,466,581)
Ending Balance	707,283	1,589,138	1,675,945	1,650,218	2,086,596	1,267,329	178,890	(986,654)
Community Development Fund Fund Balance as a% of Expenditure	**30%**	**49%**	**39%**	**38%**	**49%**	**30%**	**4%**	**-22%**

Housing

The City's Housing efforts are still dealing with the effects of the elimination of the Redevelopment Agency (RDA) 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 possible most of the City's housing programs, serving low and very low income residents.

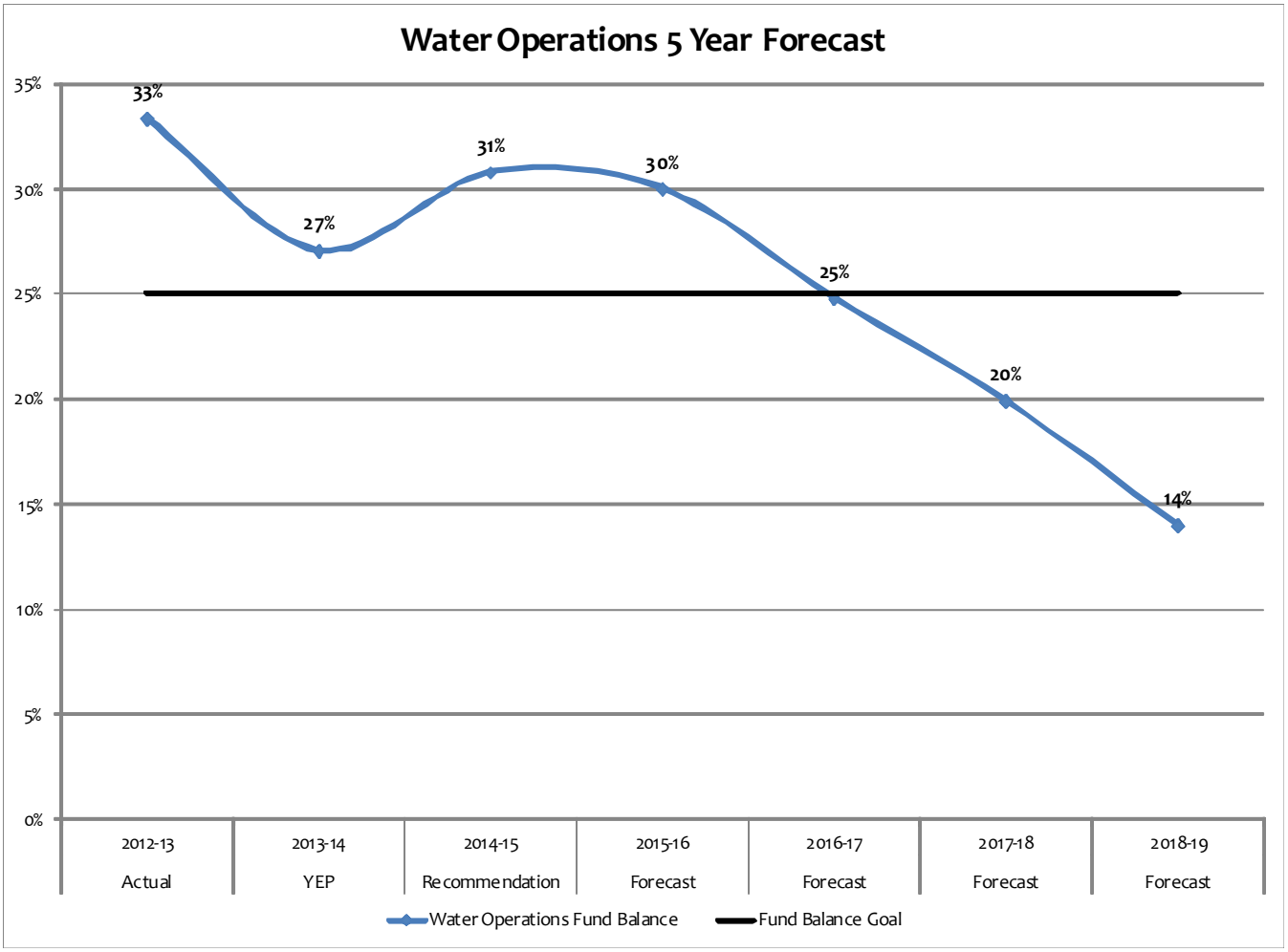
The revenue needed to fund the City's housing programs is now directly aligned with the health of two funds: The Housing Mitigation Fund (Fund 236) which is infused with payments from residential developers who opt to pay the BMR In-lieu fee instead of building BMR units and the (former RDA) Housing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

With a projected $9.3 million balance of funds to start FY 14-15 and another approximately $12 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. This includes the potential use of so called "boomerang" funds for housing. These funds previously went to the RDA and now due to dissolution only 10 percent goes to the City's GF. The adopted budget does not allocate any GF dollars for housing.

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 rate 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 revenues will be generated to pay all annual operating expenses.

The FY 14-15 budget for Water Operations incorporates a previously approved 6.25 percent rate increase on January 1, 2015 and water production of 7,000 acre feet (AF) which is approximately 15 percent lower than the projected record water production of FY 13-14. However, in FY 15-16 and beyond, we are forecasting production at 7,800 AF. If this assumption holds true, then the Water Utility's 5 Year Forecast will remain in compliance with the Council's 25 percent reserve level. Conversely, if the drought continues for another year or two, service levels, water reduction policies, and potentially rates will need to be re-evaluated as revenues will be significantly lower than budgeted.



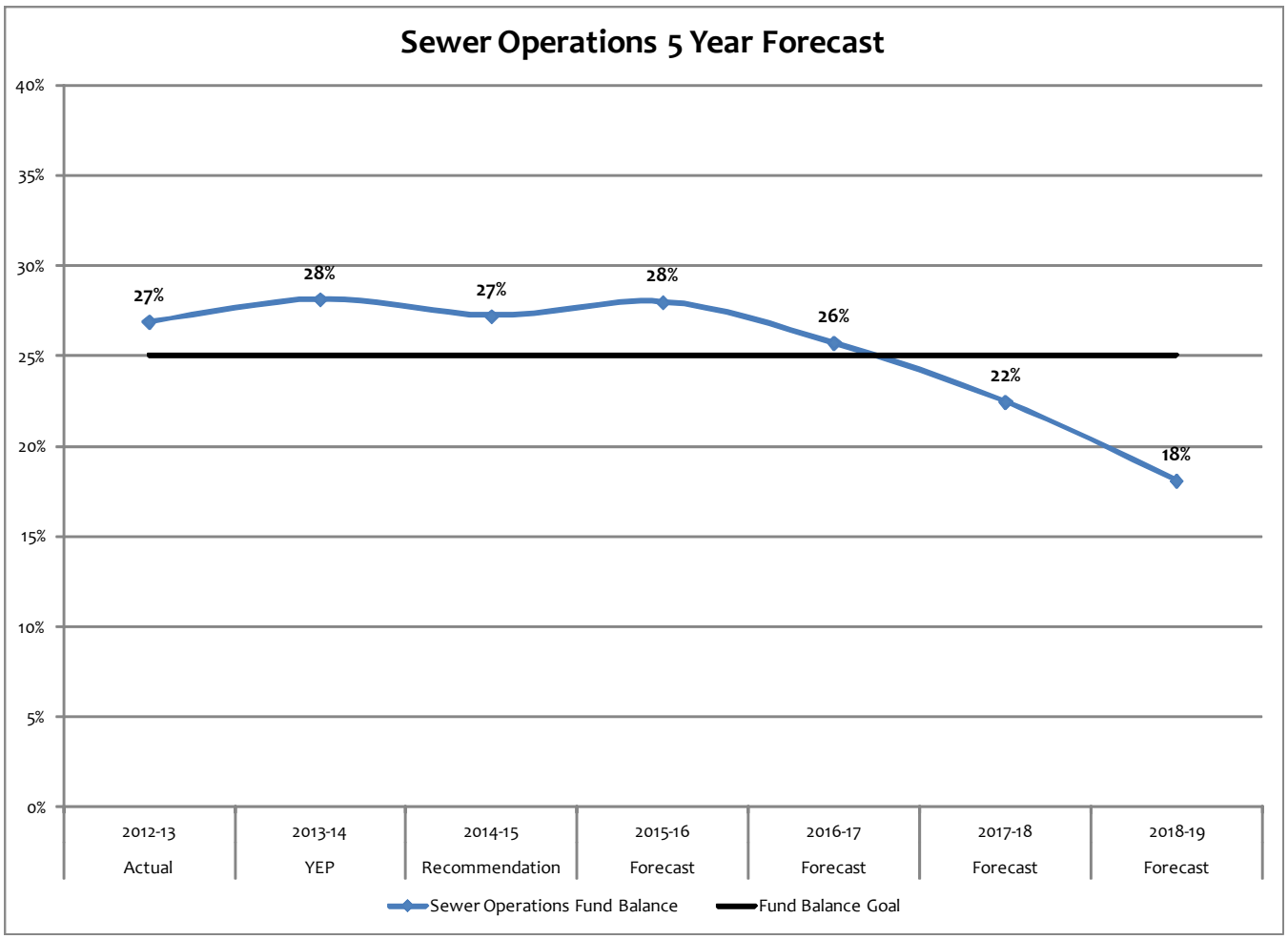
	Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
Beginning Balance	1,502,637	2,922,069	2,812,780	2,974,477	3,259,346	2,896,194	2,391,055
Revenues & Transfers In	10,188,297	10,288,820	9,834,872	11,148,625	11,324,077	11,512,077	11,735,344
Expenditures & Transfers Out	(8,768,865)	(10,398,109)	(9,673,175)	(10,863,755)	(11,687,229)	(12,017,216)	(12,395,353)
Ending Balance	2,922,069	2,812,780	2,974,477	3,259,346	2,896,194	2,391,055	1,731,046
Water Operations Fund Balance as a % of Expenditure	**33%**	**27%**	**31%**	**30%**	**25%**	**20%**	**14%**

Finally from a water utility perspective, the FY 14-15 estimated groundwater charges paid to our water supplier, the Santa Clara Valley Water District (SCVWD), equals approximately 26 percent of the Water Operations budget. This is the single highest cost in the budget at $2.2 million dollars. There is a recommendation before the SCVWD Board to increase the groundwater recharge rates by 4.6 percent, from $305 AF to $319 AF beginning July 1, 2014. This is a significant change from the Water District as they have historically asked retailers to assume increases of 3.5% annually. The larger increase has been assumed in the adopted FY 14-15 budget and accounted for as part of the 5-year forecast.

The FY 14-15 budget for Wastewater Operations also reflects the fourth year of the five-year rate adjustment period. Effective January 1, 2015 ratepayers will see a rate increase of 3.5% with additional rate increase of 3.5% in January 2016.

The most significant costs for the Wastewater fund is the ongoing investment in capital projects which will account for over $45 million attributed to both the replacement and upgrading of current facilities ($10 million) and to support future residential and commercial growth ($35 million). Financing these capital investments could come in two ways: issue Wastewater Revenue bonds or incorporate a "save-and-pay" approach in which the wastewater treatment rates provide enough funding to accumulate sufficient dollars to fund capital projects.

The 2011 rate study update initially calculated a $55 million infrastructure investment over the next eight years for wastewater-related projects of which $20 million was attributed for the expansion of the SCRWA treatment facility in Gilroy. The rate study assumed that design and construction of the plant would be completed in FY 14-15, however updated wastewater flow projections support a revised timeline of FY 16-17 for design with construction completed in FY 19-20.



	Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
Beginning Balance	1,684,301	2,405,702	2,581,826	2,614,105	2,752,316	2,646,072	2,389,268
Revenues & Transfers In	9,673,832	9,357,422	9,644,953	9,983,394	10,187,404	10,391,292	10,599,302
Expenditures & Transfers Out	(8,952,431)	(9,181,298)	(9,612,673)	(9,845,183)	(10,293,648)	(10,648,096)	(11,001,800)
Ending Balance	2,405,703	2,581,826	2,614,105	2,752,316	2,646,072	2,389,268	1,986,770
Wastewater Operations Fund Balance as a % of Expenditure	**27%**	**28%**	**27%**	**28%**	**26%**	**22%**	**18%**

Capital Improvement Program (CIP)

In conjunction with the annual operating budget for a given fiscal year, the City Council also approves the Capital Improvement budget. 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. Morgan Hill implements a 5-year CIP, which is quite common. The CIP focuses on large capital projects and acquisitions with long useful lives. Expenditures typically address one-time needs as opposed to the City's operations budget which addresses ongoing, year to year needs.

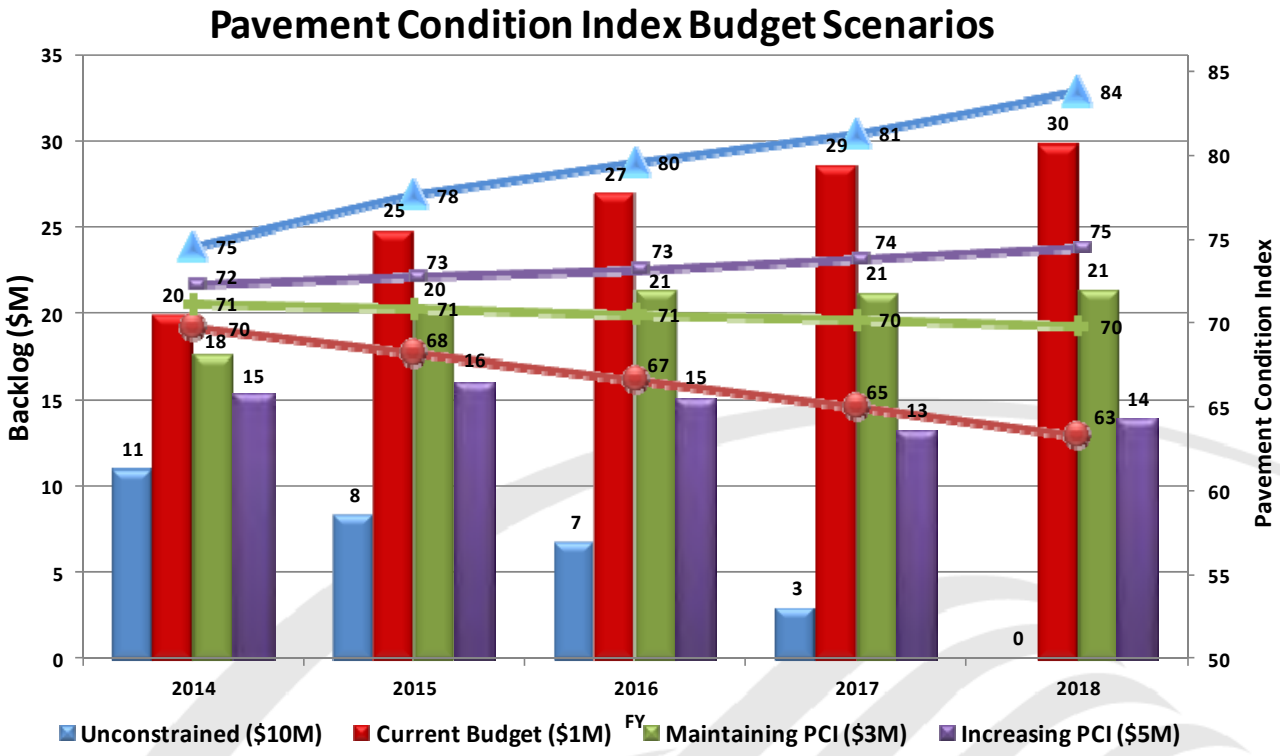
The CIP is intended to address the following multi-faceted infrastructure needs of the City:

Parks, including fields, landscaping, lighting, irrigation, and recreational amenities
Public Facilities, including community, public safety, recreation and civic facilities
Sewer, including collection pipes, lift stations, and trunk lines
Storm Drain, including inlet structures, pipelines, channels and basins
Streets, including sidewalks, ramps, street lights, traffic signals, and signs
Water, including 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. The City receives monies annually from the State, for instance, 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.

Noticeably absent in the adopted CIP are any substantial, ongoing capital investments for the community's streets infrastructure due to limited funding. As demonstrated in last year's Safe and Sustainable Streets Study and updated in this year's Pavement Management Program (PMP) report,

the community's street infrastructure is severely underfunded due to the fact that revenues have decreased over the years. Streets and roads have a "life cycle" that significantly deteriorates if preventive maintenance measures are not taken early in the life cycle. The 2014 PMP discusses the City's current and future Pavement Condition Index (PCI) and project backlog (in dollars) for various funding scenarios. The PMP indicates that there is a need for $3 million annually to keep the City's streets in their current condition. Currently, the City can only invest $1 million (on average) annually due to limited funding sources as the City's share of State Gas Tax money does not provide sufficient funds for street resurfacing and other street infrastructure (street lights and signals, storm drain maintenance, minor street repair and maintenance). However, this number is skewed by the fact that in FY 14-15, significant grant funds will be expended and at this point, we do not anticipate receiving them in the future. As a result, in FY15-16 through FY 18-19 the City will only expend $750 thousand on its roads.



The fact that the City's street infrastructure continues to deteriorate is concerning as every dollar not spent today to address this chronic issue will cost more in future years. In order to address this fact, the Council adopted a "Advocate for Infrastructure Improvement Funding" as one of its 2014 Priorities with the following strategy:

Prior to the end of September, the City Manager will provide a comprehensive report that identifies, quantifies, and prioritizes the needs to maintain the City's existing infrastructure.

This budget reflects that existing personnel would perform all of the necessary work in-house, without the assistance or expertise of a consultant.

A significant amount of detailed information on the five year CIP can be found in the "Capital Improvement Program" section of the budget document and further information relating to the City's entire public infrastructure is included in the special analysis section.

Personnel

One of the City's most significant annual investments is personnel costs as they account for approximately $28.3 million or 28 percent of organizational wide operating expenses. Of this dollar amount, 67 percent is related to salaries and the remaining 33 percent is attributed to benefits (health insurance, retirement, etc.). As a percent of total costs, Morgan Hill continues to contain its personnel expenses due to the fact that it has a long and successful history of working with other organizations to collaboratively deliver services. Most notably, with the YMCA for recreation services, Cal Fire for fire/emergency medical services, and the City of Gilroy for wastewater services. This results in lower short term and long term personnel costs that are offset by an increase in contractual services, though for a lower cost. As part of this, the City does not have any obligation for future employee benefits and retirement of non-City personnel.

For FY 14-15, personnel in each of the City's three labor associations are scheduled by contract to receive a 2 percent salary increase and management employees will receive a 3 percent increase.

As a result of last year's labor negotiations and the Council adopted Management Resolution and Council-Appointed Officer contracts, all City employees now equally share any annual increases to the City's retirement (CalPERS) contribution rates. A special thanks to all employees is deserved for working with the City. Their actions demonstrated their dedication and commitment to the Morgan Hill community and, as importantly, their understanding that fiscal sustainability into the future requires the City and its employees to share the burden. This significant change will positively impact the City's ability to meet the community's service level needs and should not go unnoticed.

Beginning in FY 14-15, the following personnel changes are being proposed.

New Positions:

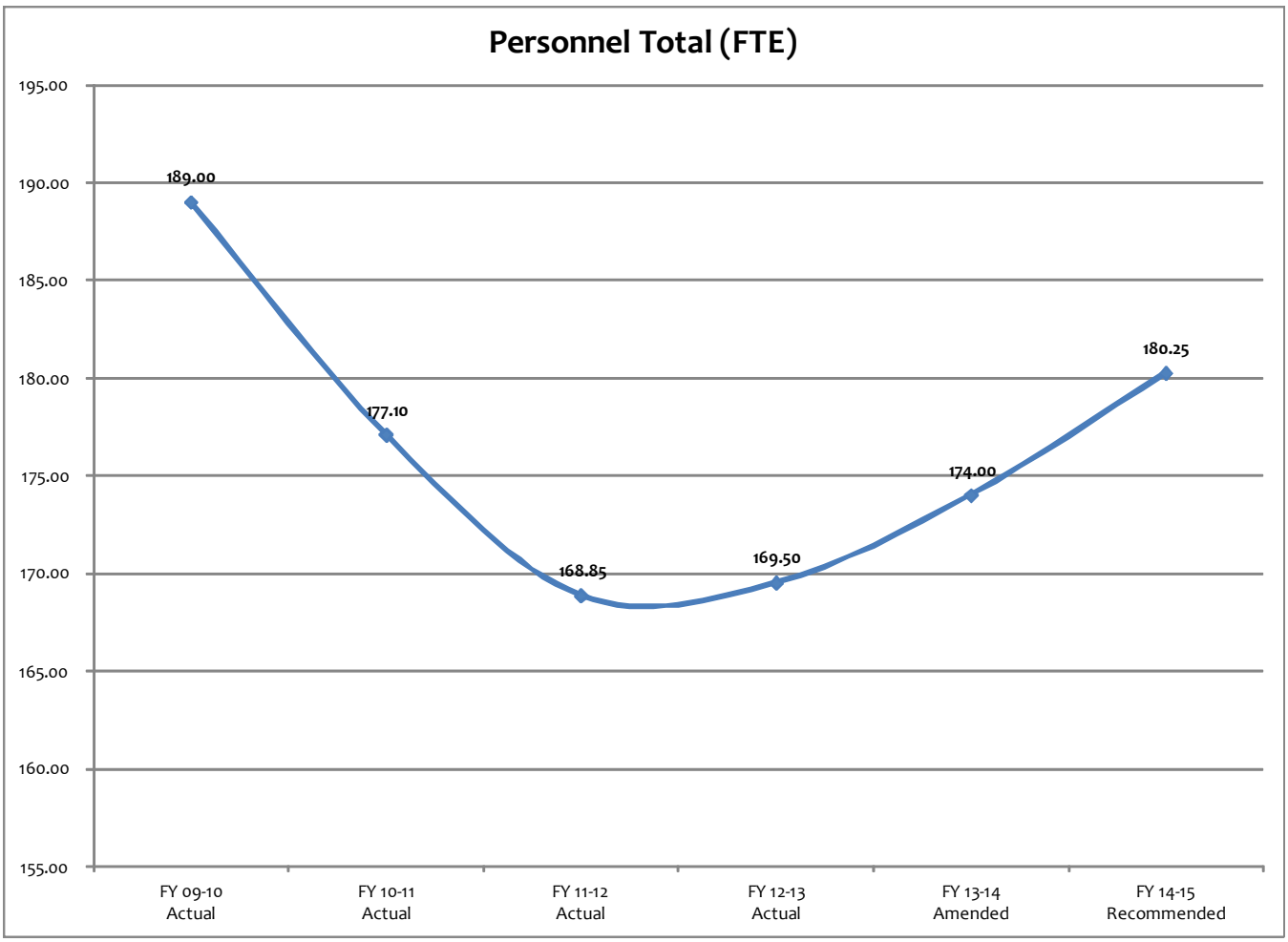
- Police Corporal – Hotel Enforcement Coordinator (1 FTE) in the Police Department
- Police Officer – (1 FTE) in the Police Department
- Programmer Analyst (1 FTE) in the Information Services Division
- Senior Planner (1 FTE) in the Long Range Planning division
- Office Assistant (0.5 FTE) in the Council Services and Records Management Division
- Storm Water Management Specialist (0.5 FTE) position to the Storm Water and Pollution Division
- Risk Management Coordinator (0.5 FTE) in the City Attorney's Office, funded by the General Liability Insurance Internal Service Fund

Increases to Existing FTE:

- Increase the Administrative Analyst position from 0.5 FTE to 0.75 FTE in the City Manager Department
- Increase the Human Resources Assistant position from 0.75 FTE to 1.0 FTE in the Administrative Services Department
- Increase the Municipal Services Assistant position from 0.5 FTE to 0.75 FTE in the Administrative Services Department (paid for by Habitat Agency)

Additionally, in order to address development needs, one Building Inspector position will be re-classified as a Supervising Building Inspector position in an effort to assist our Building Official with plan check review and provide for a succession plan in this area. As part of this, additional part-time personnel will be budgeted for two years to assist with building inspection services so we can keep up with the pace of development. A Development Services Technician position will be reclassified to an Assistant Planner position due to the work being performed.

With these additions, the City will now have a total of 180.25 FTEs. This is an increase of 6.25 FTEs from FY 13-14, though still below the 189 FTEs in FY 09-10. Only one additional position is included in the adopted 5 year forecast beyond FY 14-15; otherwise all 5-year budget forecast numbers reflect a static FTE count through FY 18-19. The addition is a new 1.0 FTE Records Specialist beginning in FY 15-16 to account for the growing Police Department and the need for adequate support in the Police Support Division. This is a first step in anticipating and budgeting for future personnel that will be required to meet the service delivery demands of a growing community.



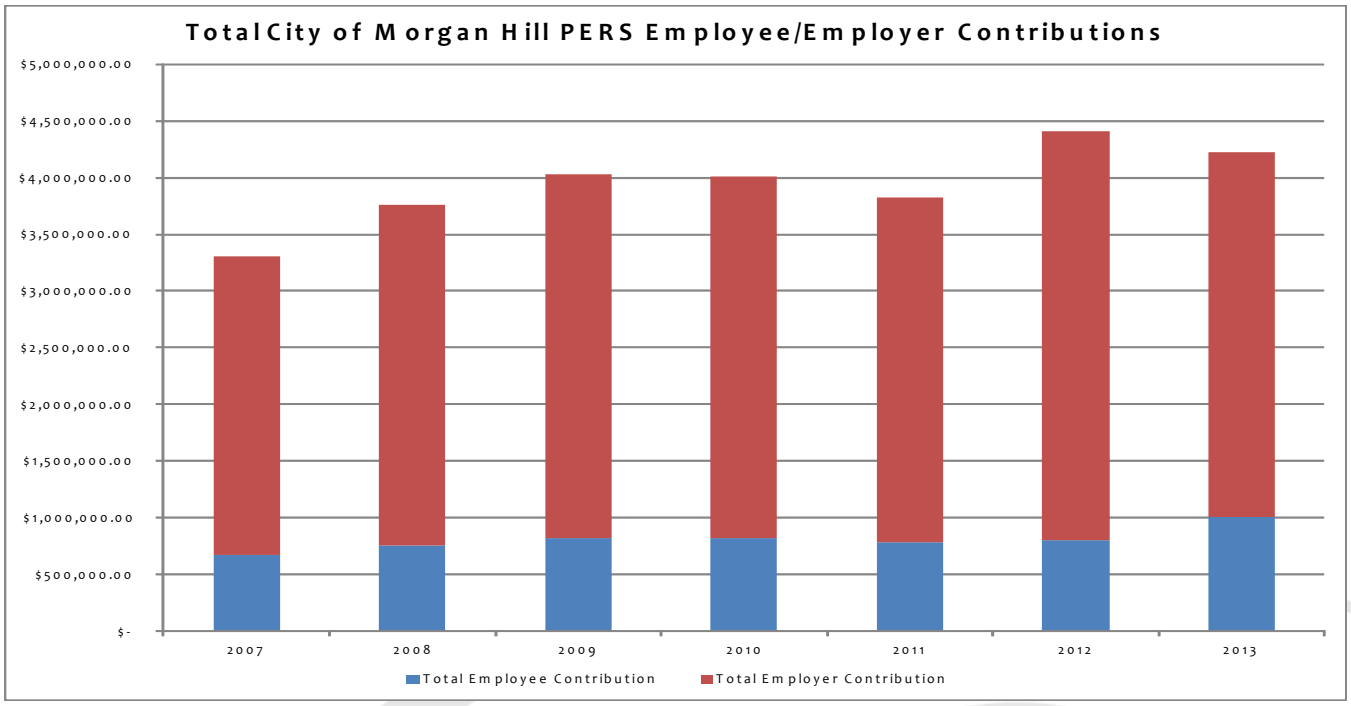
Labor Negotiations

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 will commence in early 2015 and the City anticipates reaching an agreement with each of them by June. 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 14-15, the City's contribution for sworn police officers is 35.8 percent of pay (34.3 percent City-paid and 1.5 percent employee-paid—in addition to the employees' 9 per-

cent of pay contribution to their own retirement). For all other employees the City's contribution is 18.5 percent of pay (17.5 percent City-paid and 1 percent employee-paid—in addition to the employees' 8 percent of pay contribution to their own retirement). Due to recent CalPERS Board action on life expectancy rates and other demographic assumptions, staff projects CalPERS contribution rates in FY 18-19 to be 49.2 percent and 23.2 percent respectively. These figures have been included in the five year forecast, although as noted above, half of the increase is to be paid by employees under the pension cost-sharing agreement reached in 2013. There is also the potential that CalPERS may consider changes in its assumptions for investment returns, though nothing has occurred to this point. Overall, the City expects to pay approximately $3.9 million in retirement contributions during FY 14-15. Employees expect to pay approximately $1.6 million. For a historical perspective, see graph below. Actual data based on a calendar year.



Beginning January 1, 2013, new State law became effective that changed CalPERS pensions for new employees. Since the vast majority of Morgan Hill's employees are not impacted by these changes, any cost savings will be realized only over time as new employees (who are not current CalPERS members through another public agency) join the organization.

Employee Benefits Fund

Since FY 10-11, the Employee Benefits Fund has captured in one place the City's liability for leave earned but not taken. The purpose of this internal service fund is to remove from operating department budgets the expenditure spikes caused by payouts of vacation and other leave earned

but not taken, thus dampening the effects on operating department budgets of the inherently episodic nature of leave payouts to employees exiting the City workforce.

A second purpose of the Employee Benefits Fund is to identify and accumulate financial resources to pre-fund, to the extent feasible, the City's accumulated liability for leave earned but not taken.

The City's three business-type activities (Water Fund, Wastewater Fund and Information Services Fund) have always reflected on their balance sheets both a liability for, and assets to pay, leave earned but not taken by their employees, sometimes referred to as "compensated absences."The City's governmental activities, such as the General Fund and the Community Development Fund and the former Redevelopment Agency, carried at June 30, 2013 a collective long-term liability for compensated absences of $1,529,873 (down almost $80,000 from 2012).Unlike the three business-type activities, those funds do not have sufficient cash to discharge fully their accumulated liability.

Therefore, those funds are being assessed each year for a rolling 10-year period one-tenth of their accumulated liability—or about $153,000 collectively per year. The adopted budget for FY 14-15 includes the fifth year of such one-tenth payments on the long-term liability by the General Fund, the Community Development Fund and other governmental funds into the Employee Benefits Fund.

Other Post-Employment Benefits (OPEB, Retiree Health Insurance)
Since the 1990's, the City has subsidized retirees' CalPERS health insurance at the lowest level permitted by State law (currently $89.25 per month per retiree). As a result, the City has a much smaller liability for retiree health insurance than do other public agencies that pay a fixed percentage (as high as 100%) of their retirees' monthly premium. Even so, that accumulated unfunded liability was most recently calculated by the City's actuary at nearly $1.7 million as of July 1, 2011. The City's actual cash outlay for retiree health insurance was only $31,957 last year, compared with the actuarially determined expense of $204,485.

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 Adopted Budget for FY 14-15 proposes to begin fully funding for the first time the City's long-term liability for retiree health insurance, by having the general fund pay its proportionate share

($115,000) of the $0.2 million currently estimated by the actuary to be needed for each of the next 20 years to fully amortize the liability.

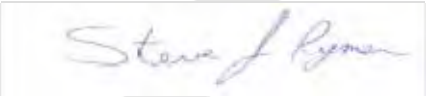
The investment securities the City Treasurer is permitted to buy under State law and the City Council's investment policy are of insufficient maturity and yield to generate the investment return of 5% assumed by the City's actuary. Another investment mechanism must be used to generate higher returns. The most common (offered by CalPERS and private financial firms like banks) is an "OPEB 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. The Administrative Services Department (Finance and Human Resources) will recommend an appropriate provider for City Council consideration during FY 14-15 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 strong financial condition by adhering to its sustainable budget strategy, prudently investing in the future as resources allow, and addressing areas of financial concern early on.

Moving forward, there are many signs that the Morgan Hill community will prosper. FY 14-15 is certain to be an exciting year as the Downtown Placemaking Investment Plan comes to life. These projects are catalysts to making our downtown an inviting, interesting, active, and unique destination for residents and visitors alike. At the same time, the Council and staff will need to actively pursue opportunities to invest in the community's aging public infrastructure and plan for future public facilities to ensure Morgan Hill remains a highly desirable place to live, work, play, and do business.

Sincerely,



Steve Rymer
City Manager

MORGAN HILL
CITY HALL
DEVELOPMENT
SERVICES CENTER
17575

General Information

About the City 36

Budget Overview 39

Planning Documents 42

Fiscal Policies 43

Description of Funds 50

Glossary 54

Resolution Adopting the City Budget 61

Appropriation Limit Calculation 63

About the City

Prior to the arrival of Spanish expeditions en route from Mexico, peaceful tribes of Native Americans inhabited the lush Santa Clara Valley. Under Spanish and Mexican jurisdictions, instituted in 1778, a vast region that includes present day Morgan Hill was one of the most substantial Spanish land grants for nearly three quarters of a century.

In 1845 Martin Murphy, Sr. acquired 9,000 acres known as the Rancho Ojo de Aqua de la Coche. Murphy had been a leader of the first party of pioneers to cross the Sierra Nevada range at Truckee Pass, later to become the route for the Southern Pacific Railroad. The Murphy family made its home in the valley below El Toro Mountain. By 1870 Martin's seven sons and daughters had managed to acquire more than 70,000 acres.

In 1851 the youngest son, Daniel, married Maria Fisher, heiress to the neighboring 19,000 acre Rancho Laguna Seca. Diana, their precocious daughter secretly married Hiram Morgan Hill in 1882. When Daniel Murphy died, Diana inherited 4,500 acres of their original rancho in the shadow of El Toro.

Diana and Hiram Morgan Hill built their estate, the Villa Mira Monte, between the railroad and Monterey Road in 1886. When the first Southern Pacific station was built in 1898, the railroad referred to this area as Huntington. Many visitors would request the train stop at "Morgan Hill's Ranch," changing the name to Morgan Hill.

By 1896 the growing community had a population of 250 with a post office, depot, two hotels, a restaurant, and several churches and shops. There was much controversy over the incorporation of the city. The Times printed many editorials supporting the issue, while those opposed were fearful of higher taxes. But the "yes" vote won by a margin of 65-36 and Morgan Hill became incorporated November 10, 1906. By 1909 the population rose to 1,000.

The first school was built in 1894, but was soon outgrown and in 1907 architect William Weeks designed a new school. By the 1920s the City was known for its agricultural products including prunes, apricots, peaches, pears, apples, walnuts, and almonds. The region boasted prosperous vineyards until Prohibition demanded that production temporarily cease. Around the 1950s Morgan Hill experienced an economic transformation from an agricultural center to a suburban residential community. Growth began to accelerate rapidly in the 1970s as Silicon Valley developed and workers were attracted to Morgan Hill's small town atmosphere, sense of community and reasonable housing prices. On November 3, 1973 the Morgan Hill Civic Center and library were proudly dedicated to the community of 7,000. By 1980 the population increased to approximately 18,000 residents. The 2010 census confirmed that 37,882 citizens called Morgan Hill their home.

Thoughtful planning has made Morgan Hill one of the most desirable cities in Santa Clara County. People are drawn to the beautiful hillsides surrounding the valley, the peaceful atmosphere, the

About the City (continued)

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.

About the City (continued)

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2013

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12 square miles
Miles of Streets	148
Number of Street Lights	3,649
Taxable Sales	$607,887,100
Median household Income	$105,500
Elevation in feet	320
Building Permits Issued during year	1,734

Demographics:

Median Age	36.8
Median Persons per household	3.0
Population	40,079
White	47.2%
Hispanic	34.9%
Asian	11.2%
Black	2.4%
Native American	0.1%
Other, mixed	4.0%

Fire Protection:

Number of stations (2 City, 1 State)	3

Police Protection:

Number of stations	1
Number of Sworn Personnel	37
Number of 911 Calls for Service	13,293

Municipal Water Services:

Number of Active Accounts	12,423
Average Daily Consumption (gallons)	7,102,373
Miles of Water Mains	182
Pumping Capacity (thousand gallons/day)	16,150

Sewer Services

Peak Flow (thousand gallons/day)	5,900
Miles of sewer lines	155

Sources: Various Data Sources

Culture and Recreation:

Parks	22
Acres in parks	470
Libraries	1
Theaters	1
Churches	28
Radio Stations	3
Reservoirs	11
Recreation Centers	4

Major Employers

Morgan Hill Unified School District
Anritsu Company
Specialized Bicycle Components
Comcast Cable Communications
Paramit Corporation
Flextronics International USA, Inc.
Infineon Technologies, North America Corp.
City of Morgan Hill
Extreme Learning
Mission Bell Mfg., Inc.

Budget Overview

BUDGET TIMELINE

Early 2014 marked the kick-off of budget preparation 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.

Important Dates	Event
January, 2014	Budget Team Commences
January 8, 2014	Development Assumptions Meeting
January 27 – 31, 2014	Personnel Allocation Meetings with the City Manager
February 18 – 21, 2014	Revenue Meetings with the City Manager
March 13, 2014	Current Services Budgets Distributed
February 5, 2014	Council Adopts 2014 Priorities
April 1 – 4, 2014	Decision Package Meetings with the City Manager
April 7, 2014	Capital Improvement Program (CIP) Meeting with the City Manager
April 11, 2014	Fantastic Friday. City Manager, Administrative Services Director, Assistant Finance Director, Budget Manager, and Administrative Analyst finalize budget recommendation.
May 16, 2014	Make the FY 2014-15 City Manager's Recommended Budget Available to the Public
May 21, 2014	Recommended FY 2014-15 Budget Presented to the Council as an Agenda Item
May 30, 2014	Budget Workshop with the Council
June 4, 2014	Public Hearing: FY 2014-15 City Manager's Recommended Budget and CIP Program
June 18, 2014	Adopt FY 2014-15 Budget.

Budget Overview (continued)

BUDGET APPROPRIATIONS

Appropriations are the amounts approved for expenditure by the City Council with the adoption of the annual budget and subsequent budget amendments which are brought to the Council for their approval. Appropriations are separated by object categories within an activity budget. The object categories available are: 1) Salaries; 2) Supplies and Services; 3) Capital Outlay; 4) Debt Service; 5) Internal Services; and 6) Transfers. The legal level of control is established as follows:

A Department Director has the authority to transfer between line items within an activity to facilitate the functions of the activity in accordance with the directions, goals and policies of the City Council. The City Manager is authorized to transfer appropriations within an activity to facilitate the functions of that activity in accordance with the directions, goals and policies of the City Council.

A transfer of appropriations between activities or additional appropriation requires City Council approval. New programs and new appropriations not anticipated during the budget process require City Council approval.

BUDGETARY CONTROL

Budgetary control is maintained through monthly revenue and expenditure account reports, which are reviewed by the City Manager and Department Directors. Reports are also provided to the City Council.

As necessary, a mid-year budget review and adjustment process is completed each January and submitted to the Council for review and approval in February. Budgetary adjustments are considered within the framework of the adopted budget and the City Council directions, goals and policies.

BUDGET AMENDMENTS

The budget as adopted by the City Council can be amended during the fiscal year. The need to amend or adjust the budget typically arises in response to unforeseen circumstances or events. For example, the Council is required to formally recognize the receipt of unanticipated revenue before the City can legally accept and spend new money. In other cases, a department may need to transfer funds to cover an unexpected shortfall in another account.

The City Manager is authorized to amend Council-approved appropriations at the activity level if, in the City Manager's opinion, such amendments are necessary and proper. The appropriation adjustment process consists of the following steps:

1. The department prepares an "Appropriation Request/Transfer Form".
2. The request is submitted to Finance Department for review.
3. The request is submitted to the City Manager for approval.
4. Once approved, the request is returned to Finance Department to make the necessary adjustments.
5. The department receives authorization to use the adjusted appropriations.

If the request involves more than one activity or fund, Council approval is required in addition to City Manager approval.

In August/September, staff also requests that the City Council "reappropriate," prior year unexpended appropriations primarily for capital projects. In addition, staff requests that the City Council take action on final 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.

Budget Overview (continued)

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 2014-15 is $1,140,020. 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 and certificates of participation (COP's) include sewer revenue bonds, water revenue bonds, a water facility loan, certificates of participation for water system improvement projects, and lease revenue bonds for the Police facility and library/development service center.

During FY 07-08, the Morgan Hill Redevelopment Agency sold $110 million in bonds to finance projects located in the Ojo de Agua plan area, including the City's downtown revitalization. These bonds will be repaid from the County Auditor-Controller's real property tax trust fund established under AB1x26, the State legislation that abolished redevelopment.

All principal and interest payments due on bonds, certificates of participation and loans during FY 2014-15 are included in the budget.

LEGAL DEBT LIMIT

Within the Comprehensive Annual Financial Report (CAFR), the City calculates its legal debt limit (the maximum amount of debt the City can issue) and compares it to the debt outstanding at the end of the year to produce the legal debt margin (the amount of debt the City can issue in future years). Currently, the City has no outstanding legal debt, and is within its legal debt margin of $883,463,000 as reported in the FY 2012-13 CAFR.

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 and the Cannon Design Group. The plan specifies goals and objectives for the Downtown but also includes full design guidelines and sign criteria. A draft of the Downtown Plan update was released in December 2007.

The current plan and updated draft can viewed at:

http://www.morganhillrda.ca.gov/downtownmh.html

2014 City Council Priorities

- Enhancing Public Safety
- Protecting the Environment
- Maintaining Fiscal Responsibility
- Supporting Youth
- Fostering and Organizational Culture that Focuses on Teamwork, Employee Recognition, and Open Communication
- Stimulate Economic Development
- Enhance Community Engagement and Diversity
- Participate in Regional Issues
- Improve Organizational Effectiveness
- Finance and Advocate for Infrastructure Improvements

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

1. REVENUE

A. The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue generation.

B. The City will estimate revenues using an objective, analytical process; in the case of uncertainty, conservative projections will be utilized.

C. The City will fund all current expenditures from current revenues and available fund balance, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.

D. Development process costs and related administrative expenses will be offset by development fees.

E. The City will identify basic tax-provided services and will establish user fees and charges for services provided in excess of basic services.

F. City staff will provide monthly reports to the City Council which compare and analyze year-to-date actual revenues and expenditures to budget.

2. RESERVES & DESIGNATIONS

Purpose

A. The City of Morgan Hill commits to target the minimum level necessary to maintain the City's credit worthiness and to adequately provide for economic uncertainties, local disasters or catastrophes, future debt or capital obligations, cash flow requirements and legal requirements.

B. The City shall maintain unappropriated fund balance or working capital in the General Fund, Water and Sewer operating funds, Water and Sewer rate stabilization funds, Community Development Fund, and certain internal service funds.

Policy

A. General Fund – As adopted at the City Council Policies & Goal Setting retreat on February 2004 and modified on October 7, 2009:

a. General Fund Reserves may be used to support General Fund expenditures as long as:

b. Reserve levels are not depleted below a long-term goal of 25% of revenues in any year with the following exception:

i. reserves may be used during periods of financial and economic distress, and

ii. reserves shall never be depleted below a minimum level of 15% of revenues which shall be maintained as an ongoing reserve for emergencies.

c. If reserves do – or are projected to – fall below the 15% minimum level at any time, then policy action must be taken within 30 days of such event or projection to rebuild actual or projected reserves back up to the 15% minimum level within the subsequent 12 months.

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

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, until General Fund reserves are back up to the long term goal of 25%, and projected to remain there for the subsequent five years. Similarly, new labor contracts must correspond with the City's annual budget process and fiscal year.

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.

Fiscal Policies (continued)

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.

3. CASH MANAGEMENT

A. City investments and cash management will be the responsibility of the City Treasurer.

B. In accordance with Section 53646 of the Government Code, the City Council will review and update annually, a specific investment policy. The primary purpose of this policy is to set forth the City's investment philosophy and objectives. The City's investment objectives are, in order of priority: 1) safety, 2) liquidity, and 3) yield. The policy also specifically outlines authorized investments, the acceptable percentages and maximum maturities allowed for each investment instrument and the criteria used to determine qualified depositories/dealers.

C. The City invests all idle cash as determined by analysis of anticipated cash flow needs. Specific emphasis will be placed on future cash requirements when selecting maturity dates to avoid forced liquidations and the potential corresponding loss of investment earnings.

D. In order to maximize yields from the overall portfolio, the City will consolidate cash balances from all funds for investment purposes, and will allocate investment earnings to each fund in accordance with generally accepted accounting principles.

E. The City Treasurer will generate a monthly report to the City Council in conformance with all State laws and City investment policy requirements.

F. The City's independent auditors, in conjunction with their annual audit, will audit the cash and investment balances in conformance with generally accepted accounting principles.

4. OPERATING BUDGET

A. The City of Morgan Hill's Operating Budget will be developed on an annual basis. Appropriations for each year will be approved by the City Council.

B. The City's Budget Document will include selected performance measures to better describe the workload of the different City programs, to gauge our effectiveness in providing services, and to ultimately be able to compare the City's overall performance with other like agencies.

C. The City will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets.

D. The City shall define a "balanced budget" as a budget where ongoing funding sources are sufficient to support ongoing funding uses. A budget may temporarily use fund balance to offset a temporary reduction in funding sources, however, fund balance shall not be used to fund ongoing expenses without a sustainble budget adjustment.

E. The legal level of control is established as follows:
   a. The Department Director has the authority to transfer between line items within an activity to facilitate the functions of the activity in accordance with the directions, goals and policies of the City Council.
   b. The City Manager is authorized to transfer appropriations within an activity budget to facilitate the functions of that activity in accordance with the directions, goals and policies of the City Council.
   c. A transfer of appropriations between activities, additional appropriations, new programs or new appropriations requires the authorization of the City Council.

F. Mid-year budget adjustment reports will be presented to Council in February of each fiscal year, if 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 time in anticipation of a scheduled revenue stream that would repay the notes.
3. Capital improvements will be financed primarily through user fees, service charges, assessments, special taxes or developer agreements when

benefits can be specifically attributed to users of the facility. Accordingly, development impact fees should be created and implemented at levels sufficient to ensure that new development pays its fair share of the cost of constructing necessary community facilities.

4. 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. Accordingly, the following guidelines will be followed in designing and building projects funded with development impact fees or Measure C fees:
   a. 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.
   b. 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.
      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 and Measure C funds when they become available.
5. The City should consider internal borrowing prior to issuing bonds if feasible.
   a. The funds borrowed must not be needed for their intended purposes during the period in which the loan will be outstanding, as certified by City staff.
   b. Loans will accrue interest at the rate earned by the City on Local Agency Investment Fund (LAIF) investments.
   c. The cost effectiveness of internal financing compared to external financing opportunities must be analyzed. In general, smaller financings are good candidates for internal financings because costs of issuance would be relatively high on smaller financings, while larger financings are better candidates for external financing.
   d. In no case shall internal borrowing be contrary to established City reserve policies.
6. The City will use the following criteria to evaluate pay-as-you-go versus long-term financing in funding capital improvements"

Factors Favoring Pay-As-You-Go Financing

a. Current revenues and adequate fund balances are available or project phasing can be accomplished.
b. Existing debt levels adversely affect the City's credit rating.
c. Market conditions are unstable or present difficulties in marketing.

Factors Favoring Long-Term Financing

d. Revenues available for debt service are deemed sufficient and reliable so that long-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 not available to fund other projects tomorrow.
   b. Funds committed for debt repayment today are not available to fund operations in the future.

   In evaluating debt capacity, General Fund annual debt service payments should generally not exceed 5% of the General Fund currently budgeted revenues, excluding transfers in. Staff shall report on the current percentage of annual debt service payments compared to revenues within the General Fund in each monthly City Finance and Investment Report.

2. ***Enterprise Fund Debt Capacity***. The City will set enterprise fund rates at levels needed to fully cover debt service requirements as well as operations,, maintenance, administration, and capital improvement costs. The ability to afford new debt for enterprise operations will be evaluated as an integral part of the City's periodic rate review and setting process.

E) Independent Disclosure Counsel

The City should retain the services of an independent disclosure counsel in conjunction with specific project financings when the City's financial advisor, bond counsel, or underwriter recommends that the City retain an independent disclosure counsel based upon the circumstances of the financing. In general, the City should hire independent disclosure to prepare the bond prospectus (Official Statement) so that all material information is disclosed to investors.

F) Independent Financial Advisor

The City should hire a financial advisor for all external financings in excess of $500,000. The Financial Advisor will provide guidance regarding the structuring of the financing, and coordinate the sale of the bonds so that the City will pay the lowest true interest cost.

G) Land-Based Financings

1. ***Public Purpose***. There will be a clearly articulated public purpose in forming an assessment or special tax district in financing public infrastructure improvements (excluding Redevelopment Agency). If this public purpose relates to economic development in the City, then this financing should be discussed by the Community and Economic Development Committee and a recommendation concerning this purpose should be made to the City Council. In addition, the City Council should make a finding as to why this form of financing is preferred over other funding options such as reimbursement agreements, or direct developer responsibility for the improvements.

Fiscal Policies (continued)

2. ***Active Role***. Even though land based financings may be a limited obligation of the City, the City will play an active role in managing the district. This means that the City will select and retain the financing team, including the financial advisor, bond counsel, trustee, appraiser, disclosure counsel, assessment engineer, and underwriter, if applicable. 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.

3. ***Credit Quality***. When a developer requests a district, the City will carefully evaluate the applicant'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 similar 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.

H) Conduit Financings

1. The City will consider requests for conduit financing on a case-by-case basis using the following criteria:
   a. The City's bond counsel will review the terms of the financing and render an opinion that there will be no liability to the City in issuing the bonds on behalf of the applicant.
   b. There is a clearly articulated public purpose in providing the conduit financing.
   c. The applicant is capable of achieving this public purpose.

Fiscal Policies (continued)

2. The review of requests for conduit financing will be a two-step process:
   a. First asking the Council if they are interested in considering the request and establishing the ground rules for evaluating it; and
   b. Then returning with the results of this evaluation, and recommending approval of appropriate financing documents if warranted.

This two-step approach ensures that the issues are clear for both the City and applicant, and that key policy questions are answered.

3. The work scope necessary to address these issues will vary from request to request and will have to be determined on a case-by-case basis. Additionally, the City should generally be fully reimbursed for our costs in evaluating the request. However, this should also be determined on a case-by-case basis.

I) Successor Agency Refinancing of Redevelopment Bonds

1. The City acting as the Successor Agency shall refinance Redevelopment Agency Tax Allocation Bonds within the constraints of AB1x26, the legislation that abolished redevelopment and only with approval from the Oversight Board.

2. When refinancing Tax Allocation Bonds, the Successor Agency shall use a financial advisor, bond counsel, disclosure counsel, underwriter (for a negotiated sale), and other consultants who are experts in the issuance of redevelopment financing instruments.

3. Tax Allocation Refinancing Bonds shall be issued in a manner that is consistent with AB1x26.

4. Debt Management and Debt Structure for Tax Allocation Refinancing Bonds shall be consistent with the requirements described in sections B and C above.

J) Investment Policy

The City of Morgan Hill Statement of Investment Policy is available at:

http://www.morgan-hill.ca.gov/DocumentView.asp?DID=2242

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 disbursement 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.

Environmental Programs Fund (232)
The Environmental Programs Fund is a special revenue fund that is used to account for Burrowing Owl and Stormwater Pollution & Prevention activities.

City of Morgan Hill Acting as the Successor Agency to the Morgan Hill Redevelopment Agency (250)
With the abolition of redevelopment on February 1, 2012 under AB1x26, the City was required to close out the old Redevelopment Agency Funds (317 and 327, as described below) on January 31 and establish this new one on behalf of what the State Legislature called the "Successor Agency," which is the City itself acting as successor to the former Redevelopment Agency. This fund, described in AB1x26 as the Redevelopment Obligation Retirement Fund, will receive from the County Auditor-Controller property tax related to former redevelopment in amounts to pay enforceable obligations as certified by the Auditor-Controller and approved by the Oversight Board that was appointed to oversee the wind-down of redevelopment in Morgan Hill. In turn, this fund will record the expenditures required to discharge the enforceable obligations.

Successor Housing Agency (255)
This fund accounts for the successor agency's housing assets and activities in a manner parallel to Fund 250 described immediately above, with the exception that the City Council, rather than the Oversight Board, governs the fiscal actions of this fund. Furthermore, this fund is projected to receive significant program income (rents, loan repayments, State grants, etc.) not likely to flow to Fund 250.

Other Special Revenue Funds
There are seven other small special revenue funds. The balances in these funds are restricted by law and/or ordinance. The funds include:

Description of Funds (continued)

- Asset Seizure Fund (225)
- Lighting and Landscape Fund (229)
- Mobile Home Park Rent Stabilization Fund (234)
- Senior Housing Trust Fund (235)
- Housing Fee Fund (236)
- Employee Assistance Fund (240)
- Environmental Remediation Fund (247)

The Senior Housing Trust Fund was established to account for the funds that were set aside to fund programs for elderly persons over the age of 55, while the Housing Fee Fund was established to provide for housing related programs and projects.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for the financial resources to be used for acquisition and/or construction and/or maintenance of capital facilities. The funds are restricted by State law and/or City ordinance for specific uses. AB1600 (Government Code Sect. 66000-66003) restricts the collection and use of 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.

Municipal Infrastructure CIP Fund (310)

This fund was created in FY 2011-12 to set aside a portion of fuel sales tax and interest earning revenues for the purpose of funding General Fund capital improvement projects.

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.

Redevelopment Project Fund (317)

The City of Morgan Hill Redevelopment Agency, established in 1980, had as one of its primary goals the rehabilitation and revitalization of blighted areas in residential neighborhoods and business districts. The State Legislature abolished the Agency, and all others like it in California, in 2011.

The Redevelopment Project Fund accounted, until its death on February 1, 2012, for the activities of the Redevelopment Agency capital projects, economic development, and the administrative costs of the Agency.

Redevelopment Housing Funds (327/328)

Redevelopment Housing Funds accounted for the 20% set-aside funds collected from property tax increment for hous-

Description of Funds (continued)

ing programs. This fund, too, ceased activity on February 1, 2012.

Public Facilities Non AB1600 Fund (346)
Public Facilities Fund 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.

Public Facilities Impact Fund (347)
Public Facilities Impact 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.

Library Impact Fund (348)
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.

Undergrounding Fund (350)
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 the design and construction associated with such undergrounding.

School Pedestrian and Traffic Safety Fund (355)
This fund accounts for the revenues and expenditures related to the collection and use of development fees for pedestrian and traffic safety capital improvements at or near schools.

Community Recreation Centers Impact Fund (360)
This fund was set up to collect revenues derived from a fee charged to developers to cover the costs to construct new community centers within Morgan Hill. Fund is subject to the restrictions of AB1600.

Civic Center Construction Fund (370)
This fund accounted for the revenues and expenditures related to the construction of the new library at the civic center campus. Since completion of the construction, activity and fund balance in this fund have been minimal.

DEBT SERVICE FUNDS
Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Police Facility Bond Debt Service (441)
A fund to track transactions of the 2004 bonds issued to build the Police Station.

Assessment District Funds (527-551)
Assessment District funds are established to permit the City to sell bonds to provide the funds to construct improvements in new developments. Property assessments are collected from property owners within the assessment district for a proportional share of the improvements, and debt service payments for the bonds are made from the assessments collected. These funds are restricted by the bond covenants and agreements.

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 onetime revenues. The initial contribution to the System Re-

Description of Funds (continued)

placement 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 goods and/or services provided by one department to other departments within the City and the Redevelopment Agency. The Internal Service Fund accumulates all the costs related to the service provided and then the costs are charged to the department receiving the goods and/or services based on the quantity of service received.

The City maintains the following Internal Service Funds:
- Information Systems Fund (730)
- Building Maintenance Fund (740)
- Building Replacement Fund (741)
- Capital Improvement Program Administration Fund (745)
- Unemployment Insurance Fund (760)
- Workers' Compensation Fund (770)
- Equipment Replacement Fund (790)
- Employee Benefits Fund (791)
- General Liability Insurance Fund (795)

AGENCY FUNDS
Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains the following Agency Funds:
- MH Business Ranch 98 AD (843)
- MH Ranch Reassessment 2004 (844)
- Madrone Bus. Park - Exempt (845)
- Madrone Bus. Park - Taxable (846)
- Tennant Ave Business Park (848)
- Police Donation Trust (881)

Glossary of Budget & Financial Terms

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.

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.

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.

Assets
Property owned by the City which has monetary value.

Audit
A systematic examination of the City's financial records and processes which concludes in a written financial report. It includes test of management's internal accounting controls and is intended to:

1. ascertain whether financial statements fairly present financial positions and results of operations;
2. test whether transactions have been legally performed; and,
3. identify areas for possible improvements in accounting practices and procedures

Glossary (continued)

BAHS
Business Assistance and Housing Services

Balance Sheet
A statement which presents the financial position of an entity by disclosing its assets, liabilities, and fund equities as of a specific date.

BMR
Below Market Rate

Bond Debt (Debt Instrument)
A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt to pay for specific capital expenditures.

Budgetary Basis of Accounting
Morgan Hill budgets using the modified accrual basis plus encumbrances.

1. 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.
2. Encumbrances outstanding at year-end are reappropriated in the next year and reported as reservations of fund balance.

Budget (Operating)
A plan of financial operation listing an estimate of proposed expenditures (appropriations) for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates).

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.

Glossary (continued)

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.

Capital Project Fund
Used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Internal Service Funds).

CCC
Community and Cultural Center - the campus includes the Community Playhouse, Gavilan College, the Outdoor Amphitheater, the main Community and Cultural Center building.

CDBG
Community Development Block Grant - the 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 the US Department of Housing and Urban Development (HUD). The CDBG program provides annual grants on a formula basis to 1180 general units of local government and States.

Certificate of Deposit
A negotiable or non-negotiable receipt for monies deposited in a bank or financial institution for a specified period at a specified rate of interest

CIP Engineering
All work involved in preparation of construction plans, contractual documents and construction administration for the design and upgrade of various infrastructures for projects identified in the 5-year Capital Improvement Program.

Contingency
A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

COP
Certificate of Participation - provides long-term financing through a lease or installment sale agreement that does not constitute indebtedness under the state constitutional debt limit and does not require voter approval

CRC
Centennial Recreation Center - the 52,000 square foot Centennial Recreation Center features a gymnasium, fitness center, indoor pool with water play features, teen and senior wing, multi-purpose room, and computer lab.

Glossary (continued)

CSOA
Community Service Officers Association – the City of Morgan Hill public safety support union

CYSA
California Youth Soccer Association

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.

Fund
An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance
Remaining balance available following the reduction for resources not available for spending or "legal restrictions" (reservation) and intended future use of resources (designation).

Glossary (continued)

GAAP
Generally Accepted Accounting Principles - the standard framework of guidelines for financial accounting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.

General Fund
The fund supported by taxes, fees, and other revenues that may be used for any lawful purpose. The general fund accounts for all financial resources except those required to be accounted for in another fund. This fund accounts for the general operating programs of the City.

General Obligation Bond
When the City pledges its full faith and credit to repayment of the bonds it issues, then those bonds are general obligation (G.O.) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues. In California, G.O. bonds issued after 1977 must be authorized by public referenda with two-thirds voter approval. The City currently has no General Obligation Bond debt.

GFOA
Government Finance Officers Association - The GFOA is the professional association of state/provincial and local finance officers in the United States and Canada.

IIAP
Injury and Illness Prevention Program

Impact Fees
Fees imposed in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project.

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.

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.

Glossary (continued)

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.

MOU
Memorandum of Understanding – The City of Morgan Hill uses a MOU to define the relationship between the City and its represented employees. It creates a platform for a clear understanding of each party's commitments/ purpose.

Operating Fund
Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.

OSC
Outdoor Sports Center

OSHA
Occupational Health and Safety Administration

Performance Measures
Specific quantitative measures of work performed within an activity or program (e.g., total miles of streets cleaned). Also, a specific quantitative measure of results obtained through a program or activity (e.g., reduced incidence of vandalism due to new street lighting program).

POA
Police Officer's Association – the City of Morgan Hill police officer's union.

POST
Peace Officer Standards and Training

Property Taxes – secured
Taxes on real and personal property located upon that property of the same owner.

Property Taxes - unsecured
Taxes on property for which the value of the lien is not sufficient to assure payment of the tax.

Proposition 4
The Gann Initiative – limits growth in government spending to changes in population and inflation.

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.

Glossary (continued)

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

SCRWA
The South County Regional Wastewater Authority - handles the disposal of wastewater from Gilroy and Morgan Hill.

Special Revenue Fund
Separate fund used to account for the proceeds of special revenue sources that are restricted by law (or administrative action) to expenditures for specific purposes.

Transit Occupancy Tax
Tax on persons staying 30 days or less in a hotel, inn, motel, tourist home, non-membership campground or other lodging facility.

UI
Unemployment Insurance

Unit Cost
Cost of producing one unit of product or service, usually based on averages. Unit costs may be stated in terms of gallons, feet, tons, individual units, etc.

User Charges
The payment of a fee for direct receipt of a public service by the party benefiting from the service.

Yield
The rate earned on an investment based on the price paid.

Adoption of the City Budget & Appropriations Limit

RESOLUTION NO. 6895

A RESOLUTION OF THE CITY COUNCIL OF CITY OF MORGAN HILL ADOPTING THE FISCAL YEAR 2014-15 OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGET AND ADOPTING THE FISCAL YEAR 2014-15 APPROPRIATIONS LIMIT

WHEREAS, the City of Morgan Hill Budget for the 2014-15 fiscal year was prepared by City staff and reviewed by the City Manager;

WHEREAS, the City of Morgan Hill Budget for the 2014-15 fiscal year was distributed to the City Council on May 16, 2014, was reviewed at a budget workshop on May 30, 2014 and was further reviewed at a public hearing on June 4, 2014;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the City of Morgan Hill's 2014-15 General Fund appropriations limit is $87,061,053 as shown on Schedule A;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the appropriations for the 2014-15 fiscal year, as shown on Schedule B, which are subject to the appropriations limit as set forth in Article XIIIB of the California Constitution, do not exceed the limit as stated above;

WHEREAS, the annual adjustment factors that were selected to calculate the 2014-15 limit were: 1) California Per Capita Personal Income adjustment factor of 0.9977; and 2) City Population Growth factor of 1.0095;

WHEREAS, modifications and amendments to the Adopted 2014-15 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 2014-15 Budget of $140,236,413 departmental appropriation levels as recommended in the Adopted Budget document, Appropriations Limit, and Appropriations Limit Adjustment Factors for Fiscal Year 2014-15.

City of Morgan Hill
Resolution No. 6895
Page 2 of 4

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 18th day of June 2014 by the following vote:

AYES:	**COUNCIL MEMBERS:**	**Larry Carr, Rich Constantine, Gordon Siebert, Steve Tate**
NOES:	**COUNCIL MEMBERS:**	**None**
ABSTAIN:	**COUNCIL MEMBERS:**	**None**
ABSENT:	**COUNCIL MEMBERS:**	**Marilyn Librers**

ATTEST:

IRMA TORREZ
City Clerk

STEVE TATE, Mayor

CERTIFICATION

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 6895, adopted by the City Council at the meeting held on June 18, 2014.

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

DATE: 7/18/2014

Irma Torrez, CITY CLERK

City Budget & Appropriations Limit (continued)

City of Morgan Hill
Resolution No. 6895
Page 3 of 4

SCHEDULE A

CITY OF MORGAN HILL
SPENDING LIMIT CALCULATION
FISCAL YEAR 2014-15

APPROPRIATIONS SUBJECT TO LIMIT		
Fiscal Year 2014-15 General Fund Revenues		$31,979,197
Less Non Proceeds of Tax		10,953,885
Total appropriations subject to limits		$21,025,312
APPROPRIATIONS LIMIT		
Fiscal year 2013-14 appropriations limit		$86,440,570
Plus Change Factor:		
A. Cost of living adjustment - CPI	0.9977	
B. Population Adjustment	1.0095	
Total Change Factor		1.0072
Increase in appropriations limit		620,483
FISCAL YEAR 2014-15 APPROPRIATIONS LIMIT		87,061,053
Remaining appropriations capacity		66,035,741
Available capacity as a percent of appropriations limit		76%

NOTES

a. Cost of living adjustment is based on percentage change in California per capita income.
b. Population adjustment is based on the greater of annual population change for the City of Morgan Hill or Santa Clara County.

City Budget & Appropriations Limit (continued)

City of Morgan Hill
Resolution No. 6895
Page 4 of 4

SCHEDULE B

CITY OF MORGAN HILL
SPENDING LIMIT CALCULATION
FISCAL YEAR 2014-15

REVENUE SOURCE	PROCEEDS OF TAX	NON PROCEEDS OF TAX	TOTALS
Property Tax	$ 8,467,942		$ 8,467,942
Sales Tax	8,430,682		8,430,682
Transient Occupancy Tax	1,732,500		1,732,500
Franchise Revenue	1,747,565		1,747,565
Property Transfer Tax	428,000		428,000
Business License / Other Permits	203,623		203,623
Motor Vehicle in Lieu	15,000		15,000
Fines and Penalties		78,000	78,000
Use of Money and Property		796,488	796,488
Other Revenue / Other Agencies		1,694,660	1,694,660
Police and Fire Fees		252,000	252,000
Current Service Charges General Govt.		6,708,979	6,708,979
Transfers		1,423,758	1,423,758
Total	$ 21,025,312	$ 10,953,885	$ 31,979,197
Percentage of Total	66%	34%	100.00%

Budget Summary

Combined Statement of Revenues, Expenditures and Changes in Fund Balance 66

Fund Balance Projections 67

General Fund Balance Charts 71

Summary of Resources 72

Major Revenue Assumptions 73

Summary of Revenues & Transfers In 76

Expenditure Charts 79

Summary of Expenditures & Transfers Out 81

Interfund Transfers 84

Internal Service Charges 86

Comparison of Municipalities 88

FY 2014-15 Combined Statement:

Revenues, Expenditures and Changes in Fund Balance

	General Fund	Special Revenue	Capital Project	Debt Service	Enterprise	Internal Services	Agency	All Funds
SOURCES OF FUNDS								
Property Tax/Assessments	8,467,942	183,884	-	-	-	-	1,770,346	10,422,172
Other Taxes	12,338,747	-	-	-	-	-	-	12,338,747
Licenses & Permits	183,623	-	-	-	-	-	-	183,623
Fines & Penalties	78,000	-	-	-	-	-	-	78,000
Use of Money & Property	955,591	336,319	345,754	4,454	252,310	52,514	24,860	1,971,801
Other Agencies	811,488	7,769,089	420,721	-	-	-	-	9,001,298
Charges for Current Svs.	7,211,048	6,052,545	8,011,439	-	24,391,477	8,706,330	-	54,372,839
Other Revenues	509,000	237,500	2,156,000	-	8,117,500	3,000	-	11,023,000
Transfers In	1,423,758	728,661	450,000	862,866	874,173	318,448	-	4,657,905
TOTAL SOURCES	**31,979,197**	**15,307,997**	**11,383,914**	**867,320**	**33,635,460**	**9,080,292**	**1,795,206**	**104,049,385**
USES OF FUNDS								
Salaries	16,700,107	3,943,037	448,729	-	4,342,781	3,051,809	-	28,486,463
Supplies & Services	9,895,661	2,779,367	496,658	-	8,552,572	3,917,828	12,417	25,654,502
Capital Outlay	411,470	-	-	-	718,330	652,500	-	1,782,300
Debt Services	111,184	6,937,403	-	791,348	3,749,453	25,874	1,687,005	13,302,267
Internal Service	4,293,614	704,373	294,219	3,058	1,049,100	367,891	7,694	6,719,950
Transfers Out	1,184,836	1,187,360	588,440	-	1,687,205	10,061	-	4,657,902
Project Expenditure	-	20,522,030	15,937,000	-	23,174,000	-	-	59,633,030
TOTAL USES	**32,596,872**	**36,073,571**	**17,765,045**	**794,406**	**43,273,441**	**8,025,963**	**1,707,116**	**140,236,413**
SOURCE/USE VARIANCE	**(617,675)**	**(20,765,574)**	**(6,381,131)**	**72,914**	**(9,637,981)**	**1,054,329**	**88,090**	**(36,187,028)**
FUND BALANCE 7/1/14	**11,647,113**	**38,222,169**	**33,186,100**	**45,188**	**38,528,202**	**7,316,106**	**1,997,045**	**130,941,924**
PROJ. BALANCE 6/30/15	**11,029,438**	**17,456,595**	**26,804,969**	**118,102**	**28,890,221**	**8,370,436**	**2,085,135**	**94,754,896**

Fund Balance Projection - FY 2013-14

		7-1-2013 Fund Balance	13-14 Projected Revenues	13-14 Projected Transfers In	13-14 Projected Transfers Out	13-14 Projected Expenditures	06-30-2014 Projected Balance
General Fund							
010	General Fund Undesignated	$ 11,065,665	$ 30,219,857	$ 1,864,390	$ 1,232,039	$ 30,270,761	$ 7,114,134
	General Fund Reserve						4,532,979
	Subtotal	**$ 11,065,665**	**$ 30,219,857**	**$ 1,864,390**	**$ 1,232,039**	**$ 30,270,761**	**$ 11,647,113**
Special Revenue Funds							
202	Street Fund	$ 15,269	$ 594,849	$ -	$ 590,498	$ 1,688	$ 17,932
205	Supplemental Law Enforcement	50,722	100,228	-	100,000	6,066	44,884
206	Community Development Fund	1,589,138	4,286,975	90,000	181,248	4,108,920	1,675,945
207	General Plan Update Fund	362,715	456,531	337,840	-	790,942	366,144
210	Com Rec Centers Startup Fund	511	2	-	-	908	(395)
215	CDBG Fund	(60,891)	(229)	-	-	-	(61,120)
216	CDBG Revolving Loan Fund	(37,265)	4,060	-	-	-	(33,205)
225	Asset Seizure Fund	17,333	10,593	-	-	11,100	16,826
229	Lighting & Landscape Fund	97,592	184,427	-	-	182,937	99,083
232	Environmental Programs Fund	219,977	105,301	160,636	-	196,563	289,351
234	Mobile Home Park Rent Fund	22,098	5,613	-	-	738	26,973
235	Senior Housing Trust Fund	213,653	1,060	-	-	-	214,713
236	Housing Mitigation Fund	451,521	1,829,008	-	150,496	1,083,474	1,046,559
240	Employee Assistance Fund	35,887	37,698	-	-	51,041	22,544
247	Environment Remediation Fund	233,908	1,051	-	-	12,323	222,636
250	City of Morgan Hill Acting as the Successor Agency to the Morgan Hill Revelopment Agency	26,721,644	106,467,001	-	96,946	107,100,821	25,990,878
255	Successor Housing Agency	7,575,765	1,026,017	-	31,511	287,850	8,282,421
	Subtotal	**$ 37,509,577**	**$ 115,110,186**	**$ 588,476**	**$ 1,150,699**	**$ 113,835,371**	**$ 38,222,169**
Capital Project Funds							
301	Park Impact Fund	$ 8,542,459	$ 1,216,279	$ -	$ 37,221	$ 223,487	$ 9,498,030
302	Park Maintenance Fund	4,689,543	407,424	-	404,221	35,137	4,657,609
303	Drainage Impact Fund	3,110,549	1,376,003	-	8,442	818,938	3,659,172
304	Drainage-Non AB1600 Fund	1,781,721	222,422	-	-	1,031,290	972,853
306	Open Space Fund	3,317,662	618,249	-	-	125,712	3,810,199
308	Street CIP	642,797	846,003	750,000	-	2,067,095	171,704
309	Traffic Impact Fund	3,371,885	735,394	-	16,884	232,887	3,857,507
310	Municipal Infrastructure CIP	279,205	-	-	-	280,000	(795)
311	Police Impact Fund	(711,423)	175,215	-	240,557	1,306	(778,071)
313	Fire Impact Fund	3,506,206	166,202	-	-	1,632	3,670,776
317	RDA Fund	-	-	-	-	-	-
327/328	Housing	-	-	-	-	-	-
342	M.H. Bus. Ranch II AC CIP	157	1	-	-	-	158
346	Public Facilities (Non AB1600)	1,457,020	346,594	-	-	779,567	1,024,048
347	Public Facilities Impact Fund	333,108	118,925	-	-	529,666	(77,633)
348	Library Impact Fund	674,436	578,429	-	240,539	2,544	1,009,782
350	Undergrounding Fund	225,431	6,597	-	-	450	231,578
355	School Ped. & Traffic Safety	1,489,454	285,026	-	-	366,058	1,408,422
360	Com. Rec. Centers Impact Fund	69,811	346	-	-	-	70,157
370	Civic Center Construction	18,350	(200)	-	-	17,544	606
	Subtotal	**$ 32,798,371**	**$ 7,098,906**	**$ 750,000**	**$ 947,864**	**$ 6,513,313**	**$ 33,186,100**
Debt Service Funds							
420	Civic Center Debt	$ 15,609	$ (390)	$ 334,780	$ -	$ 339,129	$ 10,870
441	Police Facility Bond Debt Service	(500)	23,808	455,600	-	455,600	23,308
545	Cochrane Business Park AD Fund	10,955	54	-	-	-	11,009
	Subtotal	**$ 26,064**	**$ 23,472**	**$ 790,380**	**$ - **	**$ 794,729**	**$ 45,188**

Fund Balance Projection - FY 2013-14 (continued)

		7-1-2013 Fund Balance	13-14 Projected Revenues	13-14 Projected Transfers In	13-14 Projected Transfers Out	13-14 Projected Expenditures	06-30-2014 Projected Balance
Enterprise Funds							
640	Sewer Operations Fund	$ 2,405,702	$ 9,357,422	$ -	$ 957,577	$ 8,223,721	$ 2,581,826
641	Sewer Impact Fund	18,359,848	2,757,205	-	2,814	2,304,956	18,809,284
642	Sewer Rate Stablization Fund	889,003	355,732	-	-	3,355	1,241,380
643	Sewer System Replacement Fund	500,022	3,569	407,853	2,814	703,563	205,067
650	Water Operations Fund	2,922,069	10,028,626	260,194	894,970	9,503,139	2,812,780
651	Water Impact Fund	722,377	4,791,087	-	4,221	713,423	4,795,819
652	Water Rate Stabilization Fund	37,125	184	-	-	556	36,753
653	Water System Replacement Fund	(160,724)	9,087,686	408,998	-	1,290,667	8,045,293
	Subtotal	**$ 25,675,422**	**$ 36,381,512**	**$ 1,077,045**	**$ 1,862,396**	**$ 22,743,380**	**$ 38,528,202**
Internal Service Funds							
730	Information Systems Fund	$ 13,940	$ 835,829	$ -	$ -	$ 740,575	$ 109,194
740	Building Maintenance Fund	69,123	1,910,391	97,757	-	2,030,866	46,405
741	Building Replacement Fund	2,274,109	430,325	27,677	-	584,813	2,147,298
745	CIP Administration Fund	6,041	1,630,975	-	2,727	1,565,288	69,001
760	Unemployment Insurance Fund	230,711	1,139	-	-	20,516	211,334
770	Worker's Comp Fund	738,229	941,376	-	-	679,780	999,825
790	Equipment Replacement Fund	3,695,129	475,918	-	-	207,406	3,963,641
791	Employee Benefits Fund	(1,049,588)	781,268	-	-	486,179	(754,499)
795	General Liab. Insurance Fund	684,970	749,396	-	-	910,459	523,907
	Subtotal	**$ 6,662,664**	**$ 7,756,618**	**$ 125,434**	**$ 2,727**	**$ 7,225,882**	**$ 7,316,106**
Agency Funds							
820	Special Deposits	$ (13,979)	$ 4,874	$ -	$ -	$ -	$ (9,105)
830	Downtown PBID	6,273	499	-	-	-	6,772
843	MH Business Ranch 1998 AD Fund	760,707	1,121,059	-	-	928,408	953,358
844	MH Ranch Reassessment 2004 Fund	494,203	8,101	-	-	667,070	(164,766)
845	Madrone BP (Tax Exempt) Fund	489,529	743,168	-	-	739,136	493,561
846	Madrone BP (Taxable) Fund	123,063	107,869	-	-	107,432	123,501
848	Tennant Ave Business Park AD Fund	565,693	2,806	-	-	-	568,499
881	Police Donation Trust Fund	24,655	572	-	-	-	25,227
	Subtotal	**$ 2,450,144**	**$ 1,988,946**	**$ -**	**$ -**	**$ 2,442,045**	**$ 1,997,045**
	TOTAL - ALL FUNDS	**$ 116,187,907**	**$ 198,579,498**	**$ 5,195,725**	**$ 5,195,725**	**$ 183,825,481**	**$ 130,941,924**

Fund Balance Projection - FY 2014-15

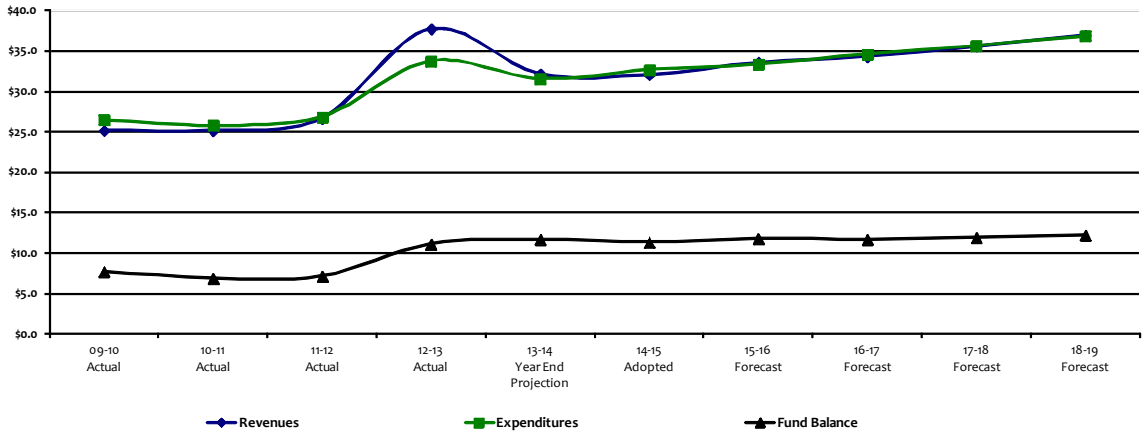
		7-1-2014 Fund Balance	14-15 Projected Revenues	14-15 Projected Transfers In	14-15 Projected Transfers Out	14-15 Projected Expenditures	06-30-2015 Projected Balance
General Fund							
010	General Fund Undesignated	$ 11,647,113	$ 30,555,439	$ 1,423,758	$ 1,184,836	$ 31,412,036	$ 6,446,122
	General Fund Reserve						4,583,316
	Subtotal	**$ 11,647,113**	**$ 30,555,439**	**$ 1,423,758**	**$ 1,184,836**	**$ 31,412,036**	**$ 11,029,438**
Special Revenue Funds							
202	Street Fund	$ 17,932	$ 592,259	$ -	$ 590,439	$ 1,747	$ 18,005
205	Supplemental Law Enforcement	44,884	99,974	-	100,000	-	44,858
206	Community Development Fund	1,675,945	4,166,976	149,292	276,635	4,065,360	1,650,218
207	General Plan Update Fund	366,144	507,651	373,557	-	999,474	247,878
210	Com Rec Centers Startup Fund	(395)	(2)	-	-	-	(397)
215	CDBG Fund	(61,120)	142,024	-	-	142,000	(61,096)
216	CDBG Revolving Loan Fund	(33,205)	230	-	-	-	(32,975)
225	Asset Seizure Fund	16,826	84	-	-	-	16,910
229	Lighting & Landscape Fund	99,083	184,557	-	-	179,757	103,882
232	Environmental Programs Fund	289,351	71,483	205,812	-	242,500	324,146
234	Mobile Home Park Rent Fund	26,973	5,145	-	-	763	31,355
235	Senior Housing Trust Fund	214,713	1,073	-	-	-	215,786
236	Housing Mitigation Fund	1,046,559	1,328,746	-	151,829	4,738,759	(2,515,284)
240	Employee Assistance Fund	22,544	37,579	-	-	51,077	9,045
247	Environment Remediation Fund	222,636	1,036	-	-	-	223,672
250	City of Morgan Hill Acting as the Successor Agency to the Morgan Hill Revelopment Agency	25,990,878	7,082,052	-	36,946	24,190,653	8,845,332
255	Housing Successor Agency	8,282,421	358,469	-	31,511	274,119	8,335,259
	Subtotal	**$ 38,222,169**	**$ 14,579,337**	**$ 728,661**	**$ 1,187,360**	**$ 34,886,211**	**$ 17,456,595**
Capital Project Funds							
301	Park Impact Fund	$ 9,498,030	$ 1,925,740	$ -	$ 54,221	$ 7,848,149	$ 3,521,400
302	Park Maintenance Fund	4,657,609	694,150	200,000	4,221	1,022,357	4,525,180
303	Drainage Impact Fund	3,659,172	1,347,061	-	8,442	86,321	4,911,470
304	Drainage-Non AB1600 Fund	972,853	140,140	-	-	119,498	993,495
306	Open Space Fund	3,810,199	417,598	-	-	1,228,889	2,998,908
308	Street CIP	171,704	2,532,267	250,000	-	2,780,713	173,258
309	Traffic Impact Fund	3,857,507	653,946	-	16,884	807,314	3,687,256
310	Municipal Infrastructure CIP	(795)	-	-	-	-	(795)
311	Police Impact Fund	(778,071)	264,726	-	240,075	1,349	(754,769)
313	Fire Impact Fund	3,670,776	58,839	-	-	16,583	3,713,032
317	RDA Fund	-	-	-	-	-	-
327/328	Housing	-	-	-	-	-	-
342	M.H. Bus. Ranch II AC CIP	158	1	-	-	-	159
346	Public Facilities (Non AB1600)	1,024,048	1,231,424	-	-	2,376,495	(121,023)
347	Public Facilities Impact Fund	(77,633)	177,082	-	-	1,200	98,249
348	Library Impact Fund	1,009,782	818,472	-	244,597	2,626	1,581,031
350	Undergrounding Fund	231,578	49,037	-	-	466	280,149
355	School Ped & Traffic Safety	1,408,422	623,061	-	20,000	884,647	1,126,836
360	Com. Rec. Centers Impact Fund	70,157	351	-	-	-	70,508
370	Civic Center Construction	606	19	-	-	-	625
	Subtotal	**$ 33,186,100**	**$ 10,933,914**	**$ 450,000**	**$ 588,440**	**$ 17,176,605**	**$ 26,804,969**
Debt Service Funds							
420	Civic Center Debt	$ 10,870	$ 1,944	$ 408,178	$ -	$ 339,718	$ 81,274
441	Police Facility Bond Debt Service	23,308	2,455	454,688	-	454,688	25,763
545	Cochrane Business Park AD Fund	11,009	55	-	-	-	11,064
	Subtotal	**$ 45,188**	**$ 4,454**	**$ 862,866**	**$ -**	**$ 794,406**	**$ 118,102**

Fund Balance Projection—FY 2014-15 (continued)

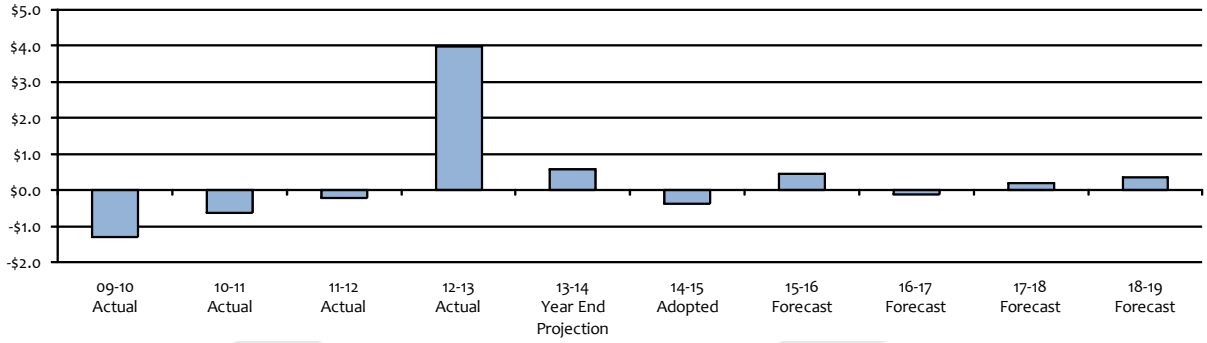
		7-1-2014 Fund Balance	14-15 Projected Revenues	14-15 Projected Transfers In	14-15 Projected Transfers Out	14-15 Projected Expenditures	06-30-2015 Projected Balance
Enterprise Funds							
640	Sewer Operations Fund	$ 2,581,826	$ 9,644,953	$ -	$ 1,176,388	$ 8,436,285	$ 2,614,105
641	Sewer Impact Fund	18,809,284	4,227,987	-	2,814	13,541,867	9,492,590
642	Sewer Rate Stablization Fund	1,241,380	6,196	-	-	3,472	1,244,105
643	Sewer System Replacement Fund	205,067	8,017,849	600,000	2,814	2,030,815	6,789,288
650	Water Operations Fund	2,812,780	9,560,699	274,173	500,968	9,172,207	2,974,477
651	Water Impact Fund	4,795,819	1,274,518	-	4,221	3,203,893	2,862,223
652	Water Rate Stabilization Fund	36,753	182	-	-	575	36,360
653	Water System Replacement Fund	8,045,293	28,903	-	-	5,197,122	2,877,074
	Subtotal	**$ 38,528,202**	**$ 32,761,287**	**$ 874,173**	**$ 1,687,205**	**$ 41,586,236**	**$ 28,890,221**
Internal Service Funds							
730	Information Systems Fund	$ 109,194	$ 1,041,386	$ -	$ -	$ 1,068,000	$ 82,580
740	Building Maintenance Fund	46,405	2,535,259	180,771	-	2,653,939	108,496
741	Building Replacement Fund	2,147,298	389,970	27,677	-	192,000	2,372,945
745	CIP Administration Fund	69,001	1,540,103	-	10,061	1,536,843	62,200
760	Unemployment Insurance Fund	211,334	969	-	-	35,000	177,303
770	Worker's Comp Fund	999,825	496,124	-	-	555,066	940,883
790	Equipment Replacement Fund	3,963,641	453,602	-	-	395,906	4,021,337
791	Employee Benefits Fund	(754,499)	1,073,528	110,000	-	400,000	29,029
795	General Liab. Insurance Fund	523,907	1,230,903	-	-	1,179,148	575,662
	Subtotal	**$ 7,316,106**	**$ 8,761,844**	**$ 318,448**	**$ 10,061**	**$ 8,015,902**	**$ 8,370,436**
Agency Funds							
820	Special Deposits	$ (9,105)	$ 4,079	$ -	$ -	$ -	$ (5,026)
830	Downtown PBID	6,772	501	-	-	-	7,273
843	MH Business Ranch 1998 AD Fund	953,358	903,519	-	-	856,699	1,000,178
844	MH Ranch Reassessment 2004 Fund	(164,766)	185	-	-	-	(164,581)
845	Madrone BP (Tax Exempt) Fund	493,561	772,162	-	-	741,273	524,450
846	Madrone BP (Taxable) Fund	123,501	111,792	-	-	109,144	126,149
848	Tennant Ave Business Park AD Fund	568,499	2,841	-	-	-	571,340
881	Police Donation Trust Fund	25,227	126	-	-	-	25,353
	Subtotal	**$ 1,997,045**	**$ 1,795,206**	**$ -**	**$ -**	**$ 1,707,116**	**$ 2,085,135**
	TOTAL - ALL FUNDS	**$ 130,941,924**	**$ 99,391,480**	**$ 4,657,905**	**$ 4,657,902**	**$ 135,578,512**	**$ 94,754,896**

General Fund Balance Charts

General Fund Balance Growth



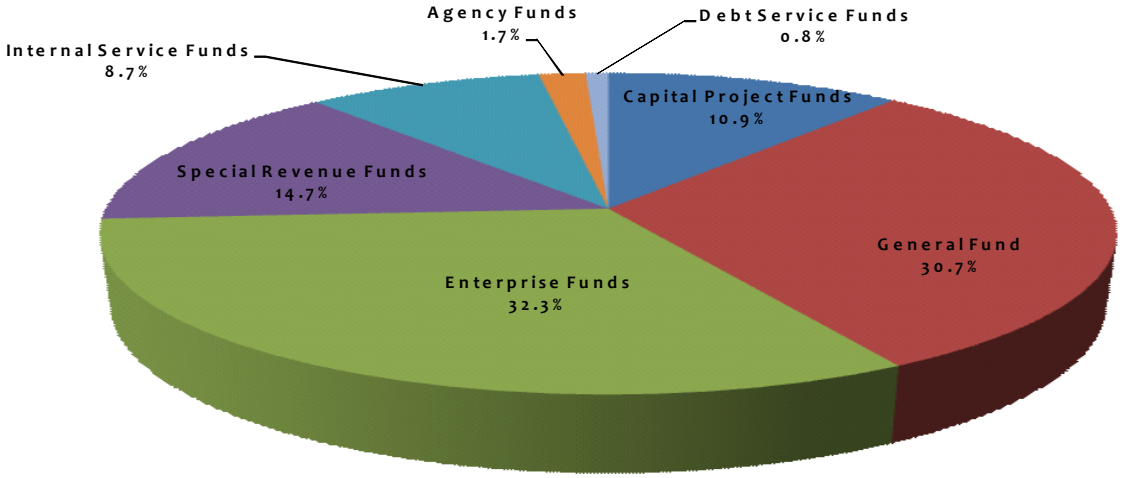
General Fund Balance Gain (Loss)



Summary of Resources

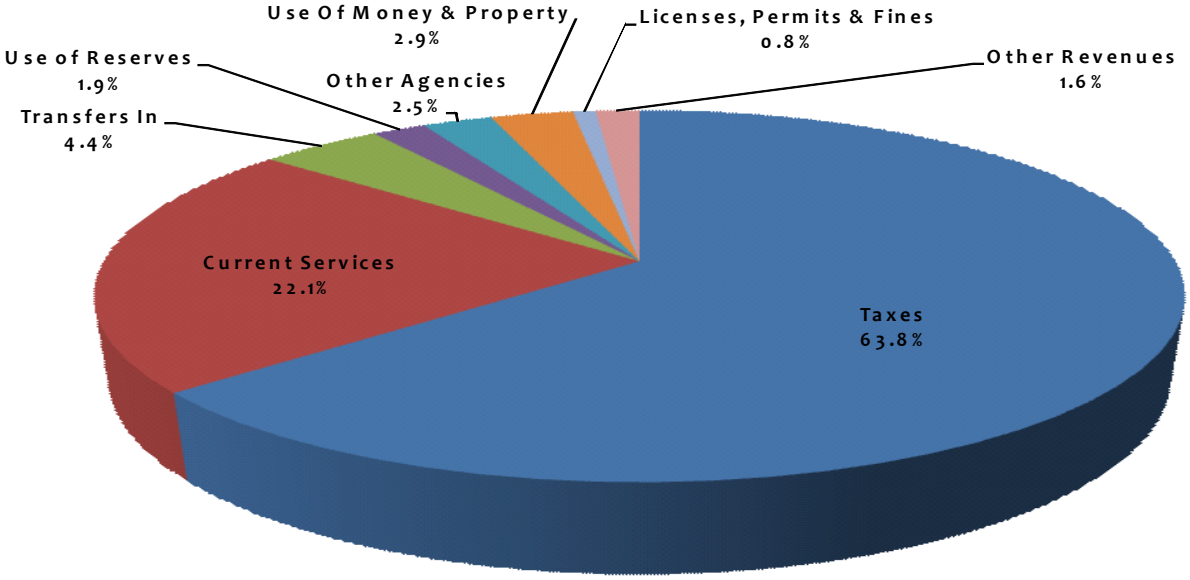
FY 2014-15 Total City Resources

$ 104.0 million



FY 2014-15 General Fund Resources

$ 31.9 million



Major Revenue Assumptions

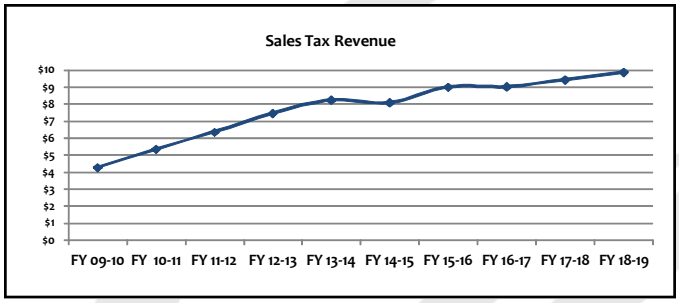
General Fund (010)

FY 14-15 revenues for the General Fund, including transfers in, are estimated to be $31.9 million. General Fund revenues have grown as the City has recovered from the economic downturn. In general, the FY 14-15 Adopted Budget estimates that most revenues will experience healthy growth over FY 13-14.

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%.

Sales tax, at $8.1 million or 25% of the total General Fund revenue projected for FY 14-15, is the second largest revenue source for the City's general fund. The FY 13-14 year-end projection shows a gain of roughly $200,000 over the Adopted Budget due to an increase in consumer spending, most notably in the transportation sector. FY 14-15 sales tax revenue is estimated to decrease by roughly 2% over year end projections largely due to timing issues caused by the 10-year old "triple flip" sales tax maneuver used by the State to balance its 2004 budget. In FY 2013-14 the City received a positive true up of $294,597 and next year the true up is only $4,503. The triple flip is a cash flow issue from year to year. When the city experiences large growth, a large true up occurs. When growth is slower the true up will be much smaller. Subsequent forecast years assume an average annual growth just above 5% beginning in FY 15-16.

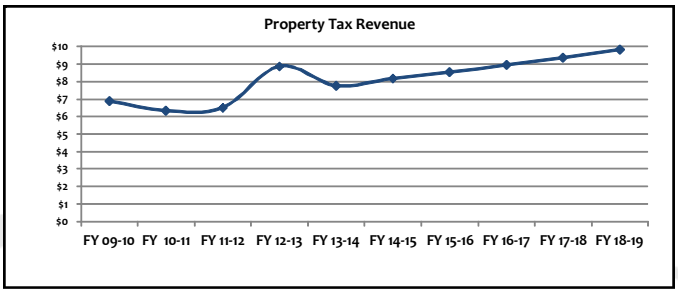


Property Tax

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 XIIIA of the State Constitution limits the real property tax rate to 1% of the property's assessed value plus rates imposed to fund indebtedness approved by the voters. Morgan Hill's share of the 1% 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% increase each year.

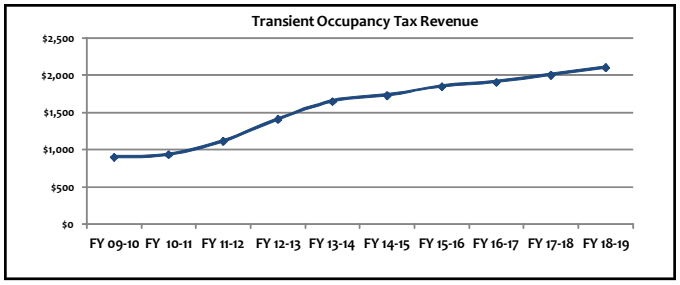
Property tax is projected at $8.5 million or 27% of the total General Fund discretionary revenues. Included in the total projected property tax revenue are the secured and unsecured taxes, RPTTF Residual Distribution, VLF In-Lieu of Property Tax, Former RDA Pass Through, and Supplemental Property Taxes.



Major Revenue Assumptions (continued)

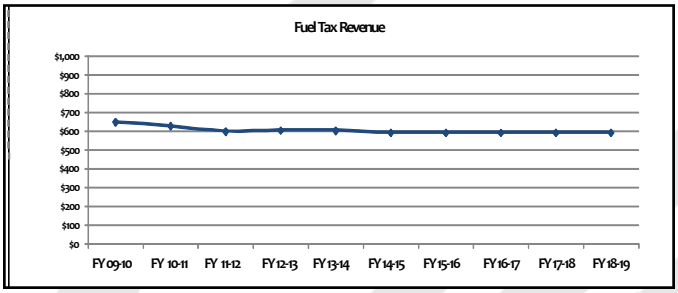
Transient Occupancy Tax

The transient occupancy tax (TOT) is imposed on persons staying 30 days or less in a hotel, inn, motel, tourist home or other lodging facility. The City's current rate is 10%. TOT revenue is projected at $1.7 million for FY 14-15. The City has greatly benefitted from the activities at the Outdoor Sports Center and the Aquatics Center which host regional events with participants utilizing the city's hotels and motels. The five-year forecast period assumes 5% growth in future years.



Street Fund (202)

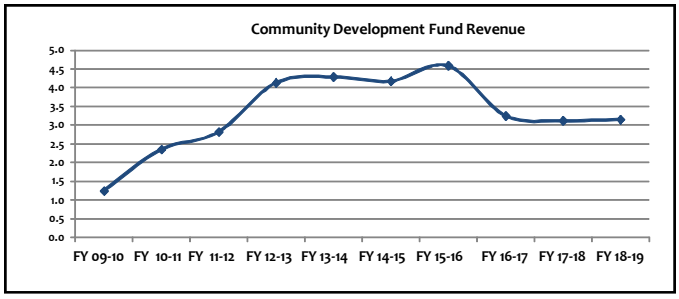
The Street Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal gas tax and grant monies, and other monies that are to be used for the maintenance, repair, and design of streets. State gas tax funds are distributed to cities based on population from gas taxes collected at the point of sale. The use of gas tax funds is restricted to street expenditures by State and Federal legislation. Revenues for street maintenance are realized in this fund and are then transferred to the General Fund. In FY 14-15, gas tax revenues are expected to remain flat at $0.6 million. The five-year forecast assumes no growth in the out-years.



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.

FY 13-14 Year End Projections are 17% higher than budgeted due to an increase in development activity caused by a backlog of homes set to be built. FY 14-15 revenues are projected to be $4.3 million. Revenues collected are completely dependent on the level of development activity. These numbers reflect an ever-improving economy and a growing confidence in the new home market in the next two years.



Sewer Operations Fund (640)

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

A 2007 sewer study recommended sewer rate increases. FY 10-11 incorporated the final year of annual 6% rate increases. Future years incorporate the 2011 sewer rate study update that went into effect January 1, 2012: 10% on that date, 4% each of the next 2 years, and 3% for each of the two years after that.

The rate which a Morgan Hill residential customer pays is calculated annually based on average water usage. Commercial customers pay amounts based upon actual water usage. Total sewer revenues collected by the City are based on customer usage. FY 14-15 wastewater service fees are projected at $9.6 million.

Major Revenue Assumptions (continued)

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.

Approximately 93% of total Water revenues are from water sales, with the remaining 7% from user account maintenance, meter installations, and inspections.

A study conducted in 2007 recommended that water rates be increased to fully offset costs for water operations and capital expansion. An update to the study led to a rate increase scheduled for January 1 of each year starting at 16.5% in 2012, and 6.25% each of the next 4 years through 2016.

Actual water revenue is also 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 $9.5 million in total revenues (minus transfers) for FY 14-15.

Summary of Revenues & Transfer In

	11-12 Actual	12-13 Actual	13-14 Year End Projection	14-15 Adopted
General Fund				
Property Taxes (Sec. & Unsecured)	$ 3,725,074	$ 6,117,448	$ 4,862,289	$ 5,240,794
VLF In-Lieu Property Tax	2,570,361	2,570,648	2,735,205	2,976,997
RDA Pass-Thru	187,695	179,549	190,000	250,151
Sales Tax	6,375,488	7,476,937	8,257,150	8,102,749
Transient Occupancy Taxes	1,119,491	1,411,226	1,650,000	1,732,500
Franchise (Refuse, Cable, PG&E)	1,505,060	1,581,510	1,656,071	1,747,565
Public Safety Sales Tax	262,893	290,059	312,317	327,933
Property Transfer Tax	269,391	366,282	400,000	428,000
Total Taxes	$ 16,015,453	$ 19,993,659	$ 20,063,032	$ 20,806,689
Business License	$ 160,301	$ 165,304	$ 176,061	$ 181,343
Other Permits	23,852	22,030	22,324	22,280
Total Licenses/Permits	$ 184,153	$ 187,334	$ 198,385	$ 203,623
Parking Enforcement	$ 9,181	$ 3,489	$ 3,000	$ 3,000
City Code Enforcement	113,521	89,710	50,000	75,000
Total Fines And Penalties	$ 122,703	$ 93,199	$ 53,000	$ 78,000
Motor Vechicle In-Lieu	$ 19,911	$ 20,631	$ 17,074	$ 15,000
Other Rev.-Other Agencies	939,811	838,093	1,011,595	796,488
Total Other Agencies	$ 959,721	$ 858,724	$ 1,028,669	$ 811,488
RCSD Programs	$ 4,297,452	$ 4,743,958	$ 4,831,765	$ 5,039,218
Gen Admin Overhd	1,644,473	1,282,745	1,062,463	1,140,020
Fire Fees	190,652	200,176	252,000	252,000
Other Charges For Current Services	525,332	518,979	541,092	529,741
Total Current Services	$ 6,657,909	$ 6,745,858	$ 6,687,320	$ 6,960,979
Interest Earnings	$ 77,798	$ 59,199	$ 48,953	$ 53,214
CCC/Gavilan Rent	767,516	810,061	782,500	844,540
Other Rentals	112,470	118,559	250,993	274,906
Miscellaneous	234,719	6,920,730	1,107,006	522,000
Total Other Revenue	$ 1,192,503	$ 7,908,549	$ 2,189,451	$ 1,694,660
Transfer From Street Maint.	$ 451,998	$ 601,322	$ 590,498	$ 590,439
Transfer From Park Maint	247,000	180,000	400,000	-
Transfer From Sewer/Water	616,875	666,875	680,892	683,319
Transfer From Public Safety	100,000	269,229	100,000	100,000
Transfer From RDA	33,000	33,000	33,000	50,000
Transfer From Other Funds	-	142,637	60,000	-
Total Transfers In	$ 1,448,873	$ 1,893,063	$ 1,864,390	$ 1,423,758
Total General Fund	**$ 26,581,316**	**$ 37,680,386**	**$ 32,084,247**	**$ 31,979,197**

Revenues & Transfer In (continued)

		11-12 Actual	12-13 Actual	13-14 Year End Projection	14-15 Adopted
Special Revenue Funds					
202	Street Fund	$ 600,586	$ 605,346	$ 594,849	$ 592,259
205	Supplemental Law Enforce. Fund	100,537	102,284	100,228	99,974
	Planning	1,052,950	1,222,125	1,602,095	1,095,255
	Building	1,218,198	1,940,734	1,449,433	2,269,634
	Engineering	521,524	946,795	1,222,258	790,809
	Other Revenue	29,711	26,426	103,189	160,570
206	Community Development Fund	2,822,383	4,136,080	4,376,975	4,316,268
207	General Plan Update Fund	259,595	780,449	794,371	881,208
210	Com Rec Centers Startup Fund	740	227	2	(2)
215	CDBG Fund	90,051	(46)	(229)	142,024
216	CDBG Revolving Loan Fund	39,219	1,834	4,060	230
225	Asset Seizure Fund	234	94	10,593	84
229	Lighting & Landscape Fund	176,076	176,963	184,427	184,557
230	Community Facilities District	-	-	11,000	-
232	Environmental Programs Fund	151,608	214,908	265,937	277,295
234	Mobile Home Park Rent Fund	5,911	5,740	5,613	5,145
235	Senior Housing Trust Fund	2,025	1,163	1,060	1,073
236	Housing Mitigation Fund	2,205,434	243,476	1,829,008	1,328,746
240	Employee Assistance Fund	31,511	42,453	37,698	37,579
242	Traffic Safety Fund	-	-	-	-
247	Environment Remediation Fund	2,934	1,381	1,051	1,036
250	COMH Successor to MHRDA	420,519	15,575,175	106,467,001	7,082,052
255	Successor Housing Agency	853,758	1,741,920	1,026,017	358,469
Total Special Revenue Funds		**$ 7,763,119**	**$ 23,629,449**	**$ 115,709,662**	**$ 15,307,997**

Capital Project Funds					
301	Park Impact Fund	$ 887,841	$ 1,601,885	$ 1,216,279	$ 1,925,740
302	Park Maintenance Fund	536,269	701,990	407,424	894,150
303	Drainage Impact Fund	624,992	1,176,878	1,376,003	1,347,061
304	Drainage-Non AB1600 Fund	91,840	316,953	222,422	140,140
306	Open Space Fund	221,025	730,904	618,249	417,598
308	Street CIP	1,179,499	812,452	1,596,003	2,782,267
309	Traffic Impact Fund	611,312	657,704	735,394	653,946
310	Municipal Infrastructure CIP Fund	150,000	129,220	-	-
311	Police Impact Fund	106,642	223,143	175,215	264,726
313	Fire Impact Fund	111,211	220,275	166,202	58,839
317	RDA Fund	8,018,130	-	-	-
327(8)	RDA Housing Fund	2,025,435	-	-	-
342	MH Bus Ranch II AD CIP Fund	1	1	1	1
346	Public Facilities (Non AB1600) Fund	196,231	995,161	346,594	1,231,424
347	Public Facilities Impact Fund	76,599	158,792	118,925	177,082
348	Library Impact Fund	344,907	677,869	578,429	818,472
350	Undergrounding Fund	93,433	56,111	6,597	49,037
355	School Ped & Traffic Safety Fund	123,901	485,822	285,026	623,061
360	Com Rec Centers Impact Fund	8,941	380	346	351
370	Civic Center Construction	144	35	(200)	19
Total Capital Project Funds		**$ 15,408,352**	**$ 8,945,575**	**$ 7,848,906**	**$ 11,383,914**

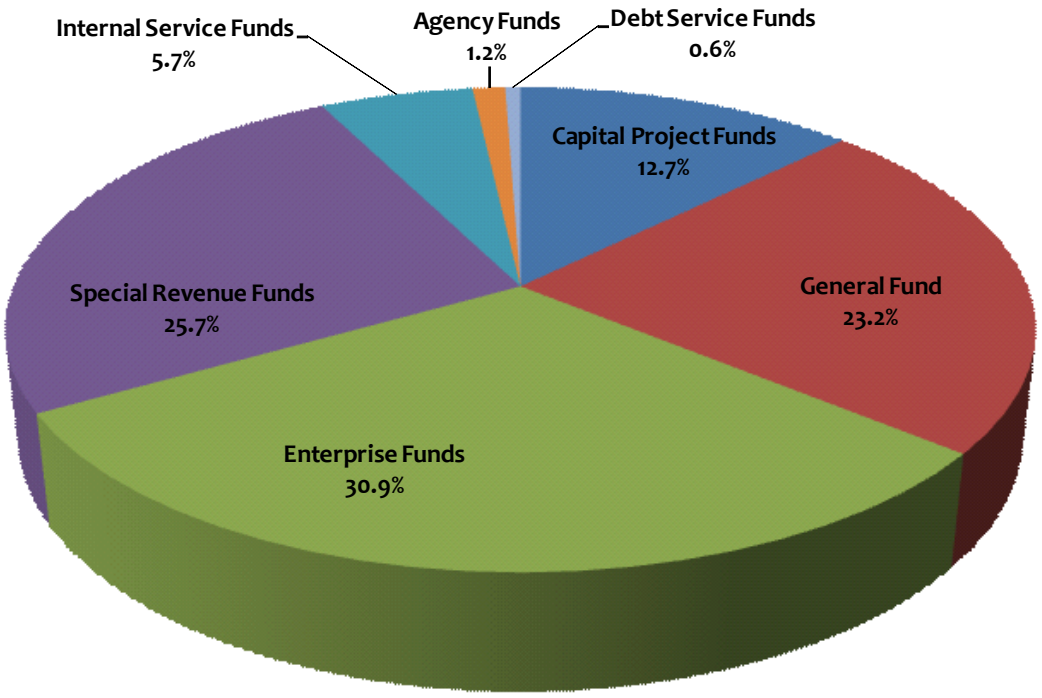
Revenues & Transfer In (continued)

		11-12 Actual	12-13 Actual	13-14 Year End Projection	14-15 Adopted
Debt Service Funds					
420	Civic Center Debt	$ 365,205	$ 336,633	$ 334,390	$ 410,122
441	Police Facility Bond Debt Service	455,641	452,196	479,408	457,143
545	Cochrane Business Park AD Fund	97	60	54	55
Total Debt Service Funds		**$ 820,944**	**$ 788,889**	**$ 813,852**	**$ 867,320**
Enterprise Funds					
640	Sewer Operations Fund	$ 8,035,663	$ 9,673,832	$ 9,357,422	$ 9,644,953
641	Sewer Impact Fund	1,820,548	3,053,847	2,757,205	4,227,987
642	Sewer Rate Stablization Fund	11,389	385,096	355,732	6,196
643	Sewer System Replacement Fund	1,086,810	536,292	411,422	8,617,849
650	Water Operations Fund	9,795,351	10,188,297	10,288,820	9,834,872
651	Water Impact Fund	563,453	968,006	4,791,087	1,274,518
652	Water Rate Stabilization Fund	7,195	473	184	182
653	Water System Replacement Fund	369,658	111,258	9,496,684	28,903
				-	-
Total Enterprise Funds		**$ 21,690,067**	**$ 24,917,103**	**$ 37,458,557**	**$ 33,635,460**
Internal Service Funds					
730	Information Systems Fund	$ 407,461	$ 516,516	$ 835,829	$ 1,041,386
740	Building Maintenance Fund	1,663,881	1,762,024	2,008,148	2,716,030
741	Building Replacement Fund	233,668	218,772	458,002	417,647
745	CIP Administration Fund	1,647,923	1,645,035	1,630,975	1,540,103
760	Unemployment Insurance Fund	156,288	17,735	1,139	969
770	Worker's Comp Fund	288,046	599,052	941,376	496,124
790	Equipment Replacement Fund	321,338	444,917	475,918	453,602
791	Employee Benefits Fund	494,647	503,035	781,268	1,183,528
795	General Liab. Insurance Fund	399,847	758,452	749,396	1,230,903
				-	-
Total Internal Service Funds		**$ 5,613,099**	**$ 6,465,538**	**$ 7,882,052**	**$ 9,080,292**
Agency Funds					
820	Special Deposits	$ -	$ 1,385	$ 4,874	$ 4,079
830	Downtown MH PBID	608	290	499	501
843	MH Business Ranch 1998 AD Fund	886,879	890,305	1,121,059	903,519
844	MH Ranch Reassessment 2004 Fund	950,734	189,009	8,101	185
845	Madrone BP (Tax Exempt) Fund	724,642	727,890	743,168	772,162
846	Madrone BP (Taxable) Fund	94,793	94,916	107,869	111,792
848	Tennant Ave Business Park AD Fund	5,024	3,079	2,806	2,841
881	Police Donation Trust Fund	205	1,768	572	126
				-	-
Total Agency Funds		**$ 2,662,885**	**$ 1,908,641**	**$ 1,988,946**	**$ 1,795,206**
TOTAL ALL FUNDS		**$ 80,539,782**	**$ 104,335,581**	**$ 203,786,223**	**$ 104,049,385**

Expenditures Summary Charts

FY 2014-15 Total City Expenditures by Fund Type

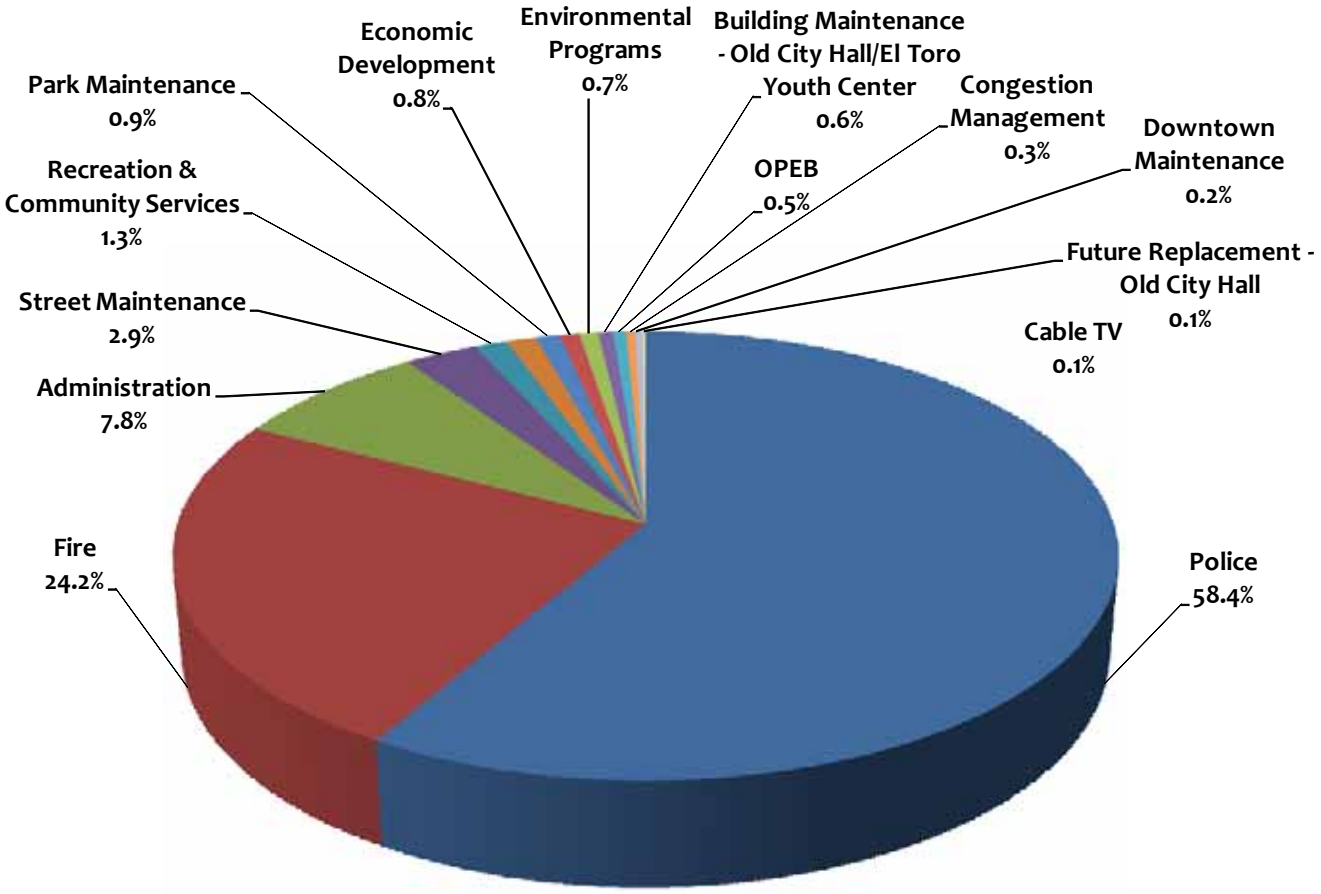
$ 140.2 million



Expenditures Summary Charts (continued)

FY 2014-15 General Fund Discretionary Expenditures

$21 million



Summary of Expenditures & Transfer Out

	FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Year End Projection	FY 14-15 Adopted
General Fund by Program				
City Council	$ 159,662	$ 116,815	$ 201,697	$ 297,086
City Attorney	433,107	624,820	510,874	562,820
Transfers Out	227,748	439,667	1,005,592	928,150
City Manager	206,953	233,838	302,067	414,846
RCSD Membership Services	4,072,995	4,427,826	4,603,308	4,796,720
RCSD Facility Rentals	830,294	908,958	1,095,580	1,148,604
Community Services	163,882	150,530	125,296	390,714
Human Resources	323,102	381,406	464,295	539,794
City Clerk	233,006	297,396	429,934	566,196
Elections	12,808	84,342	19,770	96,491
Finance	1,060,525	1,091,561	1,124,990	1,281,449
PD Administration	712,241	845,279	853,871	1,123,579
PD Field Operations	5,921,824	5,769,449	6,507,006	6,848,283
PD Support Services	1,275,880	1,453,316	1,650,265	1,857,488
PD Emergency Services	129,723	149,454	180,467	165,228
PD Special Operations	1,109,661	1,863,788	1,863,895	2,187,473
Domestic Violence Grant	589,195	517,922	518,271	336,843
Fire Services	5,570,355	10,457,415	4,741,708	5,438,331
Cable Television	30,380	37,021	37,831	63,164
Park Maintenance	721,425	763,526	827,682	-
Downtown Maintenance	-	44,910	28,608	44,620
Environmental Programs	374,245	172,903	360,198	204,461
Street Maintenance	1,469,172	1,574,138	2,740,045	1,888,739
Congestion Manangement	44,669	69,642	70,290	71,787
Dispatch Services	1,116,046	1,216,426	1,239,260	1,344,006
Total General Fund	**$ 26,788,899**	**$ 33,692,348**	**$ 31,502,800**	**$ 32,596,872**

General Fund by Department/Division				
City Council	$ 159,662	$ 116,815	$ 201,697	$ 297,086
City Attorney	433,107	624,820	510,874	562,820
City Manager	206,953	233,838	302,067	414,846
Recreation	5,067,171	5,487,314	5,824,183	6,336,037
HR	323,102	381,406	464,295	539,794
Finance	1,060,525	1,091,561	1,124,990	1,281,449
Police	10,854,570	11,815,634	12,813,036	13,862,900
Fire	5,570,355	10,457,415	4,741,708	5,438,331
Cable TV	30,380	37,021	37,831	63,164
Park Maintenance	721,425	763,526	827,682	-
Street Maint./Congest Mgmt.	1,513,841	1,643,780	2,810,335	1,960,526
Environmental Programs	374,245	172,903	360,198	204,461
Transfers	227,748	439,667	1,005,592	928,150
Total General Fund	**$ 26,788,899**	**$ 33,692,348**	**$ 31,502,800**	**$ 32,596,872**

Expenditures & Transfer Out (continued)

		FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Year End Projection	FY 14-15 Adopted
Special Revenue Funds					
202	Street Fund	$ 456,212	$ 605,346	$ 592,186	$ 592,186
205	Supplemental Law Enforcement Fund	100,004	102,224	106,066	100,000
	Planning Division	$ 1,052,049	$ 1,729,996	$ 2,452,168	$ 2,196,508
	Building Division	876,258	1,016,654	1,232,825	1,374,243
	PW-Engineering	451,099	507,574	605,174	771,244
206	Community Development Fund	$ 2,379,405	$ 3,254,225	$ 4,290,168	$ 4,341,995
207	General Plan Update Fund	398,574	540,300	790,942	999,474
210	Community Rec Centers Startup Fund	176	82,860	908	-
215	CDBG Fund	89,916	62,988	-	142,000
216	CDBG Revolving Loan Fund	146,400	-	-	-
225	Asset Seizure Fund	-	9,501	11,100	-
229	Lighting & Landscape Fund	148,222	179,760	182,937	179,757
230	Community Facilities District Fund	-	-	11,000	-
232	Environmental Programs Fund	136,307	133,464	196,563	242,500
234	Mobile Home Park Rent Fund	943	952	738	763
235	Senior Housing Trust Fund	19,113	18	-	-
236	Housing Mitigation Fund	532,533	2,159,597	1,233,970	4,890,588
240	Employee Assistance Fund	39,973	102,272	51,041	51,077
247	Environment Remediation Fund	32,883	159,309	12,323	-
250	COMH Successor to MHRDA	10,803,282	24,640,595	107,197,767	24,227,599
255	Succesor Housing Agency	779,356	614,133	319,361	305,630
Total Special Revenue Funds		**$ 16,063,299**	**$ 32,647,544**	**$ 114,997,070**	**$ 36,073,571**

Capital Project Funds					
301	Park Impact Fund	$ 340,096	$ 659,568	$ 260,708	$ 7,902,370
302	Park Maintenance Fund	484,785	195,823	439,358	1,026,578
303	Drainage Impact Fund	1,151,842	2,025,624	827,380	94,763
304	Drainage-Non AB1600 Fund	7,197	93,563	1,031,290	119,498
306	Open Space Fund	114,031	73,910	125,712	1,228,889
308	Street CIP	1,565,857	250,776	2,067,095	2,780,713
309	Traffic Impact Fund	1,800,369	321,145	249,771	824,198
310	Municipal Infrastructure CIP Fund	-	15	280,000	-
311	Police Impact Fund	228,996	231,137	241,863	241,424
313	Fire Impact Fund	4,053	123,944	1,632	16,583
317	RDA Fund	16,793,245	-	-	-
327	RDA Housing Fund	2,459,612	-	-	-
346	Public Facilities (Non AB1600)	270,887	(787,996)	779,567	2,376,495
347	Public Facilities Impact Fund	374	86,817	529,666	1,200
348	Library Impact Fund	245,027	242,733	243,083	247,223
350	Undergrounding Fund	81,191	423	450	466
355	School Pedestrian & Traffic Safety Fund	172,845	230,846	366,058	904,647
360	Community Rec. Centers Impact Fund	51	6	-	-
370	Civic Center Construction	-	42,461	17,544	-
Total Capital Project Funds		**$ 25,720,458**	**$ 3,790,794**	**$ 7,461,177**	**$ 17,765,045**

Expenditures & Transfer Out (continued)

		FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Year End Projection	FY 14-15 Adopted
Debt Service Funds					
420	Civic Center Debt	$ 345,453	$ 341,324	$ 339,129	$ 339,718
441	Police Facility Bond Debt Service	452,853	450,589	455,600	454,688
Total Debt Service Funds		**$ 798,306**	**$ 791,913**	**$ 794,729**	**$ 794,406**
Enterprise Funds					
640	Sewer Operations Fund	$ 8,224,842	$ 8,952,431	$ 9,181,298	$ 9,612,673
641	Sewer Impact Fund	1,621,044	1,655,924	2,307,770	13,544,681
642	Sewer Rate Stablization Fund	569,642	501,691	3,355	3,472
643	Sewer System Replacement Fund	1,064,962	984,082	706,377	2,033,629
650	Water Operations Fund	8,329,970	8,768,865	10,398,109	9,673,175
651	Water Impact Fund	256,849	646,137	717,644	3,208,114
652	Water Rate Stabilization Fund	1,400,130	100,161	556	575
653	Water System Replacement Fund	574,481	1,067,640	1,290,667	5,197,122
Total Enterprise Funds		**$ 22,041,920**	**$ 22,676,931**	**$ 24,605,776**	**$ 43,273,441**
Internal Service Funds					
730	Information Systems Fund	$ 530,284	$ 617,617	$ 740,575	$ 1,068,000
740	Building Maintenance Fund	1,783,387	1,876,697	2,030,866	2,653,939
741	Building Replacement Fund	302,252	90,528	584,813	192,000
745	CIP Administration Fund	1,611,480	1,647,094	1,568,015	1,546,904
760	Unemployment Insurance Fund	54,049	27,892	20,516	35,000
770	Worker's Comp Fund	714,666	792,961	679,780	555,066
790	Equipment Replacement Fund	379,452	264,772	207,406	395,906
791	Employee Benefits Fund	503,250	469,176	486,179	400,000
795	General Liab. Insurance Fund	826,199	596,178	910,459	1,179,148
Total Internal Service Funds		**$ 6,705,018**	**$ 6,382,914**	**$ 7,228,609**	**$ 8,025,963**
Agency Funds					
843	MH Business Ranch 1998 AD Fund	858,382	859,031	$ 928,408	$ 856,699
844	MH Ranch Reassessment 2004 Fund	511,732	842,237	667,070	-
845	Madrone BP (Tax Exempt) Fund	740,816	760,387	739,136	741,273
846	Madrone BP (Taxable) Fund	106,800	106,339	107,432	109,144
881	Police Donation Trust Fund	-	84	-	-
Total Agency Funds		**$ 2,217,731**	**$ 2,567,993**	**$ 2,442,045**	**$ 1,707,116**
TOTAL ALL FUNDS		**$ 100,335,632**	**$ 102,550,522**	**$ 189,032,206**	**$ 140,236,413**

Interfund Transfers FY 2014-15

	Transfer to	Transfer from	Amount	Description
10	**General Fund**			
	202	Street Maintenance Fund	590,439	Streets Maintenance and Fuel Tax Transfers
	205	Supplemental Law Enforcement Fund	100,000	Public Safety Funding Support
	301	Park Development Fund	50,000	CSD
	640	Sewer Operations Fund	247,762	Street Maintenance Costs/Dispatch
	650	Water Operations Fund	435,557	Street Maintenance Costs/Dispatch
			$ 1,423,758	
206	**Community Development Fund**			
	010	General Fund	129,292	Economic Development Manager/Economic Development
	355	School Pedestrian & Traffic Safety Fund	20,000	Speed Survey
			$ 149,292	
207	**General Plan Update**			
	010	General Fund	35,717	Economic Development Manager
	206	Community Development Fund	130,923	General Plan Update/HCP Costs
	236	Housing Mitigation Fund	150,000	General Plan Update/HCP Costs
	301	Park Development Fund	4,221	General Plan Update/HCP Costs
	302	Park Maintenance Fund	4,221	General Plan Update/HCP Costs
	303	Drainage Impact Fund	8,442	General Plan Update/HCP Costs
	309	Traffic Impact Fund	16,884	General Plan Update/HCP Costs
	640	Sewer Operations Fund	3,000	General Plan Update/HCP Costs
	641	Sewer Impact Fund	2,814	General Plan Update/HCP Costs
	643	Sewer Replacement Fund	2,814	General Plan Update/HCP Costs
	650	Water Operations Fund	10,300	General Plan Update/HCP Costs
	651	Water Impact Fund	4,221	General Plan Update/HCP Costs
			$ 373,557	
232	**Environmental Programs Fund**			
	10	General Fund	51,452	Stormwater Pollution Prevention
	206	Community Development Fund	51,452	Stormwater Pollution Prevention
	640	Sewer Operations Fund	51,453	Stormwater Pollution Prevention
	650	Water Operations Fund	51,453	Stormwater Pollution Prevention
			$ 205,810	
302	**Park Maintenance Fund**			
	010	General Fund	**$ 200,000**	Park Maintenance Costs
308	**Streets CIP Fund**			
	10	General Fund	$ 250,000	General Fund CIP
			$ 250,000	
420	**Civic Center Debt Service Fund**			
	10	General Fund	42,075	Development Services Center Debt Service
	206	Community Development Fund	37,500	Development Services Center Debt Service
	236	Housing Mitigation Fund	1,829	Development Services Center Debt Service
	250	Successor Agency Administration	36,946	Development Services Center Debt Service
	255	Successor Housing Agency	31,511	Development Services Center Debt Service
	348	Library Impact Fund	244,597	Library Debt Service
	650	Water Operations Fund	3,659	Development Services Center Debt Service
	745	CIP Admin Fund	10,061	Development Services Center Debt Service
			$ 408,178	

Interfund Transfers FY 2014-15 (continued)

	Transfer to	Transfer from	Amount	Description
441	**Police Facility Debt Service Fund**			
	10	General Fund	214,613	Police Station Debt Service
	311	Police Impact Fund	240,075	Police Station Debt Service
			$ 454,688	
643	**Sewer System Replacement Fund**			
	640	Sewer Operations Fund	$ 600,000	
650	**Water Operations Fund**			
	640	Sewer Operations Fund	274,173	Sewer Share of Utility Billing Costs
740	**Building Maintenance Fund**			
	10	General Fund	$ 124,013	El Toro Youth Center/Council Chambers
	206	Community Development Fund	$ 56,758	El Toro Youth Center/Council Chambers
			$ 180,771	
741	**Building Replacement Fund**			
	10	General Fund	$ 27,677	El Toro Youth Center/Old City Hall
791	**Employee Benefits Fund**			
	10	General Fund	$ 110,000	OPEB
		Total Transfers	$ 4,657,904	

Internal Service Charges

Internal service charges account for the financing of goods or services provided by one City department to other departments within the City on a cost reimbursement basis.

Internal service funds accumulate costs related to the services provided, and then the costs are allocated to the department receiving the goods and/or services based on the quantity of service received.

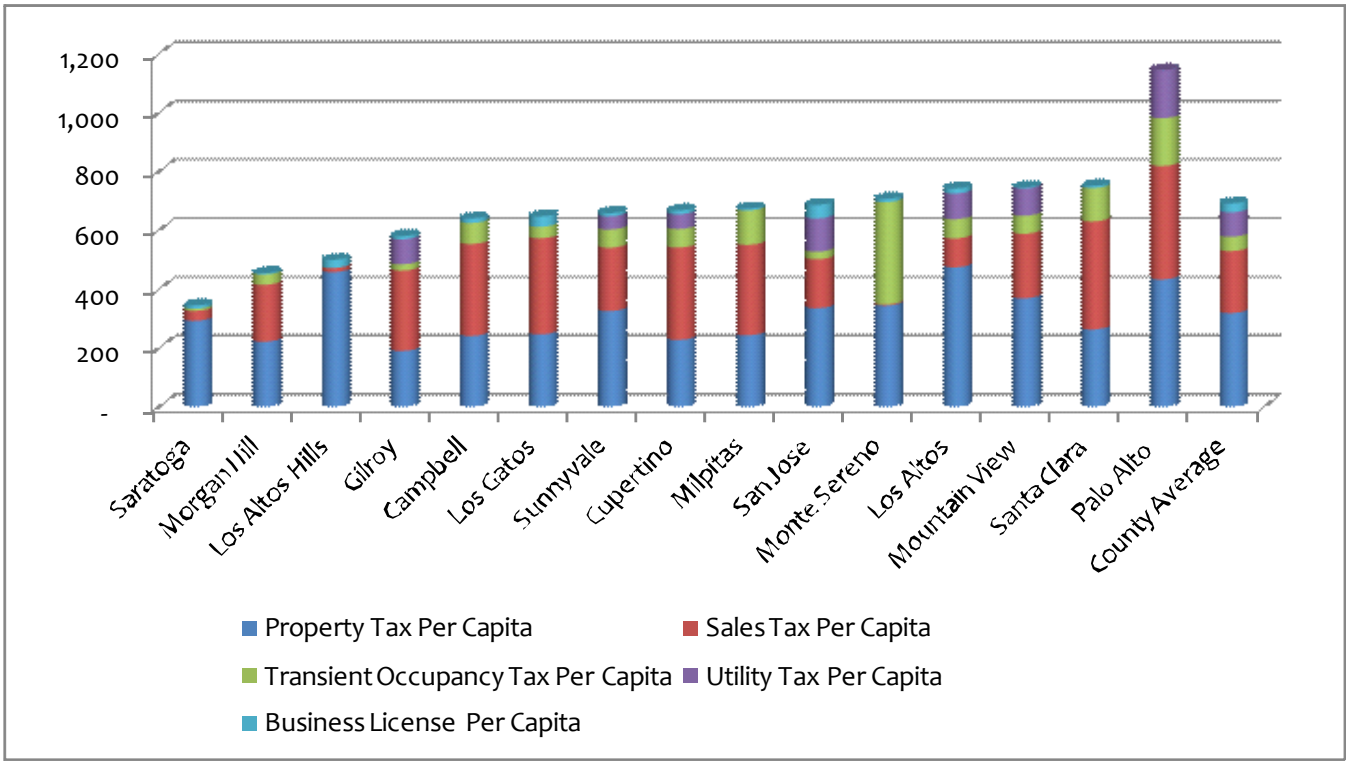
Charges To Departments	Liability Insurance	Building Maint	Building Replacement	Vehicle Replacement	Information Systems	GF Admin	TOTAL
City Council	8,755	3,400	532	-	4,084	-	16,771
City Attorney	4,605	10,200	1,597	-	10,323	-	26,725
City Manager	2,101	5,100	1,065	-	17,697	-	25,962
Recreation Memberships	17,405	1,342,435	145,939	7,608	121,949	-	1,635,337
Recreation Facility Rentals	5,166	519,753	65,000	-	38,570	-	628,489
Community Services	2,276	44,225	1,065	-	12,887	-	60,452
Human Resources	5,078	8,500	1,065	-	6,920	-	21,562
Council Services and Records Management	9,193	10,200	1,597	-	45,660	-	66,650
Elections	175	-	-	-	-	-	175
Finance	14,271	33,999	5,323	-	57,299	-	110,892
PD Administration	20,966	-	-	-	-	-	20,966
PD Field Services	157,246	-	-	136,535	-	-	293,781
PD Support	28,828	289,066	72,198	-	460,572	-	850,664
PD Emergency Services	5,242	-	-	-	-	-	5,242
PD Special Operations	50,161	-	-	-	-	-	50,161
PD Domestic Violence Grant	2,254	-	-	-	-	-	2,254
Fire	30,000	-	60,000	50,663	2,269	-	142,932
Cable TV	175	-	-	-	-	-	175
Environmental Programs	1,488	-	-	-	9,075	-	10,563
Street Maintenance	193,277	21,552	1,058	63,335	2,269	-	281,491
Congestion Management	438	-	-	-	-	-	438
Dispatch Services	41,932	-	-	-	-	-	41,932
Street CIP	-	-	-	-	-	1,747	1,747
Planning	11,554	27,199	4,258	-	40,340	133,066	216,417
Building	10,837	23,799	3,726	-	54,429	83,301	176,092
Engineering	28,674	18,700	2,927	-	12,161	57,670	120,132
General Plan Update	3,852	-	-	-	-	28,654	32,506
Lighting & Landscape Dist.	546	-	-	-	-	8,587	9,133
Burrowing Owl	-	-	-	-	-	649	649
Stormwater Poll. Prevent.	1,751	-	-	-	-	5,648	7,399
Mobile Home Stabilization	-	-	-	-	-	738	738
Housing Mitigation	3,696	3,400	532	-	2,269	49,013	58,910
Employee Assistance	-	-	-	-	-	1,077	1,077
Successor Agency Administration	2,627	-	-	-	-	-	2,627
Successor Housing Agency	1,751	-	-	-	2,836	72,358	76,945
Page Subtotal	**666,320**	**2,361,528**	**367,880**	**258,141**	**901,609**	**442,509**	**4,997,987**

Internal Service Charges (continued)

Charges To Departments	Liability Insurance	Building Maint	Building Replacement	Vehicle Replacement	Information Systems	GF Admin	TOTAL
Parks CIP	-	-	-	-	-	25,550	25,550
Park Maintenance	11,352	7,064	347	21,568	4,538	52,511	97,380
Drainage Impact	-	-	-	-	-	3,562	3,562
Drainage Non-AB 1600	-	-	-	-	-	3,981	3,981
Open Space	-	-	-	-	-	3,443	3,443
Street CIP	-	-	-	-	-	9,455	9,455
Traffic Impact	135,211	-	-	-	-	4,444	139,655
Police Impact	-	-	-	-	-	812	812
Fire Impact	-	-	-	-	-	1,145	1,145
Public Facility (non-AB 1600)	-	-	-	-	-	3,221	3,221
Public Facility CIP	-	-	-	-	-	841	841
Library Impact	-	-	-	-	-	1,289	1,289
Underground CIP	-	-	-	-	-	466	466
School Pedestrian	-	-	-	-	-	3,419	3,419
Civic Center Debt	-	-	-	-	-	1,002	1,002
Police Facility Debt	-	-	-	-	-	2,057	2,057
Sewer Operations	127,689	26,342	1,293	93,834	22,688	184,811	456,657
Sewer Impact	-	-	-	-	-	12,049	12,049
Sewer Rate Stabilization	-	-	-	-	-	3,369	3,369
Sewer System Replacement	-	-	-	-	-	3,712	3,712
Water Operations	72,195	52,794	2,592	59,938	99,828	195,746	483,094
Utility Billing	4,816	6,800	1,065	-	21,554	43,498	77,732
Water Conservation	350	-	-	-	-	4,909	5,259
Water Impact	-	-	-	-	-	3,414	3,414
Water Rate Stabilization	-	-	-	-	-	524	524
Water System Replacement	-	-	-	-	-	3,290	3,290
Information Systems	8,931	-	2,233	-	-	-	11,164
Building Maint. - CCC	28,524	-	-	-	-	-	28,524
Building Maint. - Aqtcs	7,152	-	-	-	-	-	7,152
Building Maint. - IRC	26,542	-	-	-	-	-	26,542
Building Maint. - PD	19,463	-	-	-	-	-	19,463
Building Maint. - PW	6,381	-	-	-	-	-	6,381
Building Maint. - City Hall	24,358	-	-	-	-	-	24,358
Building Maint. - DSC	5,845	-	-	-	-	-	5,845
Building Maintenance-Friendly Inn	2,454	-	-	-	-	-	2,454
Building Maintenance-El Toro Youth Center	796	-	-	-	-	-	796
CIP Administration	78,456	18,700	2,927	-	17,833	117,297	235,212
MH Business Ranch 1998 AD	-	-	-	-	-	3,375	3,375
MH Ranch Reassessment 2004 AD	-	-	-	-	-	2,412	2,412
Madrone BP (Tax Exempt)	-	-	-	-	-	3,119	3,119
Madrone BP Taxable	-	-	-	-	-	1,200	1,200
TOTAL	**1,226,835**	**2,473,227**	**378,337**	**433,481**	**1,068,050**	**1,142,431**	**6,722,361**

Comparison of Municipalities FY 2012-13

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



		Property Tax		Sales Tax		Transient Occupancy Tax		Utility Tax		Business License	
City	Population	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
Campbell	40,404	9,728,905	241	12,649,768	313	2,875,976	71	-	-	625,050	15
Cupertino	59,620	13,565,465	228	18,721,193	314	3,768,504	63	2,994,526	50	748,040	13
Gilroy	51,544	9,773,955	190	14,114,277	274	1,092,486	21	4,382,822	85	556,678	11
Los Altos	29,792	14,130,039	474	2,926,441	98	1,946,484	65	2,600,054	87	519,828	17
Los Altos Hills	8,264	3,785,652	458	114,781	14	-	-	-	-	230,673	28
Los Gatos	30,247	7,445,902	246	9,889,100	327	1,174,485	39	-	-	1,071,620	35
Milpitas	67,894	16,489,093	243	20,908,497	308	7,933,249	117	-	-	418,649	6
Monte Sereno	3,420	1,177,597	344	12,408	4	1,190,005	348	-	-	36,565	11
Morgan Hill	40,079	8,867,646	221	7,766,996	194	1,411,226	35	-	-	165,304	4
Mountain View	76,260	28,122,360	369	16,744,001	220	4,668,303	61	7,107,873	93	238,607	3
Palo Alto	66,368	28,742,000	433	25,606,000	386	10,794,000	163	10,861,000	164	-	-
San Jose	984,299	329,591,000	335	164,275,000	167	25,258,000	26	111,750,000	114	45,140,000	46
Santa Clara	120,284	31,650,941	263	44,159,627	367	13,673,128	114	-	-	878,202	7
Saratoga	30,706	8,966,396	292	1,051,121	34	228,199	7	-	-	336,298	11
Sunnyvale	145,973	47,555,857	326	31,421,424	215	9,016,052	62	6,549,144	45	1,588,796	11
County Average	117,010	37,306,187	319	24,690,709	211	5,668,673	48	9,749,695	83	3,503,621	30

Source: Cities in Santa Clara County (Los Gatos 2012 Data)

Personnel

Citywide Organization Chart.....90

Personnel Summary by Programs.....91

Personnel Summary by Fund Type.....92

Personnel Summary by Department.....93

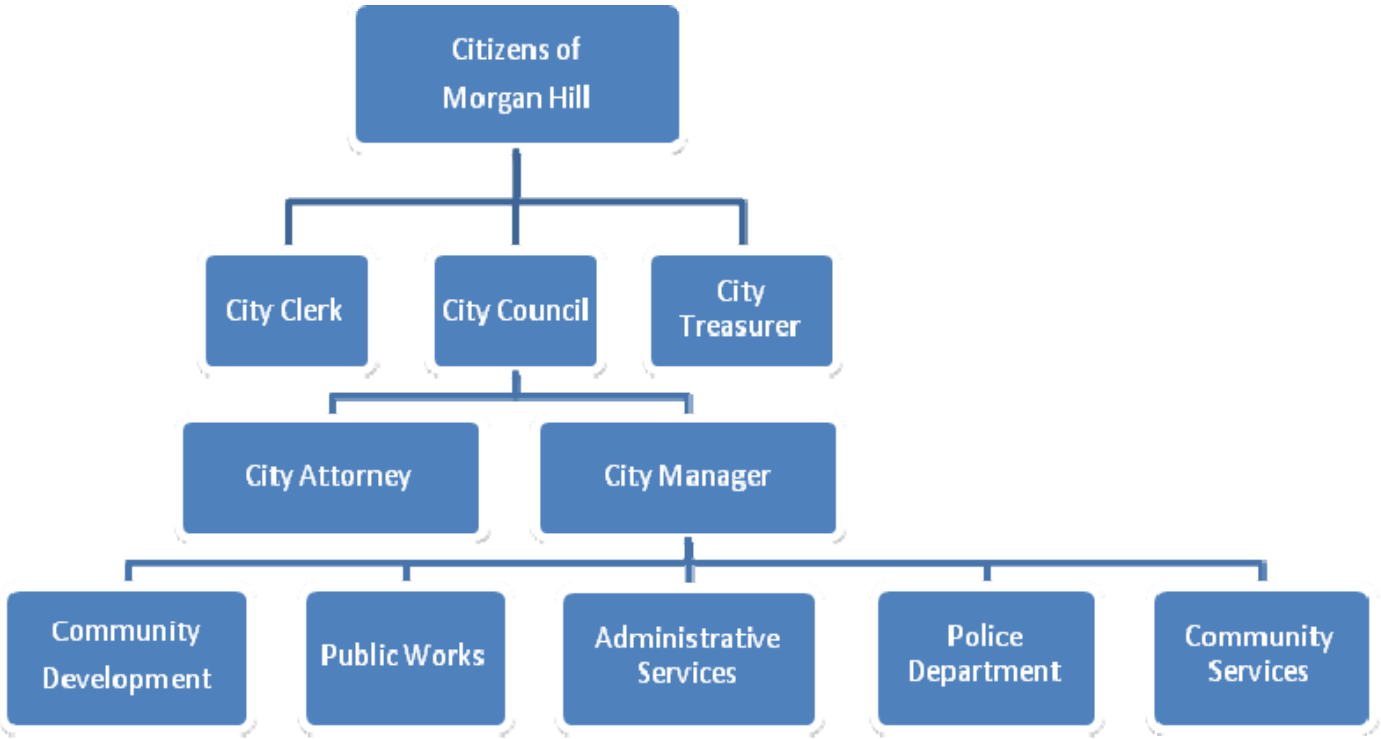
Personnel Summary by Position.....94

Personnel Detail by Program.....96

History of PERS Rate Employer Contribution.....105

History of Health Benefit Costs.....106

City of Morgan Hill Organizational Chart



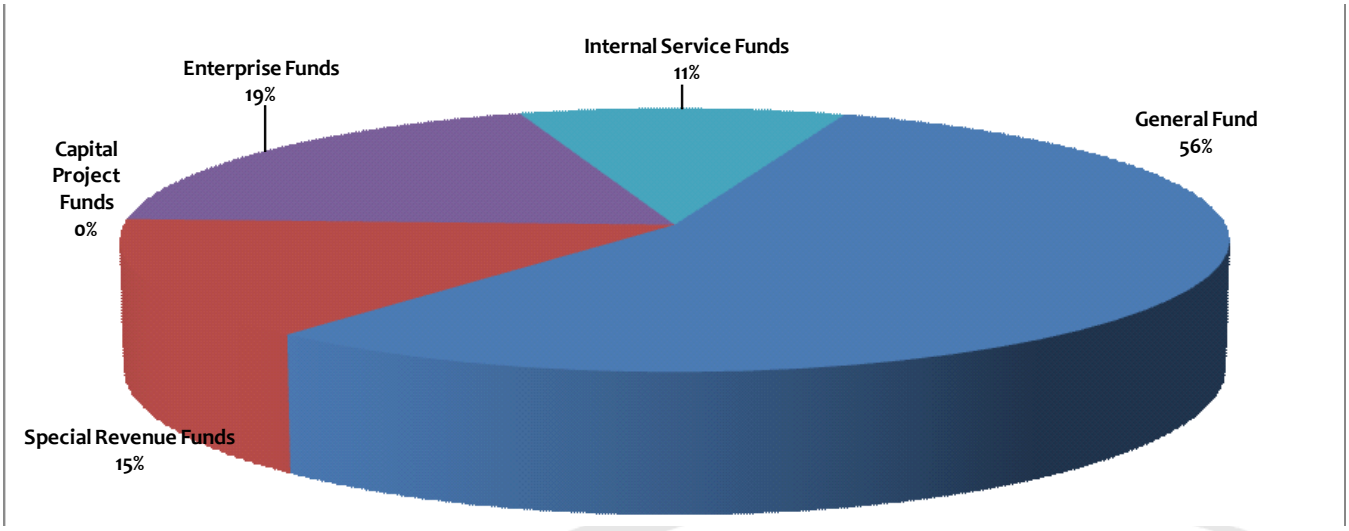
• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 OPERATING AND CIP
CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY14-15 • OPERATING AND CIP BUDGET • CITY

Personnel Summary by Programs

Program Title	Full-time Equivalent	
City Council	5.00	
City Attorney	2.63	
City Manager	1.20	
Membership Services and Recreation Programs	5.65	
Recreation Facility Rentals	2.95	
Community Services	1.30	
Human Resources	2.90	
Council Svs & Records Management	5.25	
Elections	0.10	
Finance	8.15	
PD Administration	4.00	
PD Field Operations	30.00	
PD Support Services	5.50	
PD Emergency Services	1.00	
PD Special Operations	9.57	
Domestic Violence Grant	0.43	
Cable Television	0.10	
Environmental Services	0.85	
Street Maintenance	5.66	
Congestion Management	0.25	
Dispatch Services	8.00	
General Fund Subtotal		**100.49**
Planning	6.59	
Building	5.76	
Engineering	2.75	
Long Range Planning	2.20	
Lighting And Landscape District	0.24	
Stormwater Pollution Prevention	1.00	
Housing Mitigation	1.87	
Successor Agency Administration	1.50	
Housing	1.00	
Park Maintence	3.34	
Sewer Operations	14.46	
Water Operations	17.08	
Utility Billing	2.75	
Water Conservation	0.20	
Information Services	5.10	
Community & Cultural Center	1.70	
Aquatics Center	1.20	
Centennial Recreation Center	1.28	
PD Support Services	0.55	
PW - Edes Court Maintenance	0.55	
Building Maintenance - CH/Others	0.18	
Building Maintenance - DSC	0.43	
Capital Project Implementation	7.55	
General Liability Insurance	0.50	
Non-GF Subtotal		79.76
CITYWIDE TOTAL		**180.25**

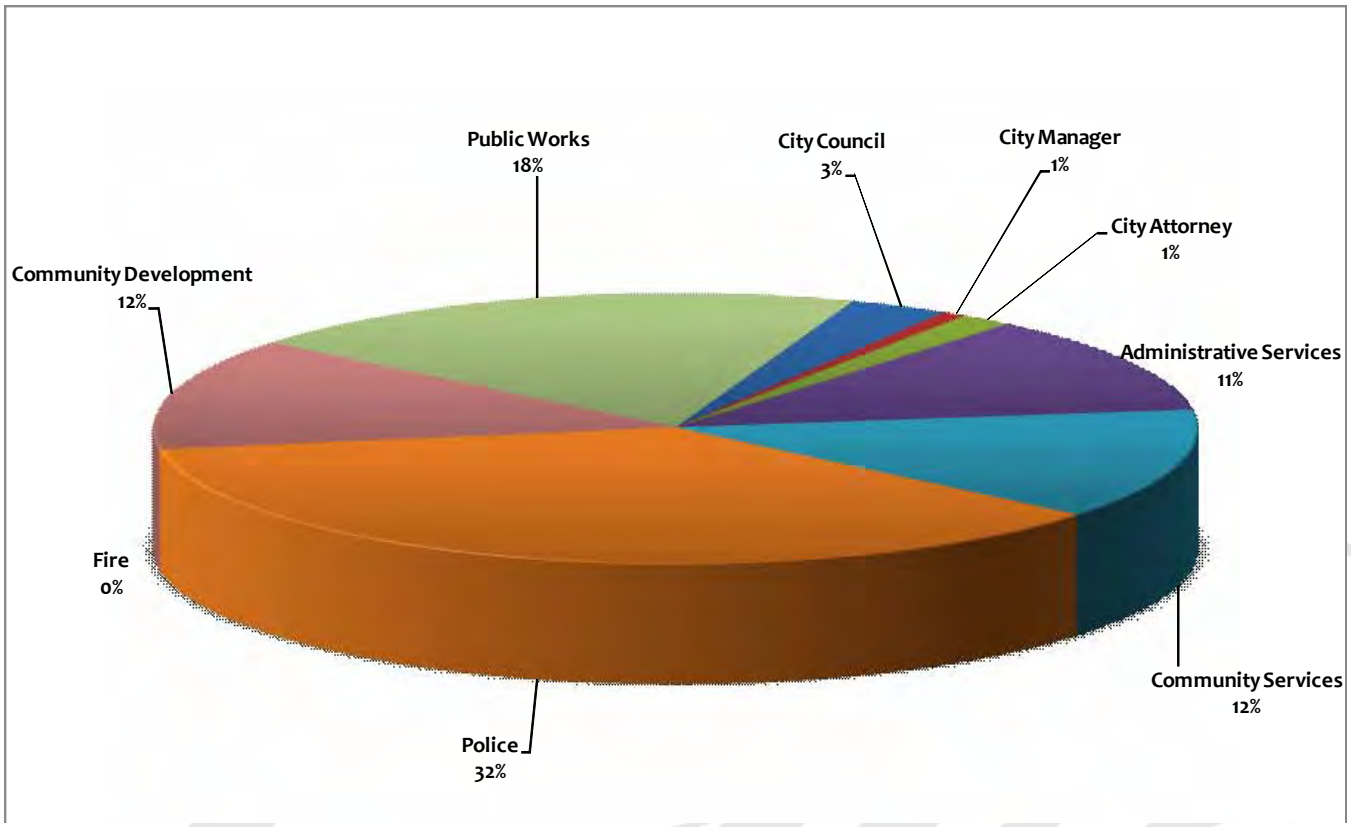
Personnel Summary by Fund

	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
General Fund	97.94	100.53	104.51	100.49
Special Revenue Funds	19.77	21.03	20.86	26.25
Capital Project Funds	-	-	-	-
Enterprise Funds	37.57	34.84	34.74	34.49
Internal Service Funds	13.57	13.10	13.90	19.02
Total All Funds	**168.85**	**169.50**	**174.00**	**180.25**



Personnel Summary by Department

	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
City Council	5.30	5.00	5.00	5.00
City Manager	0.95	0.70	0.95	1.20
City Attorney	2.53	2.63	2.63	2.63
Administrative Services	15.95	16.30	18.25	19.15
Community Services	24.23	23.90	24.65	21.29
Police	52.96	55.50	56.50	58.50
Fire	-	0.25	0.25	-
Community Development	19.12	20.33	20.08	21.67
Public Works	34.24	31.79	31.79	31.79
Internal Services	13.57	13.10	13.90	19.02
Total All Departments	**168.85**	**169.50**	**174.00**	**180.25**



Personnel Summary by Position

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Accountant I	2.00	2.00	2.00	2.00
Accounting Assistant I/II	4.00	4.00	4.00	4.00
Accounting Technician	1.00	1.00	1.00	1.00
Administrative Analyst	1.00	1.00	1.00	1.00
Administrative Secretary	1.00	1.00	-	-
Administrative Sergeant	-	-	1.00	1.00
Administrative Services Director	1.00	1.00	1.00	1.00
Aquatics Coordinator	-	-	-	1.00
Assistant City Manager for Community Development	1.00	1.00	1.00	1.00
Assistant Engineer	1.00	1.00	-	-
Assistant Finance Director	1.00	1.00	1.00	1.00
Assistant Planner	-	-	-	1.00
Associate Engineer	2.00	2.00	3.00	3.00
Associate Planner	1.00	1.00	1.00	1.00
Budget Manager	1.00	1.00	1.00	1.00
Building Inspection Supervisor	-	-	-	1.00
Building Inspector I/II	2.00	2.00	2.00	1.00
Building Manager	1.00	1.00	1.00	1.00
City Attorney	1.00	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00	1.00
City Manager	1.00	1.00	1.00	1.00
City Treasurer	1.00	1.00	1.00	1.00
Code Enforcement Officer	1.00	1.00	1.00	1.00
Communications and Engagement Manager	-	-	1.00	1.00
Community Development Business Assistant	1.00	1.00	1.00	1.00
Community Development Director	1.00	1.00	1.00	1.00
Community Service Officer	1.00	-	-	-
Community Services Coordinator	-	1.00	1.00	1.00
Community Services Director	1.00	1.00	1.00	1.00
Community Services Manager	-	1.00	-	-
Community Services Supervisor	-	-	1.00	1.00
Confidential Administrative Assistant	1.00	1.00	-	-
Council Services Assistant	-	-	1.00	1.00
Council Services/Records Coordinator	1.00	1.00	1.00	1.00
Deputy City Attorney	1.00	1.00	1.00	1.00
Development Services Technician	2.00	3.00	4.00	3.00
Economic Development Manager	1.00	1.00	1.00	1.00
Electrician	1.00	1.00	1.00	1.00
Emergency Services Coordinator	1.00	1.00	1.00	1.00
Engineering Aide II	3.00	2.00	2.00	2.00
Executive Assistant to the Chief of Police	-	-	1.00	1.00
Facilities Maintenance Specialist	3.00	3.00	3.00	3.00
Groundskeeper	1.00	-	-	-
Housing Manager	1.00	1.00	1.00	1.00
Human Resources Assistant	-	-	-	1.00
Human Resources Manager	1.00	1.00	1.00	1.00
Information Services Manager	1.00	1.00	1.00	1.00
Information Services Technician	2.00	2.00	2.00	2.00
Junior Engineer	1.00	1.00	1.00	1.00
Maintenance Manager	-	-	1.00	1.00
Maintenance Supervisor	1.00	1.00	-	-

Personnel Summary by Position (continued)

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Maintenance Worker I	4.00	4.00	4.00	4.00
Maintenance Worker II	1.00	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	1.00	3.00	3.00	3.00
Municipal Services Assistant	5.35	4.00	4.00	4.00
Office Assistant II	2.00	2.00	2.00	2.00
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	6.00	5.00	4.00	4.00
Police Officer	21.00	23.00	24.00	26.00
Police Records Specialist	2.00	1.00	2.00	2.00
Police Sergeant	4.00	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
Property Evidence Technician	1.00	1.00	1.00	1.00
PT Administrative Analyst	-	-	0.50	0.75
PT Custodian	2.00	2.00	2.00	2.00
PT Environmental Programs Coordinator	-	-	-	0.50
PT Human Resources Assistant	-	-	0.75	-
PT Management Analyst	-	-	0.75	0.75
PT Municipal Services Assistant	-	0.50	1.00	1.25
PT Office Assistant II	0.50	0.50	0.50	1.00
PT Police Records Specialist	2.00	1.50	0.50	0.50
PT Public Safety Dispatcher	1.00	1.00	-	-
PT Risk Management Analyst	-	-	-	0.50
Public Safety Dispatcher	7.00	7.00	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	1.00
Public Works Inspector Supervisor	1.00	1.00	1.00	1.00
Records Imaging Technician	1.00	1.00	-	-
Recreation Manager	1.00	1.00	1.00	1.00
Recreation Services Coordinator	4.00	4.00	4.00	3.00
Recreation Supervisor	1.00	-	-	-
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	2.00	1.00	1.00	1.00
Senior Planner	2.00	2.00	2.00	3.00
Senior Police Records Specialist	-	1.00	1.00	1.00
Senior Public Works Inspector	1.00	-	-	-
Senior Utility Worker	3.00	3.00	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
Utility Systems Manager	1.00	1.00	1.00	1.00
Utility Systems Supervisor	2.00	2.00	-	-
Utility Worker I	12.00	12.00	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	**168.85**	**169.50**	**174.00**	**180.25**

Personnel Detail by Program

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Council Services/Records Coordinator	0.30	-	-	-
Mayor & Council Members	5.00	5.00	5.00	5.00
City Council	**5.30**	**5.00**	**5.00**	**5.00**
City Attorney	0.60	0.70	0.70	0.70
Deputy City Attorney	0.93	0.93	0.93	0.93
Paralegal	1.00	1.00	1.00	1.00
City Attorney	**2.53**	**2.63**	**2.63**	**2.63**
PT Administrative Analyst	-	-	0.50	0.75
City Manager	0.45	0.45	0.45	0.45
Confidential Administrative Assistant	0.50	0.25	-	-
City Manager	**0.95**	**0.70**	**0.95**	**1.20**
Administrative Analyst	0.55	0.45	0.50	0.50
Aquatics Coordinator	-	-	-	0.80
Community Services Manager	-	0.25	-	-
Community Services Coordinator	-	-	0.05	0.30
Community Services Supervisor	-	-	0.25	0.35
Community Services Director	0.25	0.15	0.15	0.25
Facilities Maintenance Specialist	2.00	2.00	2.00	-
Municipal Services Assistant	0.85	0.85	0.85	0.90
PT Municipal Services Assistant	-	-	0.10	-
PT Office Assistant II	0.45	0.45	0.45	0.45
Recreation Manager	0.50	0.50	0.60	0.65
Recreation Services Coordinator	3.00	2.90	2.80	1.45
Recreation Supervisor	0.25	-	-	-
Membership Services and Recreation Programs	**7.85**	**7.55**	**7.75**	**5.65**
Administrative Analyst	0.25	0.20	0.20	0.15
Community Services Coordinator	-	0.35	0.80	0.50
Community Services Supervisor	-	-	0.65	0.60
Community Services Director	0.15	0.15	0.15	0.20
Community Services Manager	-	0.55	-	-
Facilities Maintenance Specialist	1.00	1.00	1.00	-
Municipal Services Assistant	0.15	0.15	0.15	0.10
PT Office Assistant II	0.05	0.05	0.05	0.05
PT Custodian	0.50	0.50	0.50	-
Recreation Manager	0.35	0.35	0.25	0.20
Recreation Services Coordinator	1.00	1.10	1.20	1.15
Recreation Supervisor	0.75	-	-	-
Recreation Facility Rentals	**4.20**	**4.40**	**4.95**	**2.95**
Administrative Analyst	0.15	0.15	0.05	0.10
Aquatics Coordinator	-	-	-	0.20
Community Services Coordinator	-	0.15	0.05	0.20
Community Services Supervisor	-	-	0.10	0.05
Community Services Manager	-	0.20	-	-
Community Services Director	0.20	0.15	0.15	0.20
Recreation Manager	0.15	0.15	0.15	0.15
Recreation Services Coordinator	-	-	-	0.40
Community Services	**0.50**	**0.80**	**0.50**	**1.30**

Personnel Detail by Program

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Administrative Services Director	-	-	0.10	0.15
Confidential Administrative Assistant	-	0.25	-	-
Human Resources Assistant	-	-	-	0.75
Human Resources Manager	1.00	1.00	1.00	1.00
PT Human Resources Assistant	-	-	0.50	-
Senior Human Resources Analyst	1.00	1.00	1.00	1.00
Human Resources	**2.00**	**2.25**	**2.60**	**2.90**
Administrative Services Director	-	-	0.10	0.10
City Clerk	1.00	1.00	1.00	1.00
Confidential Administrative Assistant	0.50	0.50	-	-
Council Services Assistant	-	-	1.00	1.00
Council Services/Records Coordinator	0.60	0.90	0.90	0.90
Municipal Services Assistant	-	-	1.00	1.00
PT Municipal Services Assistant	-	-	0.50	0.75
PT Office Assistant II	-	-	-	0.50
Records Imaging Technician	1.00	1.00	-	-
Council Svs & Records Management	**3.10**	**3.40**	**4.50**	**5.25**
Council Services/Records Coordinator	0.10	0.10	0.10	0.10
Elections	**0.10**	**0.10**	**0.10**	**0.10**
Accountant I	1.97	1.00	1.50	1.70
Accounting Assistant I/II	1.50	1.50	1.50	1.50
Accounting Technician	1.00	1.00	1.00	1.00
Administrative Services Director	0.75	0.75	0.60	0.50
Assistant Finance Director	0.70	0.70	0.70	0.70
Budget Manager	0.65	1.00	1.00	1.00
City Treasurer	1.00	1.00	1.00	1.00
Human Resources Assistant	-	-	-	0.25
Office Assistant II	-	0.50	0.50	0.50
PT Human Resources Assistant	-	-	0.25	-
Finance	**7.57**	**7.45**	**8.05**	**8.15**
Administrative Secretary	1.00	1.00	-	-
Executive Assistant to the Chief of Police	-	-	1.00	1.00
Administrative Sergeant	-	-	1.00	1.00
Police Analyst	0.50	0.50	0.75	1.00
Police Chief	1.00	1.00	1.00	1.00
PD Administration	**2.50**	**2.50**	**3.75**	**4.00**
Community Service Officer	0.96	-	-	-
Multi-Service Officer	1.00	3.00	3.00	3.00
Police Captain	1.00	1.00	1.00	1.00
Police Corporal	6.00	5.00	4.00	3.00
Police Officer	17.00	16.00	18.00	19.00
Police Sergeant	3.00	4.00	4.00	4.00
PD Field Operations	**28.96**	**29.00**	**30.00**	**30.00**

Personnel Detail by Program

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Police Records Specialist	2.00	1.00	2.00	2.00
Police Support Services Manager	1.00	1.00	1.00	1.00
Property Evidence Technician	1.00	1.00	1.00	1.00
PT Police Records Specialist	2.00	1.50	0.50	0.50
Senior Police Records Specialist	-	1.00	1.00	1.00
PD Support Services	**6.00**	**5.50**	**5.50**	**5.50**
Emergency Services Coordinator	1.00	1.00	1.00	1.00
PD Emergency Services	**1.00**	**1.00**	**1.00**	**1.00**
Police Captain	1.00	1.00	1.00	1.00
Police Corporal	-	-	-	1.00
Police Officer	3.00	6.00	5.25	6.57
Police Sergeant	1.00	1.00	1.00	1.00
PD Special Operations	**5.00**	**8.00**	**7.25**	**9.57**
Police Analyst	0.50	0.50	0.25	-
Police Officer	1.00	1.00	0.75	0.43
Domestic Violence Grant	**1.50**	**1.50**	**1.00**	**0.43**
Community Services Director	-	0.25	0.25	-
Fire	**-**	**0.25**	**0.25**	**-**
PT Municipal Services Assistant	-	0.05	0.05	0.05
Program Administrator	0.05	0.05	0.05	0.05
Cable Television	**0.05**	**0.10**	**0.10**	**0.10**
Administrative Analyst	-	0.10	0.10	-
Community Services Director	0.10	0.05	0.05	-
Community Services Coordinator	-	0.20	-	-
Groundskeeper	1.00	-	-	-
Maintenance Manager	-	-	0.45	-
Maintenance Supervisor	0.45	0.45	-	-
Maintenance Worker I	1.50	1.50	1.50	-
Maintenance Worker II	-	1.00	1.00	-
Management Analyst	0.10	-	-	-
Municipal Services Assistant	0.10	0.10	0.10	-
Office Assistant II	0.10	0.10	0.10	-
Program Administrator	0.10	0.20	0.20	-
PT Management Analyst	-	-	0.34	-
Senior Maintenance Worker	0.95	-	-	-
Park Maintenance	**4.40**	**3.70**	**3.84**	**-**
PT Municipal Services Assistant	-	0.35	0.25	0.35
Municipal Services Assistant	0.35	-	-	-
Community Services Coordinator	-	-	0.10	-
Community Services Director	0.10	0.05	0.05	0.05
Program Administrator	0.20	0.20	0.20	0.45
Environmental Programs	**0.65**	**0.60**	**0.60**	**0.85**

Personnel Detail by Program

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Administrative Analyst	0.05	0.10	0.10	0.10
Community Services Coordinator	-	0.25	-	-
Community Services Director	0.10	0.10	0.10	0.15
Engineering Aide II	0.08	0.05	0.05	0.05
Maintenance Manager	-	-	0.45	0.35
Maintenance Supervisor	0.50	0.45	-	-
Maintenance Worker I	2.50	2.50	2.50	2.90
Maintenance Worker II	1.00	1.00	1.00	1.05
Municipal Services Assistant	0.10	0.10	0.10	0.10
Office Assistant II	0.10	0.10	0.10	0.10
Program Administrator	0.10	0.20	0.20	0.10
Management Analyst	0.10	-	-	-
PT Management Analyst	-	-	0.34	0.26
Senior Maintenance Worker	1.00	1.00	1.00	0.50
Street Maintenance	**5.63**	**5.85**	**5.94**	**5.66**
Senior Civil Engineer	-	0.10	0.10	0.10
Public Works Director/City Engineer	-	0.05	0.05	0.05
Municipal Services Assistant	0.05	-	-	-
Development Services Technician	0.10	0.10	0.10	0.10
Congestion Management	**0.15**	**0.25**	**0.25**	**0.25**
PT Public Safety Dispatcher	1.00	1.00	-	-
Public Safety Dispatcher	7.00	7.00	8.00	8.00
Dispatch Services	**8.00**	**8.00**	**8.00**	**8.00**
General Fund	**97.94**	**100.53**	**104.51**	**100.49**
Assistant City Manager for Community Development	0.15	0.15	0.35	0.20
Assistant Planner	-	-	-	0.50
Associate Planner	0.65	0.95	0.95	1.00
Building Inspector I/II	0.05	-	-	-
City Manager	0.05	0.05	0.04	0.04
Community Development Business Assistant	0.15	0.10	0.10	0.10
Community Development Director	0.25	0.25	0.45	0.30
Development Services Technician	0.55	1.55	2.10	0.95
Municipal Services Assistant	1.10	0.95	0.80	0.80
Office Assistant II	0.33	0.10	0.10	0.10
Economic Development Manager	0.40	0.40	0.60	0.50
Senior Planner	1.20	1.20	1.30	2.00
Support Services Supervisor	-	0.10	0.10	0.10
Planning	**4.88**	**5.80**	**6.89**	**6.59**
Assistant City Manager for Community Development	0.15	0.15	0.20	0.10
Building Inspection Supervisor	-	-	-	1.00
Building Inspector I/II	1.90	2.00	2.00	1.00
Building Manager	0.86	0.86	0.86	0.74
Community Development Business Assistant	0.15	0.05	0.05	0.05
City Manager	0.05	0.05	0.02	0.02
Code Enforcement Officer	0.50	0.50	0.60	0.60
Community Development Director	0.25	0.25	0.45	0.20
Community Service Officer	0.04	-	-	-
Development Services Technician	1.35	1.35	1.40	1.85
Municipal Services Assistant	0.30	0.08	0.05	0.05
Office Assistant II	0.33	0.10	0.10	0.10
Support Services Supervisor	-	0.05	0.05	0.05
Building	**5.88**	**5.44**	**5.78**	**5.76**

Personnel Detail by Program

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Assistant City Manager for Community Development	0.15	0.15	-	-
Assistant Engineer	0.40	0.40	-	-
Associate Engineer	-	-	0.40	0.40
Building Inspector I/II	0.05	-	-	-
Public Works Director/City Engineer	0.20	0.20	0.20	0.20
City Manager	0.05	0.05	0.04	0.04
Community Development Business Assistant	0.20	0.15	0.25	0.25
Engineering Aide II	0.11	0.11	0.11	0.11
Junior Engineer	0.25	0.25	0.30	0.50
Municipal Services Assistant	-	0.07	0.05	0.05
Office Assistant II	0.34	0.10	0.10	0.10
Public Works Inspector	-	0.14	0.14	0.30
Public Works Inspector Supervisor	-	0.05	0.05	0.20
Senior Civil Engineer	0.25	0.25	0.30	0.50
Senior Public Works Inspector	0.14	-	-	-
Support Services Supervisor	0.05	0.10	0.10	0.10
Engineering	**2.19**	**2.02**	**2.04**	**2.75**
Assistant City Manager for Community Development	0.10	0.10	-	-
Assistant Planner	-	-	-	0.50
Associate Planner	0.05	0.05	0.05	-
City Attorney	0.05	-	-	-
City Manager	-	-	0.10	0.10
Community Development Director	0.10	0.10	0.10	0.40
Economic Development Manager	0.40	0.40	0.40	0.20
Senior Planner	0.80	0.80	0.70	1.00
General Plan Update	**1.50**	**1.45**	**1.35**	**2.20**
Administrative Analyst	-	-	0.05	0.05
Community Services Coordinator	-	0.05	-	-
Maintenance Manager	-	-	0.10	0.05
Maintenance Supervisor	0.05	0.10	-	-
Program Administrator	0.05	0.05	0.05	-
PT Management Analyst	-	-	0.08	0.04
Senior Maintenance Worker	0.05	-	-	0.05
Lighting And Landscape District	**0.15**	**0.20**	**0.28**	**0.19**
Assistant Engineer	0.10	0.10	-	-
Associate Engineer	-	-	0.10	0.10
Community Services Director	0.05	0.05	0.05	0.05
Municipal Services Assistant	0.05	-	-	-
Program Administrator	0.20	0.20	0.20	0.20
PT Environmental Programs Coordinator	-	-	-	0.50
PT Municipal Services Assistant	-	0.05	0.05	0.05
Public Works Inspector	-	0.05	0.05	0.05
Public Works Inspector Supervisor	0.05	0.05	0.05	0.05
Senior Public Works Inspector	0.05	-	-	-
Storm Water Pollution Prevention	**0.50**	**0.50**	**0.50**	**1.00**

Personnel Detail by Program

Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Accounting Assistant I/II	-	-	0.25	0.50
Assistant City Manager for Community Development	0.10	0.10	0.15	0.10
City Attorney	0.05	0.15	0.15	0.15
Code Enforcement Officer	0.50	0.50	0.30	0.30
Community Development Business Assistant	0.25	0.25	0.15	0.15
Community Development Director	0.20	0.20	-	-
Deputy City Attorney	0.02	0.02	0.02	0.02
Development Services Technician	-	-	0.30	0.10
Housing Manager	0.50	0.50	0.50	0.50
Municipal Services Assistant	0.25	0.25	-	0.05
Support Services Supervisor	0.05	0.05	-	-
Housing Mitigation	**1.92**	**2.02**	**1.82**	**1.87**
Accountant I	-	1.00	0.50	0.30
Assistant City Manager for Community Development	0.10	0.10	0.10	0.45
City Attorney	0.30	0.15	0.15	0.15
City Manager	0.25	0.25	0.20	0.20
Support Services Supervisor	0.05	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	0.20	-	0.30
Successor Agency Administration	**1.00**	**1.85**	**1.05**	**1.50**
Accounting Assistant I/II	0.25	0.25	-	-
Assistant City Manager for Community Development	0.05	0.05	0.15	0.10
City Manager	0.15	0.15	0.15	0.15
Code Enforcement Officer	-	-	0.10	0.10
Community Development Business Assistant	0.05	0.05	0.05	0.05
Community Development Director	0.20	0.20	-	0.05
Development Services Technician	-	-	0.10	-
Housing Manager	0.50	0.50	0.50	0.50
Municipal Services Assistant	0.55	0.55	0.10	0.05
Housing Successor Agency	**1.75**	**1.75**	**1.15**	**1.00**
Administrative Analyst	-	-	-	0.10
Community Services Director	-	-	-	0.05
Maintenance Manager	-	-	-	0.25
Maintenance Worker I	-	-	-	1.10
Maintenance Worker II	-	-	-	0.95
Municipal Services Assistant	-	-	-	0.10
Office Assistant II	-	-	-	0.10
Program Administrator	-	-	-	0.10
PT Management Analyst	-	-	-	0.19
Senior Maintenance Worker	-	-	-	0.45
Parks Maintenance	**-**	**-**	**-**	**3.39**

Personnel Detail by Program

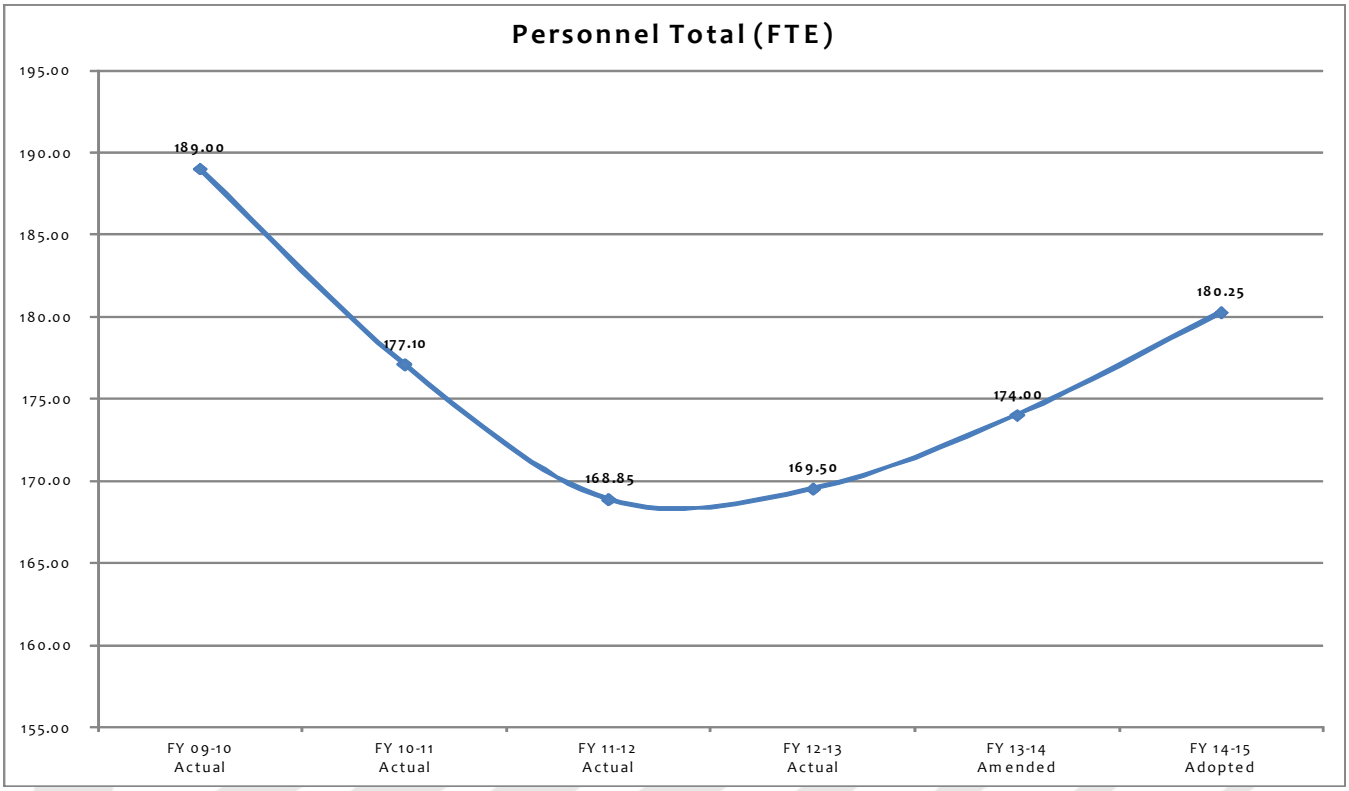
Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Assistant City Manager for Community Development	0.05	0.05	-	-
Assistant Engineer	0.05	0.05	-	-
Associate Engineer	0.10	0.10	0.15	0.15
Associate Planner	0.15	-	-	-
Public Works Director/City Engineer	0.20	0.20	0.20	0.20
Electrician	0.45	0.50	0.50	0.50
Engineering Aide II	0.56	0.21	0.21	0.21
Management Analyst	0.40	0.50	0.50	0.50
Municipal Services Assistant	0.57	0.40	0.40	0.40
Office Assistant II	0.40	0.40	0.40	0.40
Program Administrator	0.05	-	-	-
Public Works Inspector	-	0.07	0.07	0.07
Public Works Inspector Supervisor	0.10	0.10	0.10	0.10
Senior Civil Engineer	0.18	0.18	0.18	0.18
Senior Public Works Inspector	0.07	-	-	-
Senior Utility Worker	1.20	1.50	1.50	1.50
Support Services Supervisor	0.15	0.05	0.10	0.10
Utilities Business Manager	0.50	0.45	0.45	0.45
Utilities Supervisor	-	-	1.00	1.00
Utility Systems Manager	0.50	0.50	0.50	0.50
Utility Systems Supervisor	0.90	1.00	-	-
Utility Worker I	6.50	5.20	5.20	5.20
Utility Worker II	3.00	3.00	3.00	3.00
Sewer Operations	**16.08**	**14.46**	**14.46**	**14.46**
Assistant City Manager for Community Development	0.05	0.05	-	-
Assistant Engineer	0.05	0.05	-	-
Associate Engineer	0.15	0.15	0.20	0.20
Associate Planner	0.15	-	-	-
Public Works Director/City Engineer	0.20	0.20	0.20	0.20
Electrician	0.55	0.50	0.50	0.50
Engineering Aide II	0.56	0.21	0.21	0.21
Management Analyst	0.40	0.50	0.50	0.50
Municipal Services Assistant	0.58	0.40	0.40	0.40
Office Assistant II	0.40	0.40	0.40	0.40
Program Administrator	0.05	-	-	-
Public Works Inspector	1.00	0.04	0.04	0.04
Public Works Inspector Supervisor	0.10	0.10	0.10	0.10
Senior Civil Engineer	0.18	0.18	0.18	0.18
Senior Public Works Inspector	0.04	-	-	-
Senior Utility Worker	1.80	1.50	2.50	2.50
Support Services Supervisor	0.15	0.05	0.10	0.10
Utilities Business Manager	0.50	0.45	0.45	0.45
Utilities Supervisor	-	-	1.00	1.00
Utility Systems Manager	0.50	0.50	0.50	0.50
Utility Systems Supervisor	1.10	1.00	-	-
Utility Worker I	5.50	6.80	5.80	5.80
Utility Worker II	3.00	3.00	3.00	3.00
Water Quality Specialist	1.00	1.00	1.00	1.00
Water Operations	**18.01**	**17.08**	**17.08**	**17.08**

Personnel Detail by Program

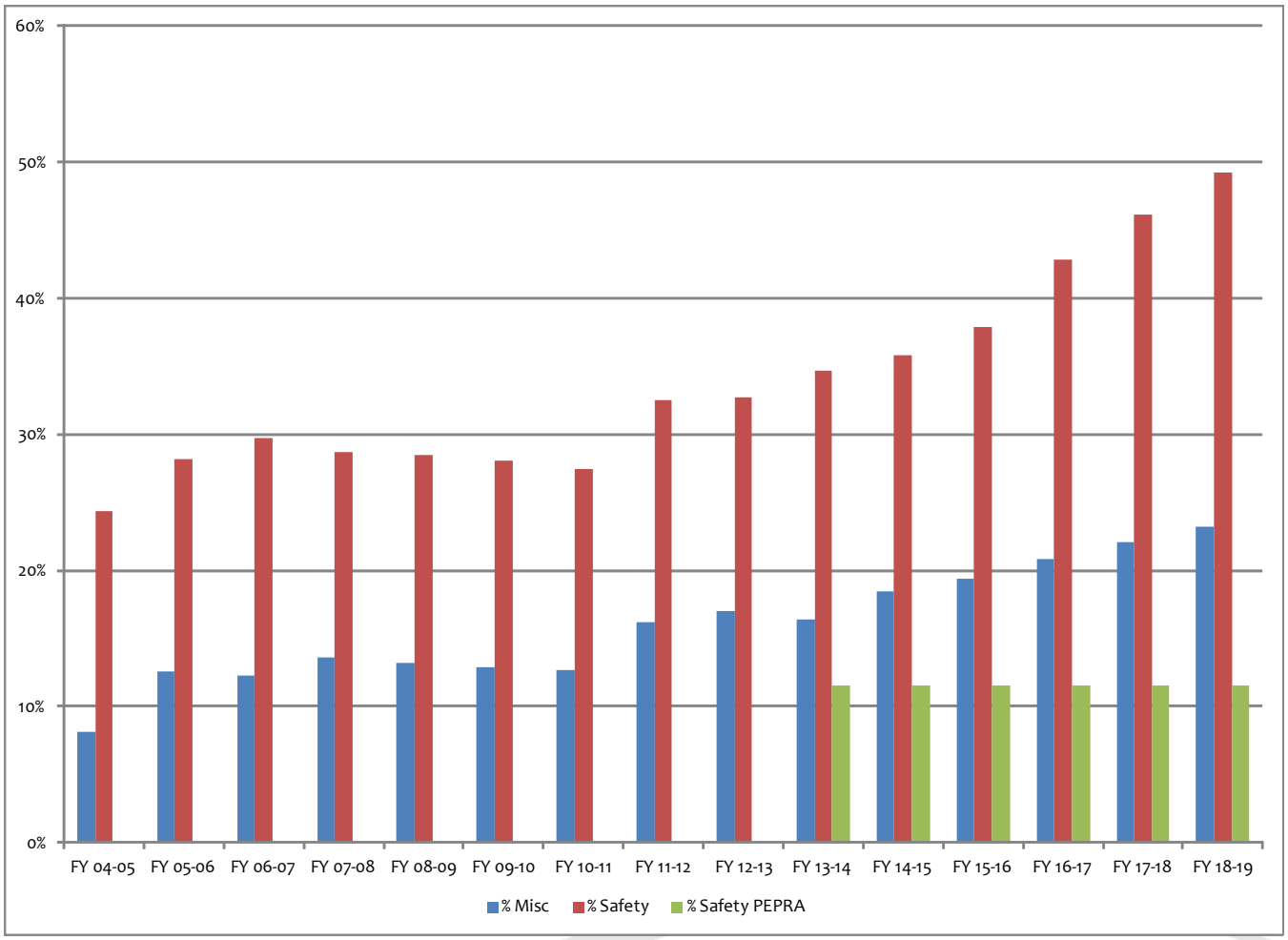
Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Accountant I	0.03	-	-	-
Accounting Assistant I/II	2.25	2.25	2.25	2.00
Administrative Services Director	0.25	0.25	0.15	0.15
Assistant Finance Director	0.30	0.30	0.30	0.30
Budget Manager	0.35	-	-	-
Finance Director	-	-	-	-
Office Assistant II	-	0.20	0.20	0.20
Utilities Business Manager	-	0.10	0.10	0.10
Utility Billing	**3.18**	**3.10**	**3.00**	**2.75**
Community Services Director	0.05	0.05	0.05	0.05
Municipal Services Assistant	0.05	-	-	-
Program Administrator	0.20	0.10	0.10	0.10
PT Municipal Services Assistant	-	0.05	0.05	0.05
Water Conservation	**0.30**	**0.20**	**0.20**	**0.20**
Administrative Services Director	-	-	0.05	0.10
Communications and Engagement Manager	-	-	1.00	1.00
Information Services Analyst	-	-	-	1.00
Information Services Manager	1.00	1.00	1.00	1.00
Information Services Technician	2.00	2.00	2.00	2.00
Information Services	**3.00**	**3.00**	**4.05**	**5.10**
Building Manager	0.02	0.02	0.02	0.02
Facilities Maintenance Specialist	-	-	-	1.00
Maintenance Manager	-	-	-	0.10
PT Custodian	-	-	-	0.50
PT Management Analyst	-	-	-	0.08
Building Maintenance -CCC	**0.02**	**0.02**	**0.02**	**1.70**
Building Manager	0.02	0.02	0.02	0.02
Facilities Maintenance Specialist	-	-	-	1.00
Maintenance Manager	-	-	-	0.10
PT Management Analyst	-	-	-	0.08
Building Maintenance - Aquatics Center	**0.02**	**0.02**	**0.02**	**1.02**
Building Manager	0.02	0.02	0.02	0.02
Facilities Maintenance Specialist	-	-	-	1.00
Maintenance Manager	-	-	-	0.15
PT Management Analyst	-	-	-	0.11
Building Maintenance - CRC	**0.02**	**0.02**	**0.02**	**1.28**
Building Manager	0.02	0.02	0.02	0.05
PT Custodian	0.50	0.50	0.50	0.50
Building Maintenance - PD Support Services	**0.52**	**0.52**	**0.52**	**0.55**
Building Manager	0.02	0.02	0.02	0.05
PT Custodian	0.25	-	-	0.13
Building Maintenance - CH/Others	**0.27**	**0.02**	**0.02**	**0.18**

Personnel Detail by Program

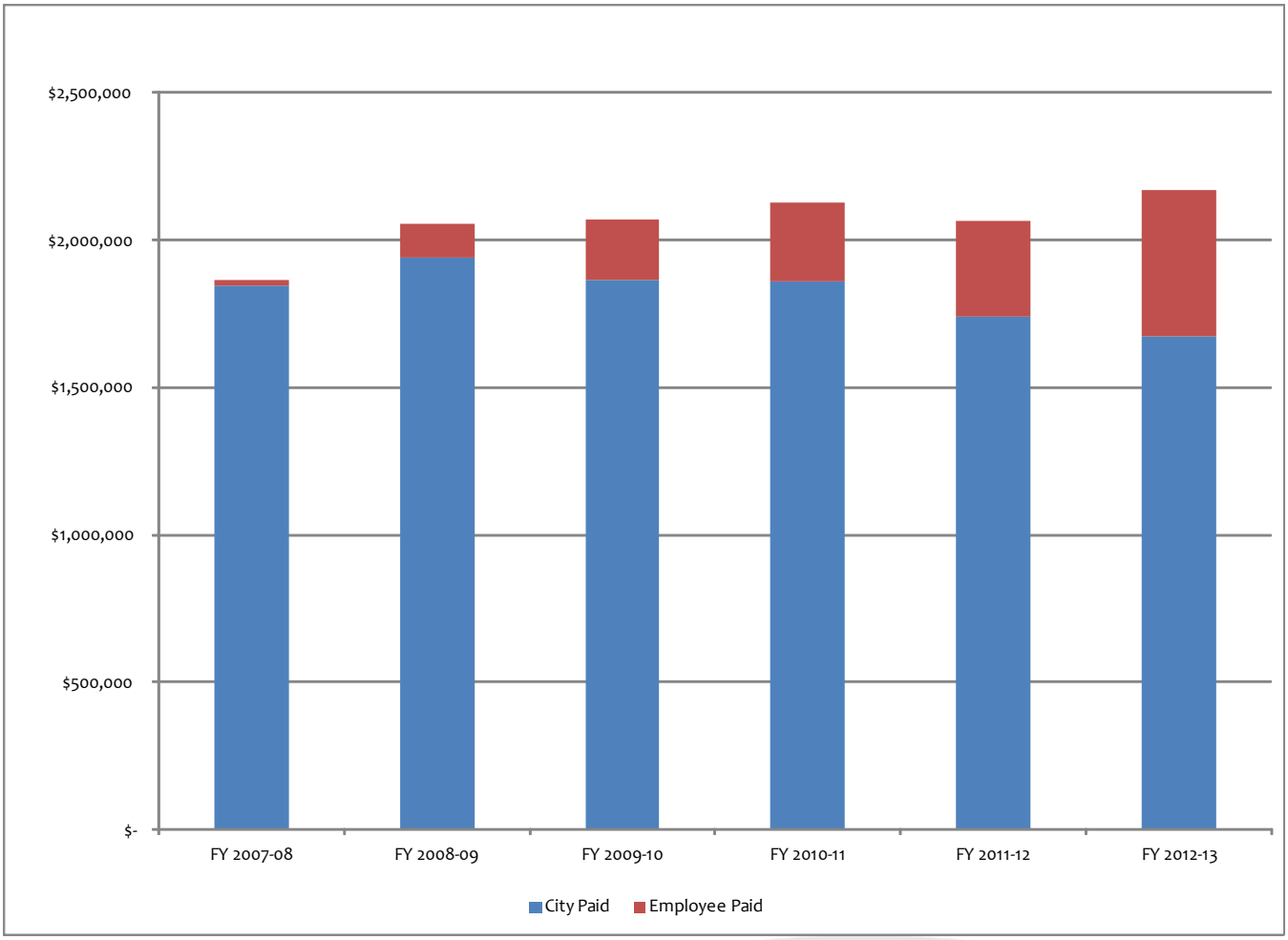
Job Classification	11-12 Actual	12-13 Actual	13-14 Amended	14-15 Adopted
Building Manager	0.02	0.02	0.02	0.05
PT Custodian	0.25	0.50	0.50	0.38
Building Maintenance - DSC	**0.27**	**0.52**	**0.52**	**0.43**
Building Manager	0.02	0.02	0.02	0.05
PT Custodian	0.50	0.50	0.50	0.50
Building Maintenance - Corporation Yard	**0.52**	**0.52**	**0.52**	**0.55**
Assistant City Manager for Community Development	0.10	0.10	0.05	0.05
Assistant Engineer	0.40	0.40	-	-
Associate Engineer	1.75	1.75	2.15	2.15
Public Works Director/City Engineer	0.40	0.35	0.35	0.35
Community Development Business Assistant	0.15	0.35	0.35	0.35
Community Development Director	-	-	-	0.05
Engineering Aide II	1.69	1.42	1.42	1.42
Junior Engineer	0.75	0.75	0.70	0.50
Municipal Services Assistant	0.30	0.10	-	-
Public Works Inspector	-	0.70	0.70	0.54
Public Works Inspector Supervisor	0.75	0.70	0.70	0.55
Senior Civil Engineer	1.39	1.29	1.24	1.04
Senior Public Works Inspector	0.70	-	-	-
Support Services Supervisor	0.55	0.55	0.55	0.55
CIP Administration	**8.93**	**8.46**	**8.21**	**7.55**
PT Risk Management Analyst	-	-	-	0.50
General Liability Insurance	**-**	**-**	**-**	**0.50**
Citywide	**168.85**	**169.50**	**174.00**	**180.25**



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



Health Benefit Costs (Employer and Employee Paid)

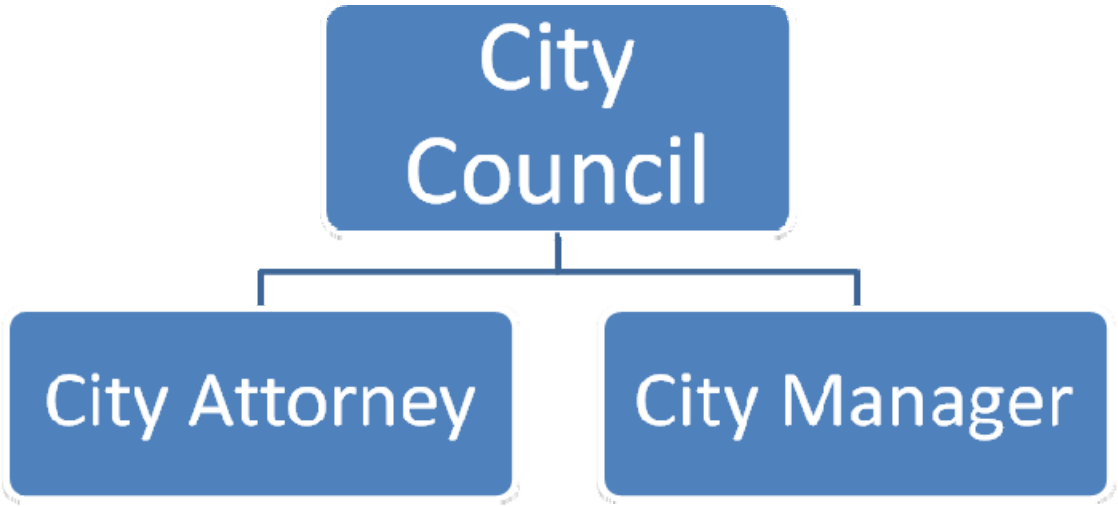


City Council

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 82,793	$ 62,723	$ 63,225	$ 79,567	$ 94,808
Supplies & Services	38,371	44,590	114,845	114,153	183,678
Capital Outlay	-	-	-	-	-
Debt Services	-	-	-	-	-
Internal Service	38,498	8,981	7,481	7,481	16,771
Transfers Out	-	520	496	496	1,829
TOTAL EXPENDITURES	**$ 159,662**	**$ 116,815**	**$ 186,047**	**$ 201,697**	**$ 297,086**

FULL TIME EQUIVALENT EMPLOYEES	**5.30**	**5.00**	**5.00**	**5.00**	**5.00**


City Council
City Attorney
City Manager

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, and fostering an organizational culture that focuses on teamwork, employee recognition, and open communication. In 2014, the Council added "supporting youth" as an ongoing priority because of the city and community's commitment to the 41 Developmental Assets.

As a result of City Council decided it was in the community and organization's best interest to stay focused on the significant number of existing planning items, projects and initiatives and complete what has already been started. As a result, the following 5 priorities will be continued from 2013:

- Stimulating economic development
- Enhancing community engagement and diversity
- Participating in regional issues
- Improving organizational effectiveness
- Financing and advocating for infrastructure improvements

FY 13-14 HIGHLIGHTS

- Hired a new City Attorney
- Hired a new City Manager
- Adopted its 2014 Priorities, Goals, and Strategies
- Supported Council's youth health initiatives

FY 14-15 ACTIVITY GOALS

- Expand opportunities for the community to engage in public decision making and in community based problem solving

City Council (continued)

FINANCIAL COMMENTS

Stipends and group insurance for Council Members are included in this activity. Building maintenance costs are included in the Council's budget for the Mayor's office and the Council Chambers.

The Council's budget includes funding for the following:

- Membership and dues to the League of California Cities Peninsula Division ($12,100), Santa Clara County Cities Association ($4,700), and Association of Bay Area Governments ($7,417)
- Assistance for El Toro Youth Center Operations ($15,000)
- Assistance in providing Child Health Care to qualified participants ($20,000)
- New partnership with TeenForce's local youth employment initiative. TeenForce is seeking 3-year funding commitments from the City of Morgan Hill, the City of Gilroy and Santa Clara County (already approved) to support a non-profit staffing agency for youth jobs in south county.Their goal is to employ 90+ youth, ages 14-24, 50% of which are foster care youth and an additional 20% have other barriers of employment.The initial funding request from Morgan Hill is $7,500 for start up costs plus a commitment to hire and provide office space for 2 part-time employees ($20,300)
- Community Promotions to support the Independence Day Celebration's Freedom Fest ($20,000), PBID's Safe Trick-or-Treat ($6,000), and Kiwanis' Holiday Lights Parade ($3,500).

City Council (continued)

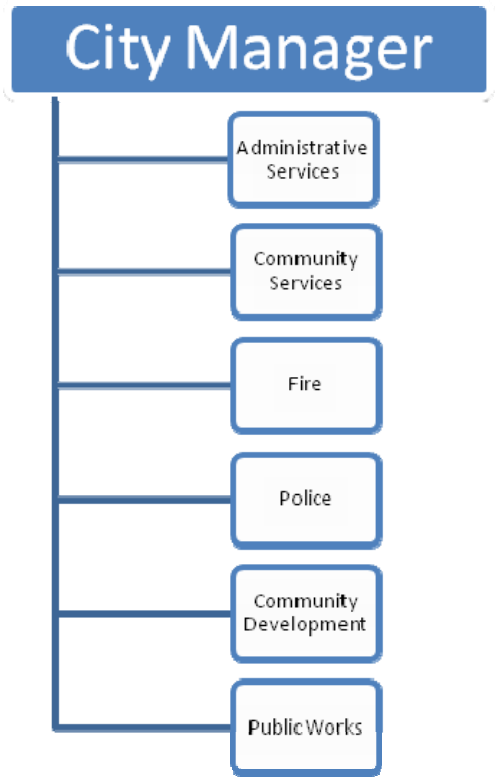
Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	20,346	-	-	-	-
41210	SALARIES - ELECTED/APPOINTED	25,128	25,074	25,033	25,101	25,786
41271	SALARIES - PART-TIME TEMP	-	-	-	-	12,800
41490	OVERTIME - GENERAL	441	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	267	-	-	-	-
41620	RETIREMENT - GENERAL	5,624	2,495	2,870	2,888	3,148
41690	DEFERRED COMPENSATION	509	-	-	-	-
41700	GROUP INSURANCE	29,075	34,455	34,344	50,743	51,558
41701	MEDICARE	582	240	363	218	559
41730	INCOME PROTECTION INS	248	-	-	-	-
41760	WORKERS COMP	401	459	615	617	957
41799	BENEFITS	172	-	-	-	-
	Salaries Total	**82,793**	**62,723**	**63,225**	**79,567**	**94,808**
42214	TELEPHONE	478	2,199	1,200	1,400	1,442
42231	CONTRACT SERVICES	4,876	3,362	4,200	3,375	38,480
42244	STATIONERY & OFFICE SUPPLIES	808	1,496	1,150	500	500
42245	COMPUTER HARDWARE-NON CAPITAL	118	-	-	143	150
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	17,690
42248	OTHER SUPPLIES	-	725	800	215	8,824
42252	PHOTOCOPYING	7,115	2,587	1,500	2,525	2,600
42254	POSTAGE & FREIGHT	41	160	100	100	103
42257	PRINTING	126	467	350	350	361
42261	AUTO MILEAGE	-	145	350	350	361
42299	OTHER EXPENSE	-	43	-	-	-
42408	TRAINING & EDUCATION	-	-	10,000	10,000	10,300
42413	COMMUNITY PROMOTION	-	-	62,800	62,800	69,500
42415	CONFERENCE & MEETINGS	8,264	8,885	7,400	7,400	7,622
42423	MEMBERSHIP & DUES	16,451	24,441	24,900	24,900	25,647
42435	SUBSCRIPTION & PUBLICATIONS	93	80	95	95	98
	Supplies Total	**38,371**	**44,590**	**114,845**	**114,153**	**183,678**
45003	GENERAL LIABILITY INSURANCE	765	5,790	2,267	2,267	8,755
45004	BUILDING MAINT - CURRENT SERVICES	31,154	439	1,155	1,155	3,400
45005	BUILDING MAINT - FUTURE REPLACEMENT	5,250	532	532	532	532
45009	INFO SYSTEM SERVICES	1,329	2,220	3,527	3,527	4,084
	Internal Services Total	**38,498**	**8,981**	**7,481**	**7,481**	**16,771**
49241	TRANSFER OUT-BOND/DEBT	-	520	496	496	1,829
	Transfer Total	**-**	**520**	**496**	**496**	**1,829**
1100 - City Council Total		**159,662**	**116,815**	**186,047**	**201,697**	**297,086**

City Manager's Office

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 175,063	$ 187,040	$ 172,871	$ 168,365	$ 242,476
Supplies & Services	19,342	37,802	130,453	104,869	142,749
Capital Outlay	-	-	-	9,006	-
Debt Services	-	-	-	-	-
Internal Service	12,548	7,957	18,835	18,835	25,962
Transfers Out	-	1,039	992	992	3,659
TOTAL EXPENDITURES	**$ 206,953**	**$ 233,838**	**$ 323,151**	**$ 302,067**	**$ 414,846**

FULL TIME EQUIVALENT EMPLOYEES	**0.95**	**0.70**	**0.95**	**0.95**	**1.20**


City Manager
Administrative Services
Community Services
Fire
Police
Community Development
Public Works

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 an organizational culture that focuses on teamwork, employee recognition, and open communication

For 2014, the Council decided it was in the community and organization's best interest to stay focused on the significant number of existing planning items, projects and initiatives and complete what has already been started. As a result, the following 5 priorities will be continued from 2013:

- Stimulating economic development
- Enhancing community engagement and diversity
- Participating in regional issues
- Improving organizational effectiveness
- Financing and advocating for infrastructure improvements

FY 13-14 HIGHLIGHTS

- Transformed to a value based organization where teammates are recognized on a frequent basis for their teamwork, professional growth, meeting challenges, innovation, and customer service
- Promoted an organizational understanding of the Council's priorities and how each team member plays a vital role in accomplishing them
- Motivated all teammates to work in a team oriented environment to improve the effectiveness of the organization
- Hired the following key leadership positions: Community Development Director, Community Services Director, Communications and Engagement Manager, and Administrative Analyst

City Manager (continued)

- Initiated the RDA settlement with the county, state, EDC, and other taxing jurisdictions to allow for the public investment in our downtown and private redevelopment of the opportunity sites
- Successfully refunded the 2008 RDA bonds which, to date, still have the lowest interest of any RDA bond refunds statewide
- Developed the LRPMP in a collaborative manner with the community and county
- Negotiated labor contracts that are fiscally responsible and ensure that all City employees pay their full share of the PERS employee contribution and pay 50% of all PERS City contribution increases beginning in FY 13-14 (which is already paying dividends)
- Initiated a renewed focus on community engagement
- Successfully launched social media engagement platforms to the community
- Provided guidance for the General Plan Update (www.MorganHill2035.org)
- Facilitated two Council policy workshops

FY 14-15 ACTIVITY 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 on the completion of a comprehensive report identifying, quantifying, and prioritizing the needs to maintain the City's infrastructure
- Advance the Council's 2014 priorities and goals
- Lead the organization in a manner that fosters teamwork, advances the organization's values, and improves services

FINANCIAL COMMENTS

A portion of the City Manager's time and costs are allocated to the "Administrative Budget" of the Successor Agency. The compensation of the City Manager is established by an employment agreement with the City and is available for review on the City's website.

In the FY 14-15 budget the 0.5 FTE Administrative Analyst position will increase to 0.75 FTE (additional cost of $32,000) in order to better support key management functions, relieve workload across the organization, and further implement Council priorities.

In addition, to further the City Council's economic development goals and spur private investment in Morgan Hill, a General Fund appropriation of $85,000 through the City Manager's office continues. As well as an annual transfer from the General Fund to the Community Development fund to pay for 70 percent of the Economic Development Manager's salary and benefits. Prior to the dissolution of the RDA, economic development was funded entirely by the RDA.

City Manager (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	99,323	111,367	117,927	106,821	171,433
41271	SALARIES - PART-TIME TEMP	9,291	8,946	-	10,000	-
41320	EARNED LEAVE LIABILITY	18,036	17,141	4,181	4,181	7,272
41490	OVERTIME - GENERAL	-	27	200	-	-
41560	UNEMPLOYMENT INSURANCE	624	71	-	-	-
41620	RETIREMENT - GENERAL	25,677	25,609	21,798	18,078	29,903
41690	DEFERRED COMPENSATION	4,754	5,673	2,317	5,905	10,098
41700	GROUP INSURANCE	10,437	9,223	14,336	14,694	12,255
41701	MEDICARE	1,697	2,621	1,808	1,626	2,530
41730	INCOME PROTECTION INS	790	865	853	903	1,682
41760	WORKERS COMP	987	2,129	2,899	3,091	4,252
41799	BENEFITS	3,446	3,367	6,552	3,066	3,051
	Salaries Total	**175,063**	**187,040**	**172,871**	**168,365**	**242,476**
42214	TELEPHONE	704	1,245	900	900	927
42231	CONTRACT SERVICES	182	24,644	7,689	7,689	27,920
42244	STATIONERY & OFFICE SUPPLIES	686	676	1,000	1,000	1,030
42245	COMPUTER HARDWARE-NON CAPITAL	-	888	1,200	1,797	1,236
42248	OTHER SUPPLIES	11,477	42	21,000	2,819	-
42250	ADVERTISING	105	-	150	150	155
42252	PHOTOCOPYING	1,528	568	600	600	618
42254	POSTAGE & FREIGHT	423	243	500	500	515
42257	PRINTING	109	433	350	350	361
42261	AUTO MILEAGE	-	-	150	150	155
42299	OTHER EXPENSE	26	454	500	500	515
42408	TRAINING & EDUCATION	179	-	500	500	515
42410	PROFESSIONAL DEVELOPMENT	-	635	2,000	2,000	2,060
42415	CONFERENCE & MEETINGS	1,797	3,496	5,414	5,414	5,576
42417	ECONOMIC DEVELOPMENT PROGRAMS	-	-	83,000	75,000	95,500
42423	MEMBERSHIP & DUES	800	3,360	4,750	4,750	4,893
42435	SUBSCRIPTION & PUBLICATIONS	1,326	1,119	750	750	773
	Supplies Total	**19,342**	**37,802**	**130,453**	**104,869**	**142,749**
43840	COMPUTER EQUIPMENT	-	-	-	9,006	-
	Capital Total	**-**	**-**	**-**	**9,006**	**-**
45003	GENERAL LIABILITY INSURANCE	188	811	431	431	2,101
45004	BUILDING MAINT - CURRENT SERVICES	6,760	878	2,310	2,310	5,100
45005	BUILDING MAINT - FUTURE REPLACEMENT	1,337	1,065	1,065	1,065	1,065
45009	INFO SYSTEM SERVICES	4,263	5,203	15,029	15,029	17,697
	Internal Services Total	**12,548**	**7,957**	**18,835**	**18,835**	**25,962**
49241	TRANSFER OUT-BOND/DEBT	-	1,039	992	992	3,659
	Transfer Total	**-**	**1,039**	**992**	**992**	**3,659**
2100 - City Manager Total		**206,953**	**233,838**	**323,151**	**302,067**	**414,846**

City Attorney

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 364,696	$ 353,889	$ 403,440	$ 410,294	$ 430,104
Supplies & Services	46,618	257,381	131,116	84,116	100,504
Capital Outlay	-	-	-	-	-
Debt Services	-	-	-	-	-
Internal Service	21,793	11,991	14,977	14,977	26,725
Transfers Out	-	1,559	1,487	1,487	5,488
TOTAL EXPENDITURES	**$ 433,107**	**$ 624,820**	**$ 551,020**	**$ 510,874**	**$ 562,820**

FULL TIME EQUIVALENT EMPLOYEES	**2.53**	**2.63**	**2.63**	**2.63**	**2.63**

City Attorney

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, 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.

FY 13-14 HIGHLIGHTS

- A streamlined process was instituted for enhancing memorialization of City Council actions
- Trainings were provided to City organization on CEQA compliance issues
- Trainings were provided to the Planning Commission on roles and functions of commissioners, Brown Act, Public Records Act, ethics issues and effective meeting management
- Several agreements were negotiated and consummated with the Santa Clara Valley Habitat Agency to provide the new agency with a meeting place, administrative offices and support
- 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
- Litigation:
- Cases Resolved: The following cases were successfully concluded in FY 13-14:
    - AAA (DeGuevara) v. City of Morgan Hill: subrogation for damage to private property
    - Cserna v. City of Morgan Hill (4) lawsuits: alleged violation of civil rights (dismissed without any liability attributed to City)
    - City of Morgan Hill, et al. v. Office of the State Controller: Petition for Writ of Mandate (settled)
    - Consumer Solutions v. City of Morgan Hill: former below market rate home retained in program (settled)
    - Syverson v. City of Morgan Hill: traffic accident between private parties resulting in fatality (settled without liability attributed to City)

City Attorney (continued)

- New Litigation:
  - Mohammed v. City of Morgan Hill: alleged police misconduct (judgment entered in favor of City; awaiting expiration of appeal periods)
  - Mid-Century v. City of Morgan Hill: subrogation for damage to private property
  - Ray v. City of Morgan Hill: alleged wrongful termination
  - Wendt & Wise v. City of Morgan Hill: alleged trip and fall on City property
- Successor Agency/Wind Down for RDA:
  - Continue to provide advice to Successor Agency employees and the redevelopment bond team (financial advisor, bond counsel, disclosure counsel and independent redevelopment consultant) working to refund the $110,000,000 bond issue from 2008 and timely expend bond proceeds
  - Assisted with the preparation of the Recognized Obligation Payment Schedules
  - Ongoing analysis of the budgetary and legal impacts of AB1X26 and AB 1484
- RDCS, BMR Reduced Mitigation Fee Program and Development Fees:
  - Provided advice on RDCS allocation extensions, the implementation of the BMR reduction program and responded to fee inquiries
  - Negotiated and prepared amendments and assignments of development agreements and BMR transactions
- 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 Attorney (continued)

FY 14-15 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
- Advise City Council and employees in the application of the Habitat Conservation Plan
- Assist in the negotiation for possible acquisition of property for new baseball field
- Advise in the review, public hearing process and implementation of the Southeast Quadrant EIR and Agricultural Mitigation Program

FY 14-15 WORKPLAN:

- Successor Agency
    - Adopt recognized obligation payment schedules in a timely manner
    - Assist in proper administration of bond proceeds
    - Advise on disposition of former agency assets and implementation of long range property management plan
    - Serve as legal liaison to Oversight Board, Department of Finance and State Controller
- Municipal Code Review
    - Advise on General Plan Update and zoning code update
    - Advise on enhanced implementation of administrative remedies
- Habitat Conservation Plan
    - Consult with employees re application of plan
- Community Services
    - Evaluate opportunities for the City to work collaboratively on risk management issues with private property owners

FINANCIAL COMMENTS

The proposed budgets (general fund and all funds) include legal costs for the day-to-day operation of all City operations and for anticipated special counsel costs incurred in ongoing and anticipated litigation. (See "Legal Costs" in the Supplemental Information section.) Should unanticipated litigation or extraordinary events requiring specialized legal services arise, the City Attorney will present to the City Council estimated extraordinary legal costs that may require an amendment to the approved budget.

City Attorney (continued)

LEGAL COSTS

For certain kinds of specialized or time-intense legal work that would impact other responsibilities of the City Attorney's Office, the City Attorney engages special legal counsel.

Legal costs for the general liability fund are payments made to outside counsel up to the city's deductible of $100,000 per claim. Claims and litigation are unpredictable and represent the major variable in projecting legal costs.

Total costs for all outside legal services ("special counsel") in the budget and in recent years are shown in the following table.

Fund	Description	Actual	Actual	Year End Projection	Recommended Budget
		FY 2011-12	FY 2012-13	FY 13-14	FY 14-15
General Fund	Special Counsel	28,068	214,745	56,666	99,910
General Liability	Claims Legal Serv	400,581	89,303	273,500	328,200
Park Dev Fund	Special Counsel	16,994			
RDA Economic Development	Special Counsel	28,996			
RDA Housing	Special Counsel	3,931			
CIP Projects	Special Counsel	114,815	81,560	74,238	100,000
Housing Mitigation Fund	Special Counsel		42,917	135,000	110,000
Successor Agency	Special Counsel		8,391	28,500	78,500
TOTAL		593,385	436,916	567,904	716,610

City Attorney (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	255,825	252,750	289,936	302,160	318,278
41320	EARNED LEAVE LIABILITY	10,027	11,928	6,935	6,935	10,746
41560	UNEMPLOYMENT INSURANCE	2,299	240	-	-	-
41620	RETIREMENT - GENERAL	54,595	51,044	54,797	49,958	55,517
41690	DEFERRED COMPENSATION	9,313	9,228	10,356	5,663	5,742
41700	GROUP INSURANCE	18,248	13,255	21,368	26,481	19,880
41701	MEDICARE	3,845	3,867	4,291	4,215	4,677
41730	INCOME PROTECTION INS	2,618	2,587	2,650	2,985	3,117
41760	WORKERS COMP	2,319	4,626	7,118	7,401	7,893
41799	BENEFITS	5,608	4,365	5,989	4,496	4,254
	Salaries Total	**364,696**	**353,889**	**403,440**	**410,294**	**430,104**
42214	TELEPHONE	1,185	2,763	2,500	2,500	2,575
42230	SPECIAL COUNSEL	28,068	214,745	106,666	56,666	75,000
42231	CONTRACT SERVICES	5,556	29,783	6,500	6,500	6,695
42232	LITIGATION EXPENSES	594	36	600	600	618
42244	STATIONERY & OFFICE SUPPLIES	798	996	600	600	618
42245	COMPUTER HARDWARE-NON CAPITAL	46	-	-	3,000	320
42248	OTHER SUPPLIES	517	829	570	570	587
42250	ADVERTISING	-	-	250	250	258
42252	PHOTOCOPYING	493	426	600	600	618
42254	POSTAGE & FREIGHT	217	160	500	500	515
42257	PRINTING	75	107	80	80	82
42261	AUTO MILEAGE	33	-	300	300	309
42299	OTHER EXPENSE	69	117	300	300	309
42408	TRAINING & EDUCATION	968	639	2,500	2,500	2,575
42415	CONFERENCE & MEETINGS	3,417	2,568	3,500	3,500	3,605
42423	MEMBERSHIP & DUES	1,243	470	1,500	1,500	1,545
42435	SUBSCRIPTION & PUBLICATIONS	3,337	3,744	4,000	4,000	4,120
42531	MAINT - FURNITURE/OFFICE EQUIP	-	-	150	150	155
	Supplies Total	**46,618**	**257,381**	**131,116**	**84,116**	**100,504**
45003	GENERAL LIABILITY INSURANCE	359	3,045	1,193	1,193	4,605
45004	BUILDING MAINT - CURRENT SERVICES	14,577	1,317	3,465	3,465	10,200
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,456	1,597	1,597	1,597	1,597
45009	INFO SYSTEM SERVICES	4,401	6,032	8,722	8,722	10,323
	Internal Services Total	**21,793**	**11,991**	**14,977**	**14,977**	**26,725**
49241	TRANSFER OUT-BOND/DEBT	-	1,559	1,487	1,487	5,488
	Transfer Total	**-**	**1,559**	**1,487**	**1,487**	**5,488**
1500 - City Attorney Total		**433,107**	**624,820**	**551,020**	**510,874**	**562,820**

Free
2 Hour Class

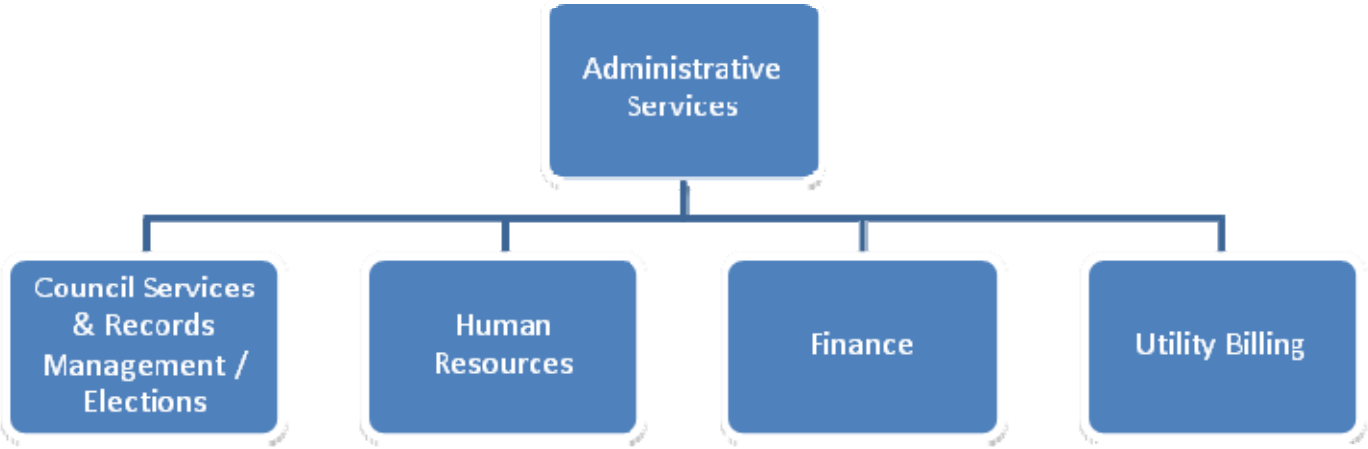
Administrative Services

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 1,644,453	$ 1,799,759	$ 1,991,536	$ 1,886,950	$ 2,182,182
Supplies & Services	312,062	437,748	397,551	444,619	534,866
Capital Outlay	-	-	37,000	36,732	31,400
Debt Services	-	-	-	-	-
Internal Service	170,220	124,983	174,961	189,430	277,011
Transfers Out	-	8,834	8,429	8,429	31,097
TOTAL EXPENDITURES	**$ 2,126,735**	**$ 2,371,324**	**$ 2,609,477**	**$ 2,566,160**	**$ 3,056,556**

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
HUMAN RESOURCES	$ 323,102	$ 381,406	$ 465,760	$ 464,295	$ 539,794
COUNCIL SVS & RECORDS MANAGEMENT	233,006	297,396	435,422	429,934	566,196
ELECTIONS	12,808	84,342	18,723	19,770	96,491
FINANCE	1,060,525	1,091,561	1,185,760	1,124,990	1,281,449
UTILITY BILLING	497,294	516,620	503,812	527,171	572,626
TOTAL EXPENDITURES BY PROGRAM	**$ 2,126,735**	**$ 2,371,324**	**$ 2,609,477**	**$ 2,566,160**	**$ 3,056,556**

FULL TIME EQUIVALENT EMPLOYEES	**15.95**	**16.30**	**18.25**	**18.25**	**19.15**


Administrative Services
Council Services & Records Management / Elections
Human Resources
Finance
Utility Billing

Human Resources [010-2200]

ACTIVITY DESCRIPTION

Human Resources provides all employment-related services to City departments and employees. It implements Federal and State mandates and the City's Personnel Rules and Memoranda of Understanding (MOUs).

The purpose of the Human Resources Division is to attract, develop, and retain a high quality and forward thinking 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.

Human Resources maintains all employee personnel files, records, and documentation, including performance evaluation records. Though managed by Human Resources, workers' compensation and unemployment insurance details can be found in the Internal Services Funds section of the budget document.

The Human Resources structure has transformed during the last five years. Whereas Human Resources once stood alone as a Department, FY 11-12 saw Human Resources move to a new Administrative Services Department. In FY 14-15, Human Resources will assimilate 15 percent of the personnel cost of the Administrative Services Director and in October 2014 an existing .75 FTE Human Resources Assistant position is being increased to a 1.0 FTE. The increase in the Human Resources Assistant hours will improve service delivery and outreach to our internal and external customers. Increased services would include providing ID badges for all employees, scheduling off-site Human Resource office hours, and scheduling exit interviews with employees who choose to separate from the City.

In FY 14-15, Human Resources will enhance and streamline open enrollment efforts by implementing an online Benefit Open Enrollment software. This software is web-based and will improve accuracy and efficiency by allowing employees to enter their own open enrollment information 24 hours a day, 7 days week during the open enrollment period. This feature will shorten the processing time required 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 2015 to at least 70 percent of employees who meet the eligibility requirements and offer coverage to at least 95 percent of eligible employees in 2016. Following the City Council's approval of an Affordable Care Act Safe Harbor Resolution in November 2013, Human Resources will recommend an Administrative Policy for analyzing the workforce, assessing data requirements and benefits, and determining which safe harbor is appropriate.

Human Resources (continued)

FY 13-14 HIGHLIGHTS

- Organized Employee Recognition Event at which 45 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: Rookie of the Year, Go-To-Guy, and Fist Bump.
- Implemented a new on-line applicant tracking software and streamlined recruitment activities.
- Conducted recruitment and selection processes for 26 regular positions, resulting in 26 hires.
- Completed and signed three MOUs for 2-year terms, due to expire June 30, 2015.
- Continued implementation of the Public Employee Pension Reform Act of 2013 (PEPRA) and implemented a two tier retirement plan for new PEPRA members hired after January 1, 2013.
- Participated in the Two County Next Generation Regional Internship Program and hired two interns from a large pool of applicants.
- Conducted annual employee benefits open enrollment process and facilitated an open enrollment outreach at the Corporation Yard.
- Explored alternate providers for an IRS Section 125 flex spending plan and selected a new provider for 2014.
- Provided mandated biennial AB1825 Harassment Prevention training to all supervisors and managers via on-line and in-person training.
- Coordinated and scheduled various trainings and webinars for the whole organization on a range of Human Resources topics, particularly workers' compensation training for supervisors and managers.

FY 14-15 WORKPLAN

- Update City's Personnel Rules.
- Explore alternate dental and eye vision benefit providers to provide flexibility to employees.
- Implement web-based open enrollment software and provide user guides to all employees.

FY 14-15 ACTIVITY GOALS

- Negotiate three new MOUs between the City and the bargaining groups (AFSCME, CSOA, and POA).
- Participate on committee, facilitated by the City Attorney's Office, to update the Injury Illness Prevention Plan (IIPP).
- Continue to provide management/supervisory training through a joint agency consortium effort.
- Provide training on various topics through the City's employee assistance program (EAP) to all employees.
- In conjunction with the City Manager's Office, implement the new Employee Wellness Program.
- Support the Morgan Hill Fire Department as they lead the Citywide Safety Program.

Human Resources (continued)

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 FY 14-15:

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 expects 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).

Improve Organizational Effectiveness

- Implement web-based open enrollment software that will streamline the open enrollment process and improve accuracy and efficiency by allowing employees access to information.

FINANCIAL COMMENTS

The adopted budget includes an increase in the Human Resources Assistant position from .75 FTE to 1.0 FTE, which will result in a total cost of $78,343 for FY 14-15. The one-time cost of the Tyler Human Resources Software and Benefit Open Enrollment Web Extension is $15,000 (software and training) with an ongoing annual cost of $1,620 for the license.

Human Resources (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	102,671	243,088	273,972	268,955	315,558
41271	SALARIES - PART-TIME TEMP	101,671	856	3,360	16,000	6,000
41320	EARNED LEAVE LIABILITY	5,116	6,247	1,580	1,580	10,242
41490	OVERTIME - GENERAL	-	27	-	-	-
41560	UNEMPLOYMENT INSURANCE	960	123	-	-	-
41620	RETIREMENT - GENERAL	23,359	41,017	47,003	45,506	55,043
41690	DEFERRED COMPENSATION	4,282	6,125	6,862	2,749	3,084
41700	GROUP INSURANCE	8,299	15,031	29,795	20,166	22,501
41701	MEDICARE	2,869	3,363	4,049	3,992	4,693
41730	INCOME PROTECTION INS	1,148	2,657	3,336	2,928	3,526
41760	WORKERS COMP	1,860	4,462	6,808	7,318	7,975
41799	BENEFITS	520	1,440	1,890	1,953	2,115
	Salaries Total	**252,755**	**324,436**	**378,655**	**371,147**	**430,737**
42214	TELEPHONE	955	3,008	2,600	2,600	2,678
42231	CONTRACT SERVICES	20,490	17,179	25,853	31,211	15,837
42244	STATIONERY & OFFICE SUPPLIES	929	995	1,540	1,540	1,586
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	2,370
42248	OTHER SUPPLIES	-	30	-	22	5,000
42250	ADVERTISING	105	-	-	-	-
42252	PHOTOCOPYING	219	712	837	1,500	862
42254	POSTAGE & FREIGHT	316	425	521	521	537
42257	PRINTING	66	97	137	137	141
42261	AUTO MILEAGE	291	644	1,500	1,500	1,545
42299	OTHER EXPENSE	15,277	13,785	20,100	20,100	20,703
42408	TRAINING & EDUCATION	934	728	1,000	1,000	1,030
42409	CITY-WIDE TRAINING	5,960	4,680	10,000	10,000	16,300
42415	CONFERENCE & MEETINGS	3,684	3,724	5,000	5,000	5,150
42423	MEMBERSHIP & DUES	685	-	1,050	1,050	1,082
42435	SUBSCRIPTION & PUBLICATIONS	182	7	15	15	15
	Supplies Total	**50,095**	**46,014**	**70,153**	**76,196**	**74,836**
43840	COMPUTER EQUIPMENT	-	-	560	560	-
43845	COMPUTER SOFTWARE	-	-	5,000	5,000	9,000
	Capital Total	**-**	**-**	**5,560**	**5,560**	**9,000**
45003	GENERAL LIABILITY INSURANCE	340	2,605	1,178	1,178	5,078
45004	BUILDING MAINT - CURRENT SERVICES	13,813	878	2,310	2,310	8,500
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,328	1,065	1,065	1,065	1,065
45009	INFO SYSTEM SERVICES	3,772	5,369	5,847	5,847	6,920
	Internal Services Total	**20,253**	**9,917**	**10,400**	**10,400**	**21,562**
49241	TRANSFER OUT-BOND/DEBT	-	1,039	992	992	3,659
	Transfer Total	**-**	**1,039**	**992**	**992**	**3,659**
2200 - Human Resources Total		**323,102**	**381,406**	**465,760**	**464,295**	**539,794**

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 on a part-time basis from noon to 4:00 pm, Monday, Wednesday, and Thursday and noon to 5:30 on Tuesdays. This service is available to any member of the public. As other agencies have closed their passport facilities, Morgan Hill has seen a steady increase of passport activity over the past three years. In order to continue to provide a high level of passport service to the community, a 0.5 FTE Office Assistant II position will be added to the Council Services and Records Management budget ($33,480). This addition will allow for Council Services and Records Management to both provide the continued excellent passport services, as well as, increase service levels to both the community and City customers.

Moving forward, Council Services and Records Management will continue work to implement Legistar which is a legislative and document management product that allows employees to easily manage the entire legislative process from end-to-end, from drafting files, through assignment to various departments, to final approval. This system maintains all legislative data and tracks each item's path through the entire process and provides the ability for the City to publish more public documents on the City's website and provides ease of use in navigating and searching those documents, thus increasing transparency and public engagement.

Council Services and Records Management (continued)

FY 13-14 HIGHLIGHTS

- Entered into three Agreements starting a new partnership with the Santa Clara Valley Habitat Agency:
    - 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.
    - A Property Use Agreement providing office space for the Santa Clara Valley Habitat Agency Office including working with the Information Services Division to renovate the office space for lease.
- Continued partnership with the United States Department of State, Passport Agency as a Passport Acceptance facility processing over 1,800 passport applications during the federal fiscal year and acknowledged by the United States Department of State, Passport Agency as a facility that is performing at an outstanding level and provides an excellent service to the community.
- Enhanced user-friendly access of the City Council agenda packets on the City's website by broadcasting all City Council meetings on the City website using Granicus thus allowing citizens quick and user-friendly access to meetings and agendas.

FY 14-15 ACTIVITY GOALS

- Continue to implement the legislative and document management product.
- Update the records management program and assist City departments with the indexing, transfer, storage, retrieval, eventual destruction and monitoring of historical documents to the Records Center.
- Update and implement the City's Retention Schedule in conjunction with the City Attorney's office.
- Facilitate the recruitment, interviews and appointment process to fill various vacancies on the Council's appointed board and commissions.
- Process and track Fair Political Practices Commission Statement of Economic Interest designated filers to assist in timely filings of their Statements (Form 700 filers) and the City's Ethics Policy.
- Train staff to utilize document management software to access City Council and Commission agendas, minutes, resolutions, ordinances, and staff reports.

FY 14-15 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

Council Services and Records Management (continued)

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 FY 14-15:

Support Youth

- Continue to support youth by providing tours of City Hall and Council Chamber to the various schools and youth groups within the community.

Enhance Community Engagement and Diversity

- 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.

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 Mangers and Administrators).
- Continue partnership with the Santa Clara Valley Habitat Agency.

Organizational Effectiveness and Transparency

- Implement Granicus' Legistar which will provide increased employee efficiency and transparency to the public.
- Continue to respond to Public Record Requests in a timely manner.

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 percent through an Administrative Services Agreement with the Santa Clara Habitat Agency. In FY 14-15, 10 percent of the personnel cost of the Administrative Services Director will continue to be allocated to Council Services and Records Management. In order to continue to provide a high level of passport service to the community, a 0.5 FTE Office Assistant II position will be added to the Council Services and Records Management budget ($33,480).

Council Services and Records Management (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	117,445	158,235	209,708	213,452	302,893
41210	SALARIES - ELECTED/APPOINTED	2,409	2,400	2,400	2,357	2,472
41271	SALARIES - PART-TIME TEMP	-	253	5,150	4,101	-
41320	EARNED LEAVE LIABILITY	1,664	302	2,086	2,086	3,306
41490	OVERTIME - GENERAL	266	88	-	80	-
41560	UNEMPLOYMENT INSURANCE	1,795	236	-	-	-
41620	RETIREMENT - GENERAL	25,226	33,198	43,643	35,324	52,834
41690	DEFERRED COMPENSATION	2,649	2,077	2,828	2,067	4,856
41700	GROUP INSURANCE	28,364	36,116	55,997	49,637	70,918
41701	MEDICARE	1,600	2,058	3,104	2,752	4,454
41730	INCOME PROTECTION INS	1,402	1,966	3,052	2,559	4,462
41760	WORKERS COMP	1,076	2,919	5,211	5,296	7,573
41799	BENEFITS	895	1,338	1,788	1,846	1,788
	Salaries Total	**184,791**	**241,186**	**334,967**	**321,557**	**455,556**
42214	TELEPHONE	979	3,634	2,800	2,800	2,884
42231	CONTRACT SERVICES	9,069	7,774	9,690	9,690	9,981
42236	BANK CARD SERVICE FEES	85	464	95	357	367
42244	STATIONERY & OFFICE SUPPLIES	2,823	2,618	2,830	2,830	5,745
42245	COMPUTER HARDWARE-NON CAPITAL	67	448	1,200	2,500	5,211
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	600	600	618
42248	OTHER SUPPLIES	148	1,848	1,000	2,000	1,030
42250	ADVERTISING	1,101	285	500	500	515
42252	PHOTOCOPYING	2,407	2,039	2,000	2,000	2,060
42254	POSTAGE & FREIGHT	1,946	3,560	2,000	2,243	2,200
42257	PRINTING	256	107	100	117	300
42261	AUTO MILEAGE	268	936	500	750	750
42289	HABITAT OTHER EXPENSE	-	-	-	-	500
42299	OTHER EXPENSE	52	91	150	5,000	155
42408	TRAINING & EDUCATION	2,022	2,554	3,000	3,000	3,090
42415	CONFERENCE & MEETINGS	120	1,904	1,600	1,600	1,900
42423	MEMBERSHIP & DUES	550	505	890	890	975
42435	SUBSCRIPTION & PUBLICATIONS	149	143	215	215	221
	Supplies Total	**22,042**	**28,910**	**29,170**	**37,092**	**38,502**
43845	COMPUTER SOFTWARE	-	-	26,400	26,400	-
	Capital Total	**-**	**-**	**26,400**	**26,400**	**-**
45003	GENERAL LIABILITY INSURANCE	310	3,937	1,587	1,587	9,193
45004	BUILDING MAINT - CURRENT SERVICES	12,344	1,317	3,465	3,465	10,200
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,130	1,597	1,597	1,597	1,597
45009	INFO SYSTEM SERVICES	11,389	18,890	36,749	36,749	45,660
	Internal Services Total	**26,173**	**25,741**	**43,398**	**43,398**	**66,650**
49241	TRANSFER OUT-BOND/DEBT	-	1,559	1,487	1,487	5,488
	Transfer Total	**-**	**1,559**	**1,487**	**1,487**	**5,488**
2410 - Council Svs & Records Management Total		**233,006**	**297,396**	**435,422**	**429,934**	**566,196**

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 14-15 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.
- Assist candidates with the nomination process for the November 4, 2014 General Municipal Election.
- 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. Funding is included for the election of officers. Funding is not included for any local ballot measures. For the three seats up for election, the estimated cost is $76,885. In the 2012 election, the cost for five seats was $68,000 and in 2010 the cost for three seats was $70,000.

Elections (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	6,934	8,301	8,059	8,801	9,242
41320	EARNED LEAVE LIABILITY	-	-	104	104	170
41560	UNEMPLOYMENT INSURANCE	89	10	-	-	-
41620	RETIREMENT - GENERAL	1,097	1,362	1,320	1,446	1,612
41690	DEFERRED COMPENSATION	171	106	97	89	92
41700	GROUP INSURANCE	1,322	1,561	1,600	1,878	2,080
41701	MEDICARE	98	110	118	115	135
41730	INCOME PROTECTION INS	83	102	125	108	122
41760	WORKERS COMP	60	150	198	216	229
41799	BENEFITS	58	102	102	106	102
	Salaries Total	**9,912**	**11,804**	**11,723**	**12,863**	**13,784**
42214	TELEPHONE	48	36	80	40	60
42231	CONTRACT SERVICES	558	67,129	1,000	1,000	75,385
42244	STATIONERY & OFFICE SUPPLIES	129	179	250	250	258
42250	ADVERTISING	237	1,112	500	500	1,500
42252	PHOTOCOPYING	1	205	200	80	206
42254	POSTAGE & FREIGHT	95	72	100	128	103
42257	PRINTING	-	-	200	200	206
42408	TRAINING & EDUCATION	912	3,595	4,300	4,300	4,429
42423	MEMBERSHIP & DUES	-	-	100	100	110
42435	SUBSCRIPTION & PUBLICATIONS	214	94	225	264	275
	Supplies Total	**2,195**	**72,422**	**6,955**	**6,862**	**82,532**
45003	GENERAL LIABILITY INSURANCE	14	116	45	45	175
45004	BUILDING MAINT - CURRENT SERVICES	588	-	-	-	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	99	-	-	-	-
	Internal Services Total	**701**	**116**	**45**	**45**	**175**
2420 - Elections Total		**12,808**	**84,342**	**18,723**	**19,770**	**96,491**

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 13-14 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 12-13 Comprehensive Annual Financial Report; the City has received the award 19 years in a row
- The City received the GFOA and California Society of Municipal Finance Officers (CSMFO) awards for excellence in budgeting for the FY 13-14 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 14-15 Budget document, worked with the City Manager to create five-year projections of revenue, expenditures and fund balance for all major funds.
- By refining last year's first-time projections on sick leave accrual and usage, improved the actuarial projections for the Employee Benefits Fund (an internal service fund), which accounts for, and is regularly funding, the City's liabilities for leave earned but not taken; the Fund also holds the City's relatively small liability for retiree health care
- 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
- Issued $88,675,000 of revenue refunding bonds of the successor agency to the former Redevelopment Agency at fixed rates, to convert the original 2008 bonds ($110,000,000 par amount) from variable rate backed by an expiring letter of credit. Secured from Standard & Poor's and Fitch Ratings the highest rating of any redevelopment-related debt in California since the abolition of redevelopment (AA-, tied with City of Brea and Los Angeles County), and sold the bonds at interest rates with the lowest spread to the market index of any redevelopment-related debt in California since dissolution, including Brea and Los Angeles County.

Finance (continued)

- Supported the Public Works Department in issuing $23 million of refunding and new-money debt via a private placement to pay for infrastructure projects in the Water Fund
- Launched formal accounting and reporting procedures to City Council on post-issuance compliance for tax-advantaged bonds
- Organized two Citywide training sessions by Successor Agency bond counsel (at no cost to the City), one on municipal bond issuance and the other on continuing disclosure requirements under Securities and Exchange Commission rules

FY 14-15 WORK PLAN

- Support the City Manager and operating departments in refining the 5-year projections of revenues, expenditures and fund balance for all major funds
- Go live with technology improvements described below under Financial Comments

FY 14-15 ACTIVITY GOALS

- With Information Services, evaluate long-term financing strategies for the replacement of desktops, laptops, and network servers
- Continue to cross-train frontline staff in the various City Hall counter functions expected by citizens and local businesses

CITY COUNCIL GOALS

Finance (including Utility Billing) will continue to engage in activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Stimulate Economic Development

- Help Public Works to consider issuing new-money and refunding bonds for the wastewater enterprise that will improve service delivery by the utility and make the City a more attractive place in which the private sector can invest

Participate in Regional Issues

- Continue representation of Morgan Hill through participation in regional associations relating to Finance such as: California Society of Municipal Finance Officers and the California Municipal Revenue and Tax Association

Improve Organizational Effectiveness

- Continue to post City employee compensation--by employee name, by compensation element—on the City's website 8 months before the State Controller posts (less comprehensive) compensation data

Finance (continued)

FINANCIAL COMMENTS

At a one-time cost of $12,600, establish a new capability for weekly accounts payable and bi-weekly payroll to send e-mail notifications to recipients of the amount and purpose of their electronic payment.

Finance (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	600,709	610,574	666,145	628,082	680,542
41210	SALARIES - ELECTED/APPOINTED	2,409	2,400	2,400	2,357	2,472
41271	SALARIES - PART-TIME TEMP	-	5,105	-	11,200	-
41320	EARNED LEAVE LIABILITY	29,472	27,885	14,541	14,541	11,244
41490	OVERTIME - GENERAL	148	1,675	500	2,500	2,500
41560	UNEMPLOYMENT INSURANCE	5,346	530	-	-	-
41620	RETIREMENT - GENERAL	122,205	127,657	140,673	103,254	118,707
41690	DEFERRED COMPENSATION	17,827	13,353	16,149	9,974	11,786
41700	GROUP INSURANCE	64,727	65,612	73,214	73,416	90,915
41701	MEDICARE	7,139	6,506	9,767	6,960	9,990
41730	INCOME PROTECTION INS	6,190	6,432	6,414	6,469	7,116
41760	WORKERS COMP	5,577	11,454	16,425	15,658	17,001
41799	BENEFITS	5,341	5,004	4,539	4,253	3,480
41900	CONTRACT LABOR	15,283	906	-	-	-
	Salaries Total	**882,374**	**885,093**	**950,767**	**878,664**	**955,753**
42214	TELEPHONE	3,019	10,544	7,260	7,343	7,478
42231	CONTRACT SERVICES	49,770	72,252	64,700	64,700	69,161
42233	AUDIT FEES	30,405	31,275	32,575	32,575	33,552
42236	BANK CARD SERVICE FEES	11,785	18,015	19,152	22,220	22,887
42244	STATIONERY & OFFICE SUPPLIES	6,913	7,352	7,000	13,825	9,725
42245	COMPUTER HARDWARE-NON CAPITAL	-	161	2,200	2,200	8,100
42246	COMPUTER SOFTWARE-NON CAPITAL	-	270	-	-	-
42248	OTHER SUPPLIES	125	149	-	870	-
42250	ADVERTISING	209	176	220	220	227
42252	PHOTOCOPYING	3,234	3,161	2,825	5,873	2,910
42254	POSTAGE & FREIGHT	6,970	10,202	8,020	8,020	8,261
42257	PRINTING	260	461	438	438	451
42261	AUTO MILEAGE	235	31	500	200	515
42408	TRAINING & EDUCATION	1,235	1,155	7,200	5,870	7,200
42415	CONFERENCE & MEETINGS	463	947	2,100	1,121	2,100
42423	MEMBERSHIP & DUES	620	470	750	760	783
42435	SUBSCRIPTION & PUBLICATIONS	353	1,124	400	456	412
42531	MAINT - FURNITURE/OFFICE EQUIP	-	-	-	250	350
	Supplies Total	**115,595**	**157,745**	**155,340**	**166,941**	**174,112**
43840	COMPUTER EQUIPMENT	-	-	5,040	4,772	-
43845	COMPUTER SOFTWARE	-	-	-	-	22,400
	Capital Total	**-**	**-**	**5,040**	**4,772**	**22,400**
45003	GENERAL LIABILITY INSURANCE	913	8,627	3,650	3,650	14,271
45004	BUILDING MAINT - CURRENT SERVICES	37,149	4,388	11,550	11,550	33,999
45005	BUILDING MAINT - FUTURE REPLACEMENT	6,260	5,323	5,322	5,322	5,323
45009	INFO SYSTEM SERVICES	18,234	25,187	49,133	49,133	57,299
	Internal Services Total	**62,556**	**43,525**	**69,655**	**69,655**	**110,892**
49241	TRANSFER OUT-BOND/DEBT	-	5,197	4,958	4,958	18,293
	Transfer Total	**-**	**5,197**	**4,958**	**4,958**	**18,293**
2510 - Finance Total		**1,060,525**	**1,091,561**	**1,185,760**	**1,124,990**	**1,281,449**

Utility Billing [650-5750]

ACTIVITY DESCRIPTION

Utility Billing is responsible for the monthly billing of fees for water and wastewater services. With a customer base of 12,915 active accounts, the Utility Billing function continues to emphasize customer satisfaction by assisting customers with opening and closing accounts; at the counter with payments and questions; and providing consistent high quality customer service on the telephone regarding account status and accepting credit card payments, particularly online. Utility Billing staff also responds to general City Hall inquiries and refers City customers to appropriate departments.

FY 13-14 HIGHLIGHTS

- Successfully promoted the use of web access for viewing and paying utility bills, with approximately 36-40 percent of customers accessing their account via the web.
- Eliminated the return envelope for customers paying via web access.
- Implemented real time data upload to customer accounts for web access.

FY 14-15 ACTIVITY GOALS

- Revise utility bills to include 13-month history of water use in graph form.
- Promote e-billing to improve customer service (faster delivery, not lost in mail) and reduce use and cost of supplies.

FINANCIAL COMMENTS

At a one-time cost of just $150, convert to daily uploading of utility billing customer data to online customer information, to provide customers with more current information about the effect of their online credit card payments on their account balances. The Utility Billing function is the responsibility of Finance, and is funded by water and wastewater utility user fees. Water and wastewater service fees will increase per Resolution 6492 for services provided January 1, 2015 or later. The affect of this increase is demonstrated by a sample invoice shown on the next page.

Utility Billing (continued)

UTILITY BILL COMPARISON

Fiscal year 2011-2012 adopted a rate study with rate increases efeective each January 1 for the five years. Water rates will increase 6.25% and sewer rates will increase 3.5%. Effective January 1, 2014 the City Council eliminated the perchlorate treatment surcharge.

Below is an average utility bill showing (**A**) charges and fees today compared to (**B**) charges and fees effective January 1, 2015.

A

Service Address	Account Number	Date Bill Mailed	Billing Period	Days Used	Due Date
17575 Peak Ave	09-9999-99	4/24/2014	3/18/14 - 4/17/14	30	5/15/14
			Last Payment Received: 4/12/2013		$ 71.20

Previous Reading	Present Reading	Units Used	Description	Amount
324	336	12	Water-Residential	$ 29.48
			Sewer Single Family	48.23

If you have a past due amount, it is due by_____ to avoid receiving a shut off notice and a $13 fee on your next bill. Payments are included through 4/14/14.

AMOUNT DUE: $ 77.71

B

Service Address	Account Number	Date Bill Mailed	Billing Period	Days Used	Due Date
17575 Peak Ave	09-9999-99	4/24/2015	3/18/15 - 4/17/15	30	5/15/15
			Last Payment Received: 4/12/15		$ 71.20

Previous Reading	Present Reading	Units Used	Description	Amount
324	336	12	Water-Residential	$ 31.32
			Sewer Single Family	49.92

If you have a past due amount, it is due by_____ to avoid receiving a shut off notice and a $13 fee on your next bill. Payments are included through 4/14/15.

AMOUNT DUE: $ 81.24

Utility Billing (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	206,148	230,349	220,256	199,654	217,241
41271	SALARIES - PART-TIME TEMP	-	-	-	20,000	-
41320	EARNED LEAVE LIABILITY	12,349	9,748	3,183	3,183	5,916
41490	OVERTIME - GENERAL	155	464	-	250	-
41560	UNEMPLOYMENT INSURANCE	2,549	326	-	-	-
41620	RETIREMENT - GENERAL	43,631	49,420	48,409	33,342	37,893
41690	DEFERRED COMPENSATION	5,051	4,138	4,575	3,035	3,789
41700	GROUP INSURANCE	30,303	27,961	26,613	31,651	49,349
41701	MEDICARE	3,277	3,170	3,213	2,957	3,167
41730	INCOME PROTECTION INS	2,299	2,556	2,445	1,973	2,454
41760	WORKERS COMP	2,079	4,214	5,407	5,415	5,388
41799	BENEFITS	1,686	1,773	1,323	1,259	1,155
41900	CONTRACT LABOR	5,094	3,120	-	-	-
	Salaries Total	**314,622**	**337,240**	**315,424**	**302,719**	**326,352**
42214	TELEPHONE	1,519	4,091	5,000	5,000	5,150
42231	CONTRACT SERVICES	40,900	44,441	43,125	43,125	45,320
42236	BANK CARD SERVICE FEES	29,512	33,719	35,000	56,074	57,756
42244	STATIONERY & OFFICE SUPPLIES	2,176	1,774	1,200	1,200	1,236
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	65	2,265
42248	OTHER SUPPLIES	29	260	-	31	-
42250	ADVERTISING	-	-	-	150	-
42252	PHOTOCOPYING	327	149	108	163	111
42254	POSTAGE & FREIGHT	46,158	46,955	50,000	50,000	51,500
42257	PRINTING	1,514	623	800	983	824
42408	TRAINING & EDUCATION	-	577	700	700	721
42435	SUBSCRIPTION & PUBLICATIONS	-	69	-	37	-
	Supplies Total	**122,135**	**132,658**	**135,933**	**157,528**	**164,884**
45003	GENERAL LIABILITY INSURANCE	461	3,590	1,360	1,360	4,816
45004	BUILDING MAINT - CURRENT SERVICES	18,692	878	2,310	2,310	6,800
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,736	1,065	1,065	1,065	1,065
45009	INFO SYSTEM SERVICES	9,536	12,593	19,170	19,170	21,554
45010	GF ADMIN	29,112	27,558	27,558	42,027	43,498
	Internal Services Total	**60,537**	**45,684**	**51,463**	**65,932**	**77,732**
49241	TRANSFER OUT-BOND/DEBT	-	1,039	992	992	3,659
	Transfer Total	**-**	**1,039**	**992**	**992**	**3,659**
5750 - Utility Billing Total		**497,294**	**516,620**	**503,812**	**527,171**	**572,626**

LICE
EMERG
AY

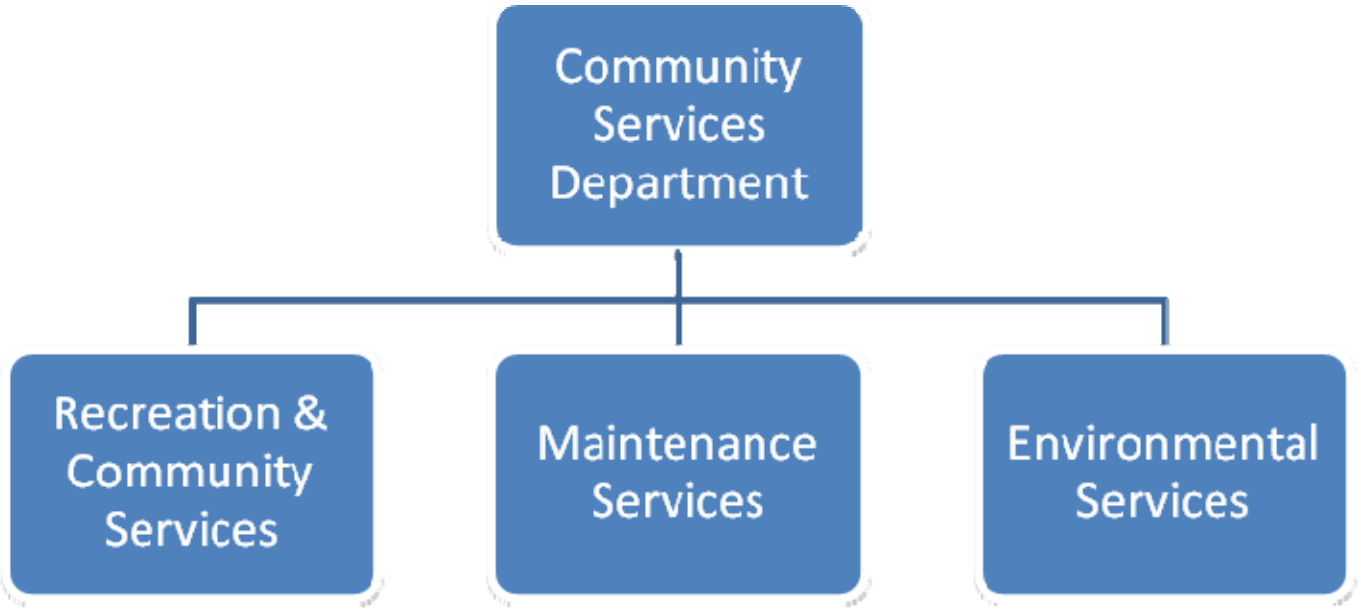
Community Services Department

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 3,507,906	$ 3,539,903	$ 3,946,780	$ 3,768,965	$ 3,654,470
Supplies & Services	3,215,270	3,273,137	4,657,174	4,658,816	3,540,300
Capital Outlay	7,250	-	3,000	6,373	20,000
Debt Services	-	-	-	-	111,184
Internal Service	1,433,138	1,726,753	1,890,007	1,980,958	2,739,771
Transfers Out	254,719	185,260	405,213	405,213	7,880
Project Expenditure	215,149	5,419	195,000	32,014	1,235,000
TOTAL EXPENDITURES	**$ 8,633,431**	**$ 8,730,471**	**$ 11,097,174**	**$ 10,852,339**	**$ 11,308,604**

MEMBERSHIP & PROGRAM SERVICES	$ 4,072,995	$ 4,427,826	$ 4,608,555	$ 4,603,308	$ 4,796,720
FACILITY SERVICES	830,294	908,958	1,089,764	1,095,580	1,148,604
COMMUNITY SERVICES	163,882	150,530	164,663	125,296	390,714
CABLE	30,380	37,021	37,825	37,831	63,164
PARKS MAINTENANCE (GENERAL FUND)	721,425	763,526	839,561	827,682	-
DOWNTOWN MAINTENANCE	-	44,910	46,828	28,608	44,620
ENVIRONMENTAL PROGRAMS	374,245	172,903	359,572	360,198	204,461
STREET MAINTENANCE	1,469,172	1,574,138	2,741,644	2,740,045	1,888,739
LIGHTING AND LANDSCAPING DISTRICT	148,222	179,760	180,173	182,937	179,757
BURROWING OWL	18,016	8,230	35,768	35,627	36,699
STORMWATER POLLUTION PREVENTION	118,291	125,235	171,174	160,936	205,802
PARKS MAINTENANCE (NON-GENERAL FUND)	484,785	195,823	554,179	439,358	1,026,578
OPEN SPACE FUND	114,031	73,910	172,356	125,712	1,228,889
WATER CONSERVATION	87,692	67,703	95,111	89,222	93,858
TOTAL EXPENDITURES BY PROGRAM	**$ 8,633,431**	**$ 8,730,471**	**$ 11,097,174**	**$ 10,852,339**	**$ 11,308,604**

FULL TIME EQUIVALENT EMPLOYEES	**24.23**	**23.90**	**24.65**	**24.65**	**21.29**



• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 OPERATING AND CIP
CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY14-15 • OPERATING AND CIP BUDGET •

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 143 street miles; 125 sidewalk miles; 8 trail miles; 3,700 street lights; 400 open space/park acres; urban forestry; and a landscaping assessment district. The Environmental Services Division manages the Environmental Agenda, water conservation, storm water 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

During FY 13-14 the City celebrated the 10 year anniversary of the Morgan Hill Aquatics Center, which was the second of the five recreation facilities built in Morgan Hill. 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.

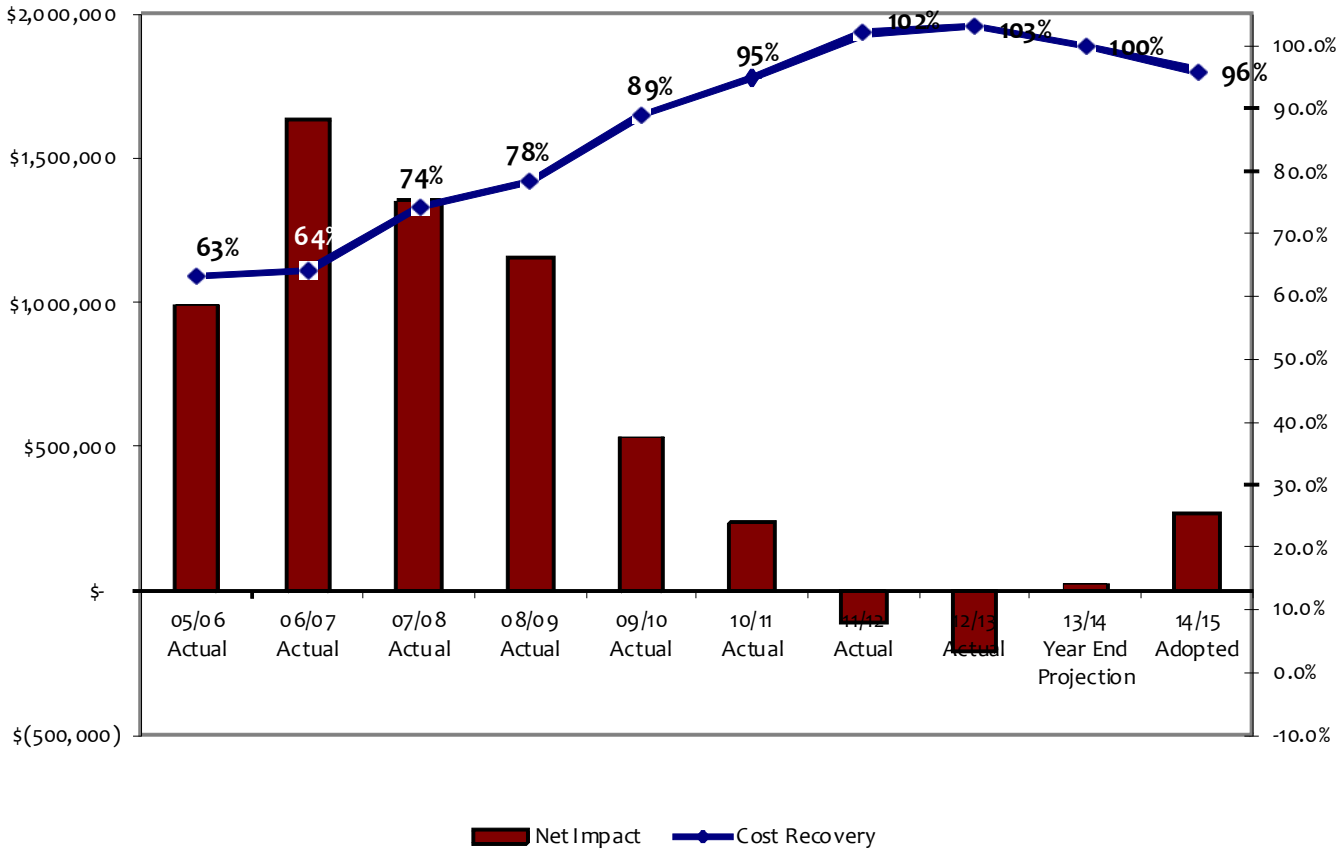
In FY 14-15 two key areas for the division will include: an even greater focus on maintenance of our recreation facilities and an increased effort on supporting our youth will be made. Additional resources will be utilized in both these areas, which will account in part for a slightly lower percentage of direct cost recovery to be attained.

RCSD Budget Summary Table

	11-12 Actual*	12-13 Actual*	13-14 Year End Projection*	14-15 Adopted
RCSD Revenue	$ 5,143,955	$ 5,581,853	$ 5,765,715	$ 6,012,489
RCSD Expenditure	$ 5,067,171	$ 5,487,314	$ 5,824,183	$ 6,336,038
Transfers In	**$ 33,000**	**$ 115,637**	**$ 33,000**	**$ 50,000**
RCSD Net Impact	**$ 109,784**	**$ 210,176**	**$ (25,468)**	**$ (273,549)**
Percent of Total Discretionary Budget	**1.8%**	**1.6%**	**1.8%**	**1.3%**

Community Services Department (continued)

Cost Recovery and Net Impact Graph



*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.

Community Services Department (continued)

The division will continue to focus on maintaining a high level of cost recovery while looking for ways to maximize the level of community access to services. The division partners strategically with community organizations that have goals in line with the City's priorities. These partnerships are a key for successful operation of the recreation facilities. A focus on youth remains a top priority in alignment with Council's goals.

Community Services Maintenance Team

In FY 12-13, the former Park Maintenance and Street Maintenance Teams were combined into a single Community Services Maintenance Team. This approach has added to crew flexibility and allowed supervisors to allocate team resources freely to address vital tasks. The use of contractors and seasonal temporary teammates remains a cost-effective and flexible approach for addressing maintenance issues. Contractors are typically used to complete both repetitive maintenance tasks, e.g., lawn mowing, at a reduced cost and high-level tasks, e.g., street striping, that require special equipment and expertise. As the skill level of the Team's full-time permanent team members grows, the Team is able to take on additional projects that previously were completed by contractors at a higher cost. The overall effect of this blended approach is a cost -effective method to best address the Council's goal of providing a well maintained public infrastructure.

Environmental Services Team

During FY 13-14, the Environmental Services Team made progress on several energy efficiency projects, including LED streetlights and an energy savings retrofit at the Community and Cultural Center. The team was able to support the Council's decision to regulate single-use shopping bags and expanded polystyrene food containers through development of ordinances and communication to the public. All of the Team's projects are focused on maintaining the City's compliance with State environmental mandates – while progressing on implementing the City's Environmental Agenda and supporting the Council's goal of actively participating in regional issues that impact the Morgan Hill community. For FY 14-15, an additional .5 FTE Storm Water Management Specialist is proposed to support the increasing state mandated storm water pollution prevention guidelines.

Council Goals

The Community Services Department will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY 14-15:

Support Youth

- Continue to educate the community on the 41 Developmental Asset model by providing staff training, mentoring youth to lead monthly asset presentations during City Council meetings
- Continue to actively participate in the South County Youth Task Force
- Continue to focus on building relationships with youth through positive interactions
- Continue to offer programs that intentionally build youth assets
- Host monthly "Community Asset Builders" meetings to coordinate efforts of Morgan Hill's youth serving organizations

Community Services Department (continued)

Stimulate Economic Development

- Continue to enhance and improve upon the collaborative operating agreement at the Outdoor Sports Center
- Continue to stimulate economic development by hosting:
  - Regional, and Local Soccer and Sporting Events
  - Regional Swim Meets
  - Morgan Hill Get Fit
  - Splash to Dash Youth Triathlon

Enhance Community Engagement and Diversity

- Continue to distribute the monthly Calendar of Events to the entire Morgan Hill Community
- Use of Volunteers in Support of:
  - Recreation Activities and Programs
  - Community Planning Processes
  - Park Maintenance and Beautification Projects
- Provide staff support to the Parks and Recreation Commission and Library and Cultural Arts Commission

Participate in Regional Issues

- Continue to participate in the South Valley Youth Task Force
- Coordinate in cooperation with the County and Gilroy to implement the adopted Storm Water Pollution Prevention Regional Plan
- Support the County led South County United for Health Initiative

Improve Organizational Effectiveness and Transparency

- Ensure that the City's contract processes for materials, services, and capital projects are transparent, clear, and structured so that the City receives the best value

Finance and Advocate for Infrastructure Improvements

- Invest the park capital funds for new parks and trails to meet the recreational needs of our growing community
- Increase focus on maintenance and improvements of recreation facilities to proactively address the needs of our aging facilities
- Prepare Comprehensive City Infrastructure Report to Better Understand the needs of Parks, Recreation Facilities, Public Buildings, and Streets

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 14-15, Centennial Recreation Center (CRC)/ Aquatics Center (AC) monthly membership totals are projected to average 4,600 units and over 14,500 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.

Membership and Program Services (continued)

FY 13-14 HIGHLIGHTS

- Maintained average monthly membership level at 4,580 units and concluded the year with 4,700 units (15,000 members)
- Continued to grow participation in Morgan Hill Splash aquatics programs, that includes a youth swim team, water polo club, and new diving team, with average monthly membership of 120 youth
- Stimulated economic development by hosting the Far Westerns Swim Meet for an unprecedented sixth consecutive year (8 total times since the facility opened in 2004)
- Conducted two Junior Lifeguard training programs for middle school age youth
- Hosted the first annual *Doggy Dip Day* at the Aquatics Center
- Hosted a 10th Anniversary Celebration for the Aquatics Center
- Hosted *Morgan Hill Get Fit* and *Splash to Dash Youth Triathlon*
- Provide annual in-service training to all department staff with a focus on Developmental Assets
- Partnered with the YMCA, Discovery Counseling Center and MHUSD to host the first annual Morgan Hill Community Conference

FY 14-15 WORKPLAN

- Continue to support the Council's ongoing priority of supporting youth
- Evaluate opportunities to enhance the CRC's collaborative operating model
- Develop a strategic plan for membership at the CRC and Aquatics Center
- Update the Aquatics Strategic Plan

FY 14-15 ACTIVITY GOALS

- Retain CRC membership base to maintain a monthly average of 4,600 membership units and to conclude the year with 4,775 units (15,000 members)
- Implement a new *Get Fit Obstacle Challenge* event
- Implement summer long special events/activities in celebration of the Aquatic Center's 10th year anniversary
- Provide annual in-service training to all department staff with a focus on Developmental Assets

COUNCIL GOALS

The Membership & Program Services Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY 14-15:

Supporting Youth

- 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

Membership and Program Services (continued)

- 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
- 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
- Co-host the Morgan Hill Community Conference
- Continue to promote the scholarship program, providing over $125,000 annually in subsidies, with the YMCA providing an additional $12,000 for non-residents.

Stimulate Economic Development

- Continue to host approximately 15 weekend-long swim meets per year at the Aquatics Center, which draw thousands of youth and families to Morgan Hill

Enhance Community Engagement and Diversity

- Continue to provide community gathering places that are enjoyed regularly by over 25% of the community
- Continue to manage a responsive comment card system
- Participate in an annual SEER Member Satisfaction Survey

Participate in Regional Issues

- Actively participate in the South County Youth Task Force

Improve Organizational Effectiveness and Transparency

- Continuously seek improved streamlined membership processing
- Evaluate opportunities to enhance the CRC's collaborative operating model

Finance and Advocate for Infrastructure Improvements

- Collaborate with Development Engineering Division for improvement projects at the Centennial Recreation Center and Aquatics Center

Membership and Program Services (continued)

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 eliminated.

Today, Membership and Program Services is responsible for generating the largest percentage of revenue for Recreation and Community Services and is the General Fund's third largest source of revenue (behind property and sales tax) . This market driven revenue source is dependent on attracting and retaining members and daily customers. Membership grew significantly each year since the facility was opened through FY 12-13. The growth rate began to plateau in FY 13-14 as the facility reached its load limit and an unprecedented community penetration rate (percentage of the population that are members – currently 25%) stabilized. The continued focus for FY 14-15 will be on retaining the existing customer base through member engagement initiatives, while promoting services to realize new customer growth and providing well maintained facilities and equipment. Increases to infrastructure maintenance expenses are proposed for FY 14-15. In total, an estimated $4,738,264 in revenue will be generated in FY 13-14 to support service delivery. The Division will continue to promote its scholarship program, providing over $125,000 annually to individuals and families, with the YMCA providing an additional $12,000 for non-residents. The following provides detail on the primary revenue categories:

Membership and Program Services (continued)

	FY 12-13 Actual	FY 13-14 YE Projection	FY 14-15 Adopted
AC/CRC Membership	$ 3,538,644	$ 3,658,243	$ 3,808,718
Recreation Programs	$ 406,690	$ 377,222	$ 420,000
AC/CRC Daily and Season Passes	$ 352,928	$ 353,000	$ 354,000
Aquatics Programming	$ 381,516	$ 379,000	$ 393,000
AC/CRC Retail /Concessions	$ 58,486	$ 53,000	$ 53,000

Membership and Program Services (continued)

Partnership Summary Table

	CITY TOTAL REVENUE	CITY TOTAL EXPENDITURES	CITY PROJECTED NET GAIN
CRC/AC PARTNERSHIP	3,785,918.00	1,239,603.00	2,546,315.00
SENIOR SERVICES	-	53,400.00	(53,400.00)
MEMBERSHIP INITIATION FEE	78,800.00	39,400.00	39,400.00
TOTAL	3,864,718.00	1,332,403.00	2,532,315.00

DETAIL FOR CRC/AC PARTNERSHIP

Health and Wellness	*3,785,918.00*	*1,187,032.00*	2,598,886.00
Teens	-	*52,571.00*	(52,571.00)

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Total number of daily visitors	Target	310,000	400,000	385,000	390,000
	Actual	378,913	374,284	385,000	
Average number of monthly membership packages	Target	3,644	4,076	4,500	4,600
	Actual	4,042	4,419	4,560	
Total number of members as of June 30	Target	11,900	13,750	14,900	15,000
	Actual	14,005	14,628	14,900	
Total number of program visits	Target	100,000	101,500	99,500	99,000
	Actual	99,859	98,271	98,000	
Total number of program participants	Target	7,800	10,000	10,000	10,500
	Actual	9,980	9,853	10,300	
Percentage of members rating "Overall Satisfaction" as excellent or good on satisfaction annual survey	Target	100%	100%	100%	100%
	Actual	98%	100%	98%	
Value of memberships/programs subsidized through scholarships.	Target	N/A	$84,000	$160,000	$ 135,000
	Actual	$ 86,992	$ 111,527	$ 125,000	

Membership and Program Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	536,367	527,172	560,404	538,935	440,250
41271	SALARIES - PART-TIME TEMP	762,310	801,741	815,000	815,000	826,560
41320	EARNED LEAVE LIABILITY	16,328	14,472	9,214	9,214	7,054
41490	OVERTIME - GENERAL	4,220	6,801	5,000	4,500	5,150
41560	UNEMPLOYMENT INSURANCE	9,075	825	-	-	-
41620	RETIREMENT - GENERAL	136,786	138,731	131,442	106,269	76,793
41690	DEFERRED COMPENSATION	12,043	10,262	12,018	7,902	7,036
41700	GROUP INSURANCE	64,889	60,680	70,608	65,977	61,255
41701	MEDICARE	18,731	19,174	20,040	18,066	18,456
41730	INCOME PROTECTION INS	6,302	6,317	6,536	5,919	5,617
41760	WORKERS COMP	23,334	50,274	78,772	68,221	31,545
41799	BENEFITS	1,839	1,314	1,653	962	867
41800	UNIFORM	-	190	-	400	-
	Salaries Total	**1,592,224**	**1,637,952**	**1,710,687**	**1,641,365**	**1,480,583**
42214	TELEPHONE	18,588	21,288	20,200	20,200	20,806
42208	ELECTRIC	-	-	-	13	-
42228	GASOLINE & OIL	1,392	1,120	1,400	1,000	1,442
42231	CONTRACT SERVICES	101,040	115,734	108,684	120,000	117,725
42236	BANK CARD SERVICE FEES	34,881	35,030	36,000	42,709	43,990
42241	YMCA SERVICES	1,158,029	1,241,797	1,252,273	1,232,273	1,226,432
42244	STATIONERY & OFFICE SUPPLIES	11,529	14,980	13,000	18,000	13,390
42245	COMPUTER HARDWARE-NON CAPITAL	9,869	9,781	9,900	9,900	10,197
42248	OTHER SUPPLIES	70,144	74,794	80,200	75,000	68,875
42250	ADVERTISING	142	177	500	1,779	515
42251	MARKETING/PROMOTIONS	86,489	85,352	82,500	82,500	84,975
42252	PHOTOCOPYING	11,116	13,005	11,000	11,000	11,330
42254	POSTAGE & FREIGHT	1,971	4,075	2,500	2,500	4,575
42255	PURCHASES-CONCESSIONS	386	460	750	750	773
42256	PURCHASES-RETAIL	15,859	17,371	16,000	20,295	16,480
42257	PRINTING	1,190	1,578	1,500	3,225	1,545
42261	AUTO MILEAGE	879	566	800	800	824
42263	TB/DRUG/FINGERPRINTING	11,762	8,206	12,000	12,000	12,360
42299	OTHER EXPENSE	7,587	15,437	12,000	12,000	12,360
42306	YOUTH ADVISORY COM.	5,730	7,931	6,500	6,500	-
42408	TRAINING & EDUCATION	1,729	1,271	2,200	2,200	2,266
42415	CONFERENCE & MEETINGS	3,467	3,418	5,500	5,500	5,665
42423	MEMBERSHIP & DUES	1,870	1,814	3,000	3,000	3,090
42435	SUBSCRIPTION & PUBLICATIONS	99	43	150	275	155
42526	MAINT - AUTO/TRUCKS	661	417	1,000	1,000	1,030
	Supplies Total	**1,556,412**	**1,675,644**	**1,679,557**	**1,684,419**	**1,660,800**
43825	MACHINERY/EQUIPMENT	-	-	-	-	20,000
	Total	**1,537,823**	**1,654,356**	**1,659,357**	**1,664,206**	**1,659,994**
45003	GENERAL LIABILITY INSURANCE	6,681	13,052	16,118	16,118	17,405
45004	BUILDING MAINT - CURRENT SERVICES	811,385	974,797	945,606	1,004,819	1,342,435
45005	BUILDING MAINT - FUTURE REPLACEMENT	53,795	53,795	145,939	145,939	145,939
45006	FLEET REPLACEMENT	3,246	3,984	7,609	7,609	7,608
45009	INFO SYSTEM SERVICES	49,252	68,601	103,039	103,039	121,949
	Internal Services Total	**924,359**	**1,114,229**	**1,218,311**	**1,277,524**	**1,635,337**
	2140 - Membership Services and Recreation Programs Total	**4,072,995**	**4,427,826**	**4,608,555**	**4,603,308**	**4,796,720**

Facility Rentals [010-2150]

ACTIVITY DESCRIPTION

The Facility Rentals 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 13-14 HIGHLIGHTS

- Celebrated the Community and Cultural Center's 10th Anniversary over the course of six (6) months by highlighting 10 community events held at the CCC
- Facilitate the rental and use of the CRC and Community Park as the hub for the fourth annual Morgan Hill Marathon, which attracts out of state as well as international participants
- Began process of evaluation and review for the Outdoor Sports Center operating agreement
- Implemented a pricing strategy to increase use of the CCC during hours of traditional low use

FY 14-15 WORKPLAN

- Implement a reorganization strategy to improve customer service and improve facility maintenance at the CCC
- Develop a plan for enhanced operations of the Outdoor Sports Center through new or extended operating agreement
- Return to operating the CCC Spray Feature April – September after restoring the City's only FREE water feature for community use and enjoyment
- Review Aquatics Center lane and swim meet rental fees in coordination with community groups

Facility Rentals (continued)

COUNCIL GOALS

The Facility Rentals Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY 14-15:

- **Support Youth**
  - Return to operating the CCC Spray feature for youth enjoyment of this free water feature
  - Provide low cost "community use" for a variety of youth serving organizations
- **Stimulate Economic Development**
  - Continue to manage partnership with the operator at the OSC which brings in year round sports events and tournaments
  - Continue to pursue regional and national swim meets being held at the AC
- **Enhance Community Engagement and Diversity**
  - 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**
  - 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)
- **Finance and Advocate for Infrastructure Improvements**
  - Continue an increased focus on building maintenance as our facilities age
  - Work with MHYSA to develop a future replacement strategy for the OSC

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 $885,540 in revenue will be generated in FY 14-15 to support service delivery. The following provides detail on the primary revenue categories:

Facility Rentals (continued)

	FY 12-13 Actual	FY 13-14 YE Projection	FY 14-15 Adopted
Room Rentals	261,281	244,000	**275,900**
Gavilan College Lease	236,728	236,000	**242,000**
OSC Concessionaire Agreement	65,000	70,000	**70,000**
Playhouse Lease and Rentals	39,372	40,000	**40,800**
Park/Field/Tennis/Special Events	34,641	36,300	**36,300**
AC Lane Fees	70,759	68,000	**68,000**

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Total number of facility rental visitors	Target	360,000	422,073	707,000	720,000
	Actual	550,990	706,606	710,000	
Total hours of facility rental reservations	Target	36,000	42,505	46,000	46,000
	Actual	36,478	45,229	43,000	
Total hours of Community Use reservations	Target	350	300	200	450
	Actual	240	194	420	

Facility Rentals (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	281,005	273,668	379,995	350,999	258,346
41270	SALARIES - PART-TIME	23,130	22,502	-	24,047	-
41271	SALARIES - PART-TIME TEMP	54,693	70,621	70,000	70,000	103,662
41320	EARNED LEAVE LIABILITY	11,251	9,814	7,224	7,224	2,725
41490	OVERTIME - GENERAL	1,436	1,935	2,000	2,500	2,060
41560	UNEMPLOYMENT INSURANCE	4,904	483	-	-	-
41620	RETIREMENT - GENERAL	67,453	66,853	85,707	59,967	45,063
41690	DEFERRED COMPENSATION	6,788	5,221	9,117	4,570	4,433
41700	GROUP INSURANCE	33,798	30,204	42,186	38,207	39,911
41701	MEDICARE	5,201	5,273	6,579	5,635	5,284
41730	INCOME PROTECTION INS	3,679	3,610	4,525	4,134	2,887
41760	WORKERS COMP	5,001	10,439	17,360	15,719	9,029
41799	BENEFITS	1,851	1,452	1,734	807	339
	Salaries Total	**500,188**	**502,074**	**626,427**	**583,809**	**473,739**
42214	TELEPHONE	8,383	8,273	8,500	8,500	8,755
42231	CONTRACT SERVICES	16,907	20,055	20,450	20,450	21,064
42236	BANK CARD SERVICE FEES	3,083	3,330	3,000	2,574	2,651
42244	STATIONERY & OFFICE SUPPLIES	1,799	2,107	2,500	3,650	2,575
42245	COMPUTER HARDWARE-NON CAPITAL	-	1,134	1,100	1,100	1,133
42248	OTHER SUPPLIES	2,592	2,681	3,200	2,500	3,296
42250	ADVERTISING	75	130	100	500	103
42251	MARKETING/PROMOTIONS	336	-	-	-	-
42252	PHOTOCOPYING	1,219	1,530	2,000	2,000	2,060
42254	POSTAGE & FREIGHT	27	129	100	100	103
42257	PRINTING	173	402	300	300	309
42261	AUTO MILEAGE	102	33	250	250	258
42299	OTHER EXPENSE	-	396	250	250	258
42408	TRAINING & EDUCATION	-	1,293	1,000	3,500	1,030
42415	CONFERENCE & MEETINGS	145	1,166	2,000	3,000	2,060
42423	MEMBERSHIP & DUES	290	290	500	500	515
42435	SUBSCRIPTION & PUBLICATIONS	65	140	200	200	206
	Supplies Total	**35,195**	**43,091**	**45,450**	**49,374**	**46,376**
43835	FURNITURE/OFFICE EQUIPMENT	-	-	3,000	-	-
	Capital Total	**-**	**-**	**3,000**	**-**	**-**
45003	GENERAL LIABILITY INSURANCE	1,253	5,095	2,245	2,245	5,166
45004	BUILDING MAINT - CURRENT SERVICES	283,597	342,791	315,053	362,563	519,753
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	-	65,000	65,000	65,000
45009	INFO SYSTEM SERVICES	10,060	15,908	32,589	32,589	38,570
	Internal Services Total	**294,910**	**363,794**	**414,887**	**462,397**	**628,489**
2150 - Recreation Facility Rentals Total		**830,294**	**908,958**	**1,089,764**	**1,095,580**	**1,148,604**

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), and managing tenant leases of the Friendly Inn Non-Profit Service Center.

For FY 14-15 an increase in expenses will be noticed as four programs previously included in the Membership and Program Services Division will be moved to the Community Services Division. These include funding for the CRC Teen Center, CRC Senior Center, Skate Park, and Youth Action Council. All of these programs are programs not supported by program revenue.

Renovation of the City's Friendly Inn Non-profit Service Center was completed in FY 09-10. The City Council approved tenancy for the Silicon Valley Chapter of the American Red Cross, Morgan Hill Home Group of Narcotics Anonymous, Advent Ministries, and Work 2 Future. The facility now also houses offices for Youth Alliance, the Healthier Kids Foundation, California Youth Outreach, and the State Employment Development Department. Organizations pay the City $1 per year, plus a proportionate share of utilities and other maintenance related expenses.

FY 13-14 HIGHLIGHTS

- Increased the activity at the Friendly Inn through the addition of several new tenants
- The Youth Action Council organized a successful Youth Leadership Morgan Hill event and a sold out 9th Annual Senior Citizens Ball
- Increased annual attendance at the Skate/BMX Park by 10%
- Developed a letter of intent to enter into an option to purchase agreement that met the Council's priority for the development of a youth baseball/softball complex

FY 14-15 WORKPLAN

- Complete the acquisition of park land according to established Council priorities
- Support the development and completion of the PRC's and LCAC's Council approved work plans
- Continue to support the Healthy Kids Foundation in implementation of the Council's Youth Health Initiative

Community Services (continued)

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 FY 14-15:

Support Youth

- Continue to coordinate the Council's annual community promotion funding which provides support to several major family oriented/youth friendly community events
- Continue to partner with the YMCA to offer teen activities at the CRC Teen Center
- Continue to provide staff support to the City's Youth Action Council
- Co-host the Morgan Hill Community Conference

Stimulate Economic Development

- Continue to coordinate the Council's annual community promotion funding which provides support to several major community events which draw visitors to Morgan Hill
- Continue park planning and acquisition efforts
- Actively pursue the design and development of downtown parks and trails in cooperation with other City Departments and the Community

Enhance Community Engagement and Diversity

- Continue to manage and operate the Non-Profit Service Center at the Friendly Inn
- Continue to coordinate the Council's annual community promotion funding

Improve Organization Effectiveness and Transparency

- Continue providing Staff Liaison support to LCAC and PRC

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.

Community Services (continued)

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Total number of park acres	Target	226.00	230.00	232	234
	Actual	206.67	206.67	206.67	
Total number of Skate/BMX Park visits	Target	N/A	4,000	4,500	5,600
	Actual	3,454	4,864	5,400	
Total number of Teen Center visits	Target	6,500	7,500	8,150	5,000
	Actual	8,124	6,889	4,300	
Total number of senior meals served	Target	20,000	21,500	18,500	17,500
	Actual	20,646	17,335	17,100	

* Per the General Plan formula, it was determined the City has 206.67 park acres during the 2010 impact fee study update

Community Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	57,361	60,812	72,280	53,320	121,293
41271	SALARIES - PART-TIME TEMP	-	-	-	-	37,312
41320	EARNED LEAVE LIABILITY	2,458	2,187	411	411	2,312
41490	OVERTIME - GENERAL	-	16	-	500	-
41560	UNEMPLOYMENT INSURANCE	469	60	-	-	-
41620	RETIREMENT - GENERAL	10,004	10,912	13,715	8,345	21,157
41690	DEFERRED COMPENSATION	1,922	1,557	1,757	474	1,799
41700	GROUP INSURANCE	6,634	5,908	12,692	4,804	12,099
41701	MEDICARE	812	874	1,062	711	2,304
41730	INCOME PROTECTION INS	574	681	912	555	1,249
41760	WORKERS COMP	521	1,103	1,774	1,246	3,933
41799	BENEFITS	918	855	933	303	279
	Salaries Total	**81,673**	**84,965**	**105,536**	**70,669**	**203,737**
42214	TELEPHONE	24	-	-	-	-
42231	CONTRACT SERVICES	-	-	-	-	-
42241	YMCA SERVICES	-	-	-	-	105,971
42248	OTHER SUPPLIES	19,118	467	5,959	5,959	2,515
42250	ADVERTISING	231	-	200	200	206
42252	PHOTOCOPYING	2,062	262	750	750	773
42254	POSTAGE & FREIGHT	38	20	100	100	103
42257	PRINTING	76	23	100	100	103
42299	OTHER EXPENSE	22,554	27,497	6,000	1,500	6,180
42306	YOUTH ADVISORY COM.	-	-	-	-	6,500
42440	BOARDS & COMMISSIONS	-	-	500	500	515
	Supplies Total	**44,104**	**28,269**	**13,609**	**9,109**	**122,866**
45003	GENERAL LIABILITY INSURANCE	132	926	340	340	2,276
45004	BUILDING MAINT - CURRENT SERVICES	34,056	31,335	32,232	32,232	44,225
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,031	1,065	1,065	1,065	1,065
45009	INFO SYSTEM SERVICES	1,886	2,930	10,889	10,889	12,887
	Internal Services Total	**38,105**	**36,256**	**44,526**	**44,526**	**60,452**
49241	TRANSFER OUT-BOND/DEBT	-	1,039	992	992	3,659
	Transfer Total	**-**	**1,039**	**992**	**992**	**3,659**
2180 - Community Services Total		**163,882**	**150,530**	**164,663**	**125,296**	**390,714**

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 13-14 HIGHLIGHTS

- Assisted customers in obtaining customer service from Charter Cable and Verizon
- Finalized negotiations with AT&T for an additional cell tower lease at a new location
- Extended agreement with Media Access Coalition for public access services

FY 14-15 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 FY 14-15:

- **Enhance Community Engagement and Diversity**
    - 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 $45,000 are split equally between the City, for governmental access purposes, and the City's public access provider. Cell site license revenues of approximately $120,000 are received annually and are distributed to the park maintenance fund and water fund accordingly.

Cable Services (continued)

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Number of complaints received	Target	5.0	10.0	10	24
	Actual	13.0	13.0	23	
Number of complaint processes completed	Target	5.0	10.0	10	24
	Actual	13.0	13.0	17	
Average number of days taken to completely process each cable complaint	Target	5.0	3.0	4	5
	Actual	4.4	15.0	6	

Cable Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	7,172	10,703	10,868	11,009	11,479
41320	EARNED LEAVE LIABILITY	421	752	507	507	864
41560	UNEMPLOYMENT INSURANCE	48	10	-	-	-
41620	RETIREMENT - GENERAL	1,138	2,048	2,078	1,828	2,002
41690	DEFERRED COMPENSATION	355	432	442	223	230
41700	GROUP INSURANCE	748	768	774	1,115	1,224
41701	MEDICARE	98	150	158	149	167
41730	INCOME PROTECTION INS	64	112	135	111	142
41760	WORKERS COMP	66	196	267	271	285
41799	BENEFITS	51	51	51	53	51
	Salaries Total	**10,161**	**15,223**	**15,280**	**15,266**	**16,444**
42214	TELEPHONE	149	137	200	220	206
42231	CONTRACT SERVICES	18,810	20,605	21,000	21,000	45,000
42415	CONFERENCE & MEETINGS	-	-	300	300	309
42435	SUBSCRIPTION & PUBLICATIONS	881	940	1,000	1,000	1,030
	Supplies Total	**19,839**	**21,682**	**22,500**	**22,520**	**46,545**
45003	GENERAL LIABILITY INSURANCE	7	116	45	45	175
45004	BUILDING MAINT - CURRENT SERVICES	294	-	-	-	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	79	-	-	-	-
	Internal Services Total	**380**	**116**	**45**	**45**	**175**
5140 - Cable Television Total		**30,380**	**37,021**	**37,825**	**37,831**	**63,164**

Park Maintenance [302-8030]

ACTIVITY DESCRIPTION

The Park Maintenance function has historically been included in the General Fund with a portion of the costs offset by a transfer from the Park Maintenance Fund to the General Fund. This year marks a new approach in funding this function that essentially reverses this approach. Beginning in FY 14-15, park maintenance will now be funded directly in the Park Maintenance Fund which will receive an annual transfer from the General Fund to offset some of the expenses. The goal will be 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 14-15 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 13-14 HIGHLIGHTS

- Supported the installation of 2 new shade structures in the Community Park Dog Park, donated by the MHDOG
- Administered Request for Proposals and established new service contract that becomes effective on July 1, 2014
- Supported volunteer park adoption and cleanup activities
- Initiated noticing program for park herbicide use
- Secured grant for tree planting project that resulted in 100 new trees planted in City parks
- Enhanced park safety by evaluating light poles at Community Park and assisting in the construction of new sidewalk linking parking lot with Centennial Recreation Center

FY 14-15 ACTIVITY GOALS

- Continue the focus on park safety including repairs to play equipment, irrigation systems and ball field maintenance
- Enhance Parks Integrated Pest Management Program to promote greater awareness
- Continue to monitor and manage landscape water use, maintaining compliance to measures which support the City Council declaration of a Level 1 Water Supply Shortage.

Park Maintenance (continued)

FY 14-15 WORKPLAN

- Prepare report that identifies, quantifies, and prioritizes the needs to maintain park infrastructure
- Provide turf rehabilitation to Community Park Dog Park for an extended period of time while maintaining use of park by residents
- Update and implement the use of the Integrated Pest Management Plan to pre-notify residents of pesticide use in areas used primarily by children

COUNCIL GOALS

The Park Maintenance Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY 14-15:

Support Youth

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

Finance and Advocate for Infrastructure Improvements

- Maintaining park infrastructure and addressing the park's long-term infrastructural needs is a component of the park maintenance activity

FINANCIAL COMMENTS

FY 14-15 Budget will result in a total cost per acre for park maintenance of $17,108 which reflects an increase due to the one-time investments in improving park infrastructure planned for this year. Park Maintenance is funded through the Park Maintenance Fund, supplemented by transfers from the General Fund, grants, and donations. This year's transfer from the General Fund is $200,000.

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Average Customer Work Order Response Time (in hours): Non-emergency	Target	16.0	10.0	10.0	10.0
	Actual	5.5	10.0	3.3	
Annual Maintenance cost per acre	Target	$ 13,592	$ 14,396	$ 13,119	$14,000
	Actual	$ 12,070	$ 13,187	$ 13,763	
Acre feet Water used-Irrigated Acre	Target	86/38	70/39	80/38	78/38
	Actual	73/38	79/39	83/38	

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

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	-	-	-	-	265,913
41271	SALARIES - PART-TIME TEMP	-	-	-	-	33,171
41320	EARNED LEAVE LIABILITY	-	-	-	-	6,441
41490	OVERTIME - GENERAL	-	-	-	-	13,390
41620	RETIREMENT - GENERAL	-	-	-	-	46,383
41690	DEFERRED COMPENSATION	-	-	-	-	4,686
41700	GROUP INSURANCE	-	-	-	-	58,826
41701	MEDICARE	-	-	-	-	4,539
41730	INCOME PROTECTION INS	-	-	-	-	2,953
41760	WORKERS COMP	-	-	-	-	7,749
41799	BENEFITS	-	-	-	-	558
41800	UNIFORM	-	-	-	-	4,120
	Salaries Total	**-**	**-**	**-**	**-**	**448,729**
42208	ELECTRIC	-	-	-	-	19,055
42210	WATER/SEWER	-	-	-	-	82,400
42214	TELEPHONE	-	-	-	-	1,674
42228	GASOLINE & OIL	-	-	-	-	10,300
42231	CONTRACT SERVICES	251	366	-	-	191,160
42236	BANK CARD SERVICE FEES	838	859	-	697	718
42240	RENTALS - OUTSIDE	-	-	-	-	3,000
42244	STATIONERY & OFFICE SUPPLIES	-	-	-	-	1,030
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	1,545
42248	OTHER SUPPLIES	2,777	-	-	-	38,625
42250	ADVERTISING	-	-	-	-	103
42254	POSTAGE & FREIGHT	-	-	-	-	103
42257	PRINTING	-	-	-	-	515
42281	SMALL TOOLS	-	-	-	-	1,030
42299	OTHER EXPENSE	-	-	-	-	515
42408	TRAINING & EDUCATION	-	-	-	-	2,575
42423	MEMBERSHIP & DUES	-	-	-	-	618
42435	SUBSCRIPTION & PUBLICATIONS	-	-	-	-	103
42523	MAINT - MACHINE/EQUIPMENT	-	-	-	-	3,090
42526	MAINT - AUTO/TRUCKS	-	-	-	-	3,090
	Supplies Total	**3,866**	**1,225**	**-**	**697**	**361,249**
43825	MACHINERY/EQUIPMENT	7,250	-	-	-	-
	Capital Total	**7,250**	**-**	**-**	**-**	**-**
45003	GENERAL LIABILITY INSURANCE	-	-	-	-	11,352
45004	BUILDING MAINT - CURRENT SERVICES	-	-	-	-	7,064
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	-	-	-	347
45006	FLEET REPLACEMENT	-	-	-	-	21,568
45009	INFO SYSTEM SERVICES	-	-	-	-	4,538
45010	GF ADMIN	5,187	4,958	4,958	2,426	52,511
	Internal Services Total	**5,187**	**4,958**	**4,958**	**2,426**	**97,380**
49210	TRANSFER OUT-010 (GENERAL FUND)	247,000	180,000	400,000	400,000	-
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	6,334	4,221	4,221	4,221	4,221
	Transfer Total	**253,334**	**184,221**	**404,221**	**404,221**	**4,221**
86360	CONSTRUCTION	215,149	5,419	145,000	32,014	115,000
	Project Total	**215,149**	**5,419**	**145,000**	**32,014**	**115,000**
8030 - Park Maintence Total		**484,785**	**195,823**	**554,179**	**439,358**	**1,026,578**

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, and the streetscape.

The City's former Redevelopment Agency was previously responsible for a large number of these tasks in order to stimulate investment in Downtown. With the dissolution of the Agency, some of these activities formerly funded by the Agency are now accomplished collectively by the City, the Downtown Property Based Improvement District (PBID.)

FY 13-14 HIGHLIGHTS

- Temporarily expanded maintenance responsibilities 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
- Reinstituted monthly meetings with Downtown Planters volunteer leadership

FY 14-15 ACTIVITY GOALS

- Work cooperatively with PBID, when re-established, and volunteer groups on maintenance issues
- Complete monthly inspection reports of major maintenance issues and issue corrective work orders
- Support Downtown improvement efforts led by the Public Works Department

FY 14-15 WORKPLAN

- Prepare report that identifies, quantifies, and prioritizes the needs to maintain downtown infrastructure
- Prepare maintenance plan for new parking garage anticipated to open in FY 15-16.

Downtown Maintenance (continued)

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 FY 14-15:

Stimulate Economic Development

- 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

- 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.

Downtown Maintenance (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42205	TAXES	-	18,356	18,355	-	18,355
42208	ELECTRIC	-	681	8,000	2,500	2,575
42210	WATER/SEWER	-	8,761	2,000	7,000	7,210
42231	CONTRACT SERVICES	-	17,020	16,473	17,108	14,420
42248	OTHER SUPPLIES	-	92	2,000	2,000	2,060
42299	OTHER EXPENSE	-	-	-	-	-
	Supplies Total	**-**	**44,910**	**46,828**	**28,608**	**44,620**
5460 - Downtown Maintenance Total		**-**	**44,910**	**46,828**	**28,608**	**44,620**

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 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 is renegotiating a franchise extension that will provide the City with new opportunities to reduce the carbon footprint of waste management operations while continuing to ensure that Recology's Morgan Hill customers receive outstanding services at affordable rates.

FY 13-14 HIGHLIGHTS

- Supported Planning Division's efforts to develop Climate Action Plan
- Continued community engagement work associated with the development and implementation of ordinances addressing single-use shopping bags and expanded polystyrene food packaging
- Completed grant-supported Cloverleaf Solar Project
- 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
- Began solid waste contract renewal process

FY14-15 ACTIVITY GOALS

- Maintain status quo of 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

Environmental Programs (continued)

- Assist with implementation of energy efficiency and production measures for City facilities

FY14-15 WORK PLAN

- Implement expanded programs in support of the City's Environmental Agenda as directed by the City Council
- Finalize agreements and implement new franchise agreement that reduces carbon footprint and maintains high level of services at affordable costs

COUNCIL GOALS

The Environmental Services Division will implement policies and activities that are aligned with the priorities the City Council has set for FY 14-15:

Participate in Regional Issues

- Environmental Team participates in several regional committees in the areas of waste and energy that support the City Council's goal to actively participate in regional issues

Protect the Environment

- 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 $30,000 in service contract fees from the City of Gilroy. Costs for Household Hazardous Waste Services are expected to range between a total of $80,000 and $90,000 in FY 14-15. It is anticipated that this entire amount may be funded by solid waste tipping fees directly that get paid to the County and not by City funds. In total, an estimated $110,000 in revenue will be generated in FY 14-15 to support service delivery.

The following provides detail on the primary revenue categories:

	13-Dec Actual	13-14 YE Projection	14-15 Adopted
Solid Waste Management AB939	89,604 one-time settlement	68,000	68,000
Gilroy Environmental Programs	30,000	30,000	30,000
Recycling State Funding	10,800	10,000	0

Environmental Programs (continued)

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Amount spent communicating recycling information (excluding employee services)	Target	$5,000	$5,000	$4,000	$5,000
	Actual	$5,413	$3,903	11490	
Tons of recycling collected	Target	11025	10775	10734	11500
	Actual	10462	10875	11413	
Number of environmental promotions distributed	Target	16	17	10	7
	Actual	19	9	7	
Percent of customers ranking services "good" or "excellent" (biennial measure)	Target	90%	N/A	95%	N/A
	Actual	96%	N/A	90%	N/A
Percent of customers reporting they have enough information to properly participate in the recycling program	Target	85%	N/A	90%	N/A
	Actual	87%	N/A	N/A	N/A
Solid Waste Disposal rate (pounds-person-day)(calendar year, lagging)	Target	6.1	6.1	5.0	6.0
	Actual	5.3	5.3	6.1	
Amount spent communicating recycling information per ton of recycling collected	Target	$ 2.21	$ 1.00	$ 0.37	$ 0.43
	Actual	$ 0.52	$ 0.36	$ 1.01	

Environmental Programs (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	67,492	58,386	62,935	62,731	103,633
41271	SALARIES - PART-TIME TEMP	-	2,212	43,000	43,000	-
41320	EARNED LEAVE LIABILITY	3,153	4,305	2,307	2,307	7,607
41490	OVERTIME - GENERAL	63	32	-	169	-
41560	UNEMPLOYMENT INSURANCE	684	58	-	-	-
41620	RETIREMENT - GENERAL	12,782	11,624	12,434	10,398	18,077
41690	DEFERRED COMPENSATION	2,350	2,000	2,246	1,191	1,996
41700	GROUP INSURANCE	5,966	4,098	4,793	5,742	11,026
41701	MEDICARE	976	864	1,064	1,167	1,510
41730	INCOME PROTECTION INS	728	641	741	671	1,176
41760	WORKERS COMP	611	1,177	1,791	2,990	2,570
41799	BENEFITS	562	349	429	244	489
	Salaries Total	**95,368**	**85,746**	**131,740**	**130,610**	**148,084**
42214	TELEPHONE	57	51	80	80	82
42231	CONTRACT SERVICES	256,531	72,237	153,412	153,412	26,265
42244	STATIONERY & OFFICE SUPPLIES	23	241	200	200	206
42245	COMPUTER HARDWARE-NON CAPITAL	1,865	1,327	100	217	103
42248	OTHER SUPPLIES	291	10	10,600	10,600	103
42250	ADVERTISING	1,937	1,368	10,000	10,000	10,300
42252	PHOTOCOPYING	959	24	1,000	1,000	1,030
42254	POSTAGE & FREIGHT	316	445	200	1,089	206
42257	PRINTING	3,473	632	2,000	2,000	2,060
42261	AUTO MILEAGE	1,091	855	1,000	1,000	1,030
42299	OTHER EXPENSE	2,568	1,207	38,000	38,000	3,090
42408	TRAINING & EDUCATION	-	140	2,500	2,500	515
42415	CONFERENCE & MEETINGS	657	1,034	500	1,000	515
42423	MEMBERSHIP & DUES	419	265	300	300	309
42435	SUBSCRIPTION & PUBLICATIONS	-	-	-	250	-
	Supplies Total	**270,186**	**79,834**	**219,892**	**221,648**	**45,814**
45003	GENERAL LIABILITY INSURANCE	94	695	272	272	1,488
45004	BUILDING MAINT - CURRENT SERVICES	940	-	-	-	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	732	-	-	-	-
45009	INFO SYSTEM SERVICES	5,905	6,628	7,668	7,668	9,075
	Internal Services Total	**7,671**	**7,323**	**7,940**	**7,940**	**10,563**
49241	TRANSFER OUT-BOND/DEBT	1,021	-	-	-	-
	Transfer Total	**1,021**	**-**	**-**	**-**	**-**
5800 - Environmental Services Total		**374,245**	**172,903**	**359,572**	**360,198**	**204,461**

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 entire activity directly supports the Council goal of providing for a well maintained public infrastructure and also facilitates 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.

FY13-14 HIGHLIGHTS

- Restored street tree grid pruning program, reducing potential road and sidewalk impediments and will improve tree health
- Administered contract to install new street name signs that are larger, more legible, more reflective and distinctive
- Administered contract to test all regulatory and warning signs for their retroreflectivity
- Substantially completed winter storm system maintenance work including inspecting and cleaning catch basins and 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 third 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
- Established contract to retrofit the City's remaining street lights from high pressure sodium to LED

FY 14-15 ACTIVITY GOALS

- Begin annual program to seal and refresh City owned parking lot facilities
- Begin first phase of replacing traffic signs found to below retroreflectivity standards
- Continue to monitor landscape water use in medians and linear parks and minimize water usage to support the City Council declaration of a Level 1 Water Supply Shortage

FY 14-15 WORKPLAN

- Prepare reports that identifies, quantifies, and prioritizes the needs to maintain street infrastructure
- Implement elements of the Safe and Sustainable Streets Report per direction from the City Coun

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 FY 14-15:

Stimulate Economic Development

- Maintenance activities support economic development by renewing infrastructure and eliminating substandard conditions that would hinder private investment

Finance and Advocate for Infrastructure Improvements

- The entire street maintenance program directly supports improvements in the City's infrastructure

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 has been completed to determine the true and full costs of maintaining all aspects of the City's streets infrastructure and to offer the City Council a number of options for addressing the issue of funding maintenance of Streets infrastructure. 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. As an initial step toward reaching sustainability, the FY 14-15 budget includes an ongoing $100,000 in funding that will be dedicated to needed service improvements in the area of tree trimming and safety street painting.

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 to 65 in 2018 and deferred maintenance will grow from $19 to $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 2018. Annual expenditures of over $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.

Street Maintenance (continued)

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Average Customer Work Order Response Time (in hours): Non-emergency	Target	30	30	20	25
	Actual	13	20	27	
Average Customer Work Order Response Time (in minutes): Emergency	Target	30	20	15	15
	Actual	15	15	7	
Repair Maintenance Related Permanent Asphalt (in tons)	Target	30	50	75	75
	Actual	52	50	75	
Vegetation Abatement Program (Percentage of area abated by July 1 that is serviced by City employees - not contractors)	Target	90%	90%	90%	90%
	Actual	90%	90%	90%	
Storm Drain System Preventive Maintenance	Target	90%	90%	90%	90%
	Actual	90%	90%	90%	
Pavement Condition - Citywide streets system (PCI)	Target	75.5	75.0	75.8	70.0
	Actual	76.0	75.0	70.0	

Street Maintenance (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	383,011	399,167	439,014	436,590	437,916
41271	SALARIES - PART-TIME TEMP	12	12	-	125	-
41320	EARNED LEAVE LIABILITY	12,194	11,250	6,770	6,770	10,044
41490	OVERTIME - GENERAL	10,630	16,364	20,000	13,000	20,600
41560	UNEMPLOYMENT INSURANCE	5,399	556	-	-	-
41620	RETIREMENT - GENERAL	91,594	97,335	106,362	73,525	76,386
41690	DEFERRED COMPENSATION	8,043	8,624	10,072	8,535	7,750
41700	GROUP INSURANCE	69,400	66,899	78,322	83,209	93,302
41701	MEDICARE	5,473	5,707	6,675	5,817	6,661
41730	INCOME PROTECTION INS	4,320	4,538	4,578	5,032	4,941
41760	WORKERS COMP	7,050	15,163	23,600	22,259	11,371
41799	BENEFITS	1,101	1,178	1,339	991	835
41800	UNIFORM	5,969	3,454	-	7,000	7,210
	Salaries Total	**604,196**	**630,247**	**696,732**	**662,853**	**677,016**
42205	TAXES	-	-	-	13,578	13,985
42208	ELECTRIC	316,515	383,243	310,000	310,000	208,116
42210	WATER/SEWER	11,349	14,467	11,500	11,500	12,845
42214	TELEPHONE	1,117	2,146	1,500	2,038	1,545
42228	GASOLINE & OIL	14,606	13,678	13,200	13,200	13,596
42231	CONTRACT SERVICES	302,989	296,928	1,462,879	1,462,879	461,200
42235	DOWNTOWN MAINTENANCE	9,938	-	-	-	-
42240	RENTALS - OUTSIDE	1,226	1,463	-	-	-
42244	STATIONERY & OFFICE SUPPLIES	1,011	3,283	1,500	3,000	1,545
42245	COMPUTER HARDWARE-NON CAPITAL	-	1,139	-	1,500	-
42246	COMPUTER SOFTWARE-NON CAPITAL	1,500	-	-	-	-
42248	OTHER SUPPLIES	66,421	49,558	75,000	75,000	78,250
42250	ADVERTISING	-	482	-	200	-
42254	POSTAGE & FREIGHT	33	58	50	100	52
42257	PRINTING	1,154	653	800	1,500	824
42261	AUTO MILEAGE	-	39	-	50	-
42281	SMALL TOOLS	647	5,429	3,500	3,500	3,605
42299	OTHER EXPENSE	841	511	500	1,000	515
42408	TRAINING & EDUCATION	2,456	1,967	2,500	2,500	2,575
42423	MEMBERSHIP & DUES	200	117	250	390	258
42435	SUBSCRIPTION & PUBLICATIONS	253	170	50	50	52
42523	MAINT - MACHINE/EQUIPMENT	12,779	15,445	9,500	18,244	9,785
42526	MAINT - AUTO/TRUCKS	10,091	13,480	27,500	27,500	10,300
	Supplies Total	**755,125**	**804,255**	**1,920,229**	**1,947,729**	**819,048**
43825	MACHINERY/EQUIPMENT	-	-	-	4,780	-
	Capital Total	**-**	**-**	**-**	**4,780**	**-**
44990	PRINCIPAL	-	-	-	-	104,107
44991	INTEREST	-	-	-	-	7,076
	Debt Total	**-**	**-**	**-**	**-**	**111,184**
45003	GENERAL LIABILITY INSURANCE	51,801	51,215	32,389	32,389	193,277
45004	BUILDING MAINT - CURRENT SERVICES	18,836	17,303	25,908	25,908	21,552
45005	BUILDING MAINT - FUTURE REPLACEMENT	1,168	1,168	1,058	1,058	1,058
45006	FLEET REPLACEMENT	37,209	68,624	63,411	63,411	63,335
45009	INFO SYSTEM SERVICES	838	1,326	1,917	1,917	2,269
	Internal Services Total	**109,852**	**139,636**	**124,683**	**124,683**	**281,491**
6100 - Street Maintenance Total		**1,469,172**	**1,574,138**	**2,741,644**	**2,740,045**	**1,888,739**

Lighting and Landscape District [229-8351]

ACTIVITY DESCRIPTION

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 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 FY14-15, no assessment rate increases are proposed.

In two of the 20 subareas, a negative fund balance exists. Pursuant to Prop 218, ballot measures were conducted over the past, but neither passed thus disapproving an increase in the assessment rate. As a result, maintenance services in these two subareas continues at a reduced level limited to annual weed abatement only. This strategy is working to reduce these negative fund balances.

District maintenance is done almost exclusively by contract. This contract work was rebid during FY 13-14 and new contracts are in place to serve the District. The City anticipates having a higher level of service.

FY 13-14 HIGHLIGHTS

- Continued to improve the financial strength of the District by aligning costs and expenses per sub areas
- Implemented reserve policy and reserve goal for each subarea based on long-term maintenance plan
- Installed significant improvements, where funds allowed, in the landscapes and hardscapes of several subareas

FY 14-15 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

Lighting and Landscape District (continued)

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 FY 14-15:

Finance and Advocate for Infrastructure Improvements

- The District serves as a funding mechanism for supporting infrastructure improvements within the District's boundaries

Support Youth

- 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)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	13,907	17,427	21,345	23,787	19,957
41271	SALARIES - PART-TIME TEMP	330	-	-	-	-
41320	EARNED LEAVE LIABILITY	546	572	507	507	578
41490	OVERTIME - GENERAL	3,163	3,670	-	-	-
41560	UNEMPLOYMENT INSURANCE	143	15	-	-	-
41620	RETIREMENT - GENERAL	2,901	3,749	4,716	3,964	3,481
41690	DEFERRED COMPENSATION	488	557	759	521	288
41700	GROUP INSURANCE	1,366	1,266	1,580	2,644	3,376
41701	MEDICARE	198	282	311	321	290
41730	INCOME PROTECTION INS	137	151	172	251	239
41760	WORKERS COMP	217	476	869	640	495
41799	BENEFITS	50	51	72	118	60
	Salaries Total	**23,446**	**28,217**	**30,331**	**32,753**	**28,764**
42208	ELECTRIC	4,355	3,446	3,800	3,800	3,914
42210	WATER/SEWER	31,833	46,162	40,450	40,450	41,664
42231	CONTRACT SERVICES	76,473	88,193	93,037	93,037	91,789
42248	OTHER SUPPLIES	823	2,943	-	2,448	2,433
42250	ADVERTISING	-	-	2,000	2,000	2,060
42254	POSTAGE & FREIGHT	12	109	-	50	-
	Supplies Total	**113,498**	**140,852**	**139,287**	**141,785**	**141,860**
45003	GENERAL LIABILITY INSURANCE	275	237	102	102	546
45010	GF ADMIN	11,004	10,453	10,453	8,297	8,587
	Internal Services Total	**11,279**	**10,690**	**10,555**	**8,399**	**9,133**
8351 - Lighting And Landscape District Total		**148,222**	**179,760**	**180,173**	**182,937**	**179,757**

Burrowing Owl Reserve Land [232-5805]

ACTIVITY DESCRIPTION

The Burrowing Owl Reserve Land program is responsible for completing the former Redevelopment Agency's obligations under the Burrowing Owl Habitat Mitigation Plan. City Owl Reserve lands were surveyed and managed to ensure habitat compatibility. This program is now in transition as City staff and staff from the Habitat Agency discuss transferring owl habitat mitigation from the City to the Habitat Agency.

FY 13-14 HIGHLIGHTS

- Accepted annual report from contract biological firm on condition of reserve lands and presence of owls

FY 14-15 ACTIVITY GOALS

- Work to develop agreement to transfer program to Habitat Agency in a way that maximizes benefits to burrowing owls and the City's interests

COUNCIL GOALS

The Burrowing Owl Reserve Land Division implemented policies and activities that are aligned with the ongoing priority that the City Council established of protecting the environment.

FINANCIAL COMMENTS

Funding for this activity comes from a fee placed on new development. The fee is currently $187 per residential unit and $1,306 per acre for nonresidential development and is expected to bring in over $69,000 this year.

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Number of owls reported (calendar year)	Target	2	2	2	N/A
	Actual	0	0	0	N/A
Acres of reserve habitat (calendar year)	Target	30	30	30	N/A
	Actual	30	30	30	N/A
Habitat points (calendar year)	Target	754	750	754	N/A
	Actual	754	TBD	754	N/A

Burrowing Owl Reserve Land (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41620	RETIREMENT - GENERAL	4	-	-	-	-
41700	GROUP INSURANCE	13	-	-	-	-
41799	BENEFITS	1	-	-	-	-
	Salaries Total	**18**	**-**	**-**	**-**	**-**
42231	CONTRACT SERVICES	6,222	5,873	10,000	10,000	10,300
42299	OTHER EXPENSE	11,025	1,589	25,000	25,000	25,750
	Supplies Total	**17,247**	**7,462**	**35,000**	**35,000**	**36,050**
45010	GF ADMIN	751	768	768	627	649
	Internal Services Total	**751**	**768**	**768**	**627**	**649**
5805 - Burrowing Owl Total		**18,016**	**8,230**	**35,768**	**35,627**	**36,699**

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.

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 now must 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 cooperatively with neighboring jurisdictions in order to share costs and avoid duplication.

FY 13-14 HIGHLIGHTS

- Worked with the County and Gilroy in implementing the Regional Plan
- Submitted third Annual Report to the State on Regional Plan implementation
- Expanded stormdrain marking program
- Continued fecal coliform monitoring
- Began implementation of the new State General Permit

FY 14-15 ACTIVITY GOALS

- Implement the adopted Regional Plan in cooperation with the County and Gilroy
- Implement additional activities specified in the City's grant agreement with the Water District including Earth Day, Litter Cleanup and Chemical Runoff Prevention activities
- Begin expanded water quality monitoring programs as required by the Regional Board

COUNCIL GOALS

The Stormwater Pollution Prevention Division will implement policies and activities that are aligned with the ongoing priority that the City Council established to protect the environment.

Stormwater Pollution Prevention continued)

FINANCIAL COMMENTS

Since stormwater pollution prevention reduces water pollution and keeps pollutants from being improperly discharged into the sewer system, funding for this activity comes from transfers out of the Water and Sewer funds in addition to equivalent transfers from the General Fund and Community Development Fund.

The Regional Plan contains many additional obligations required by the Regional Water Quality Control Board. While combining efforts with neighboring South County jurisdictions offers some efficiency, workload continues to increase in this activity. For FY 14-15, an additional 0.5 FTE Storm Water Management Specialist is proposed to support these increasing obligations ($46,000).

Stormwater Pollution Prevention (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	55,919	58,087	63,063	62,423	95,772
41271	SALARIES - PART-TIME TEMP	1,149	1,197	9,440	9,440	-
41320	EARNED LEAVE LIABILITY	2,835	3,626	2,266	2,266	4,056
41490	OVERTIME - GENERAL	197	1,615	-	1,000	-
41560	UNEMPLOYMENT INSURANCE	459	48	-	-	-
41620	RETIREMENT - GENERAL	10,474	11,557	12,466	10,349	16,705
41690	DEFERRED COMPENSATION	2,062	1,994	2,249	1,198	1,839
41700	GROUP INSURANCE	5,835	5,072	5,554	7,076	15,640
41701	MEDICARE	784	843	922	887	1,393
41730	INCOME PROTECTION INS	517	528	523	555	1,359
41760	WORKERS COMP	559	1,321	1,836	2,049	2,375
41799	BENEFITS	427	412	492	310	297
	Salaries Total	**81,217**	**86,300**	**98,811**	**97,553**	**139,436**
42231	CONTRACT SERVICES	2,526	6,506	17,000	17,000	17,510
42236	BANK CARD SERVICE FEES	69	63	100	249	257
42248	OTHER SUPPLIES	2,026	179	1,900	1,900	1,957
42250	ADVERTISING	-	800	500	800	515
42254	POSTAGE & FREIGHT	411	14	500	500	515
42257	PRINTING	1,258	978	5,000	5,000	5,150
42261	AUTO MILEAGE	45	90	100	200	103
42299	OTHER EXPENSE	2,681	2,531	18,000	18,000	18,540
42408	TRAINING & EDUCATION	-	27	-	50	-
42423	MEMBERSHIP & DUES	12,131	12,131	14,000	14,000	14,420
	Supplies Total	**21,146**	**23,320**	**57,100**	**57,699**	**58,967**
45003	GENERAL LIABILITY INSURANCE	72	579	227	227	1,751
45010	GF ADMIN	15,855	15,036	15,036	5,457	5,648
	Internal Services Total	**15,927**	**15,615**	**15,263**	**5,684**	**7,399**
5810 - Stormwater Pollution Prevention Total		**118,291**	**125,235**	**171,174**	**160,936**	**205,802**

Open Space Fund [306-8063]

ACTIVITY DESCRIPTION

The Open Space Fund has two primary activities. The first is to abate weeds on an annual basis as part of the City's public safety efforts. Historically, the City has contracted with Santa Clara County (SCC) for weed abatement of its 320 acres in numerous locations throughout the City. As part of this turnkey approach, the SCC Weed Abatement Coordinator works with the fire department to abate weeds as necessary. City employee time is limited to correspondence with residents and the Weed Abatement Coordinator. Due to the location and topography of the City's open space, often specialized equipment or hand work is necessary.

The second activity is to acquire open space through conservation easements or fee title. According to the Urban Limit Line/Greenbelt Study, priority locations are the east side of El Toro Mountain and the foothills east of Hill Road and north of Dunne Avenue. If adopted, the City's proposed Agricultural Policies and Implementation Program contemplates the use of Open Space Funds for acquisition of agricultural easements within the Morgan Hill Sphere of Influence.

FY 13-14 HIGHLIGHTS

- Abated weeds in Jackson Oaks open space, on the valley floor, and in the burrowing owl habitat

FY 14-15 ACTIVITY GOALS

- Continue implementing reduced-cost approach to weed abatement with Santa Clara County

COUNCIL GOALS

The Open Space Fund Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY 14-15:

Participate in Regional Issues

- Maintaining open spaces and purchasing additional open space lands is a component of regional efforts to protect habitat and continue to allow agriculture to be productive regionally

FINANCIAL COMMENTS

Open Space Fund accounts for open space fees collected from developers to pay for open space expenses. These funds are used to conduct fire safety weed abatement activities on open space lands and to construct trails in open space areas as planned for in the City's Capital Improvement Program.

Open Space Fund (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	111,872	71,396	120,011	120,011	103,000
42236	BANK CARD SERVICE FEES	798	1,169	1,000	2,374	2,445
	Supplies Total	**112,670**	**72,565**	**121,011**	**122,385**	**105,445**
45010	GF ADMIN	1,361	1,345	1,345	3,327	3,443
	Internal Services Total	**1,361**	**1,345**	**1,345**	**3,327**	**3,443**
86360	CONSTRUCTION	-	-	50,000	-	1,120,000
	Project Total	**-**	**-**	**50,000**	**-**	**1,120,000**
8063 - Open Space Total		**114,031**	**73,910**	**172,356**	**125,712**	**1,228,889**

Water Conservation [650-5760]

ACTIVITY DESCRIPTION

The Water Conservation Program works cooperatively with the Santa Clara Valley Water District on a variety of programs aimed at reducing water consumption. While the program typically focuses on long-term measures and approaches as yearly consumption rates can vary significantly based on the temperature and rainfall experienced in the City, much effort was made in the recent past years to respond to the drought and the Water District's call for 15 percent mandatory conservation in 2009. With the need for short-term conservation easing, activities in the recent past transitioned into instituting long-term programs.

The State is currently experiencing a drought again and drought response activities have ramped up accordingly. The City declared a Level 1 Supply Shortage on April 2, 2014 which limits irrigation to Mondays, Wednesdays and Fridays; prohibits the washing down of hard surfaces except for safety or sanitary reasons; and shortens the required response time to eliminate leaks. Staff are now collaborating with the District and other marketing partners to encourage water customers to use less water and are responding to reports of water waste on a daily basis. The Level 1 status will remain in place until it is rescinded by the City Council.

FY 13-14 HIGHLIGHTS

- Initiated drought response activities and led regional cooperative effort with Water District
- Continued implementation of the City's Water-Efficient Landscape Ordinance
- Continued supporting turf replacement and toilet rebate programs with the Water District
- Promoted water conservation in the community through the sharing of literature, newspaper and newsletter articles, and direct targeted solicitations

FY 14-15 ACTIVITY GOALS

- Continue enhanced marketing efforts to encourage reduced water consumption during the drought
- Monitor water supplies and respond to potential additional calls for conservation if drought conditions change

COUNCIL GOALS

The Water Conservation Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY 14-15:

Participate in Regional Issues

- The Water Conservation Team plays an active role in supporting regional water conservation programs

Water Conservation (continued)

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."

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Gallons of water produced daily per person and employee (calendar year)	Target	130	130	130	114
	Actual	131	130	142	

Water Conservation (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	39,661	23,543	27,204	25,795	26,966
41320	EARNED LEAVE LIABILITY	2,200	1,912	896	896	1,706
41490	OVERTIME - GENERAL	9	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	296	18	-	-	-
41620	RETIREMENT - GENERAL	6,567	4,155	4,754	4,252	4,704
41690	DEFERRED COMPENSATION	1,733	874	1,082	461	462
41700	GROUP INSURANCE	4,180	1,774	2,164	2,419	2,642
41701	MEDICARE	549	325	399	348	393
41730	INCOME PROTECTION INS	376	225	252	252	264
41760	WORKERS COMP	357	430	668	633	669
41799	BENEFITS	381	247	327	138	132
	Salaries Total	**56,309**	**33,505**	**37,746**	**35,194**	**37,938**
42214	TELEPHONE	143	63	120	120	124
42231	CONTRACT SERVICES	328	5,458	6,665	6,665	6,865
42254	POSTAGE & FREIGHT	436	1	400	400	412
42257	PRINTING	420	-	1,200	1,200	1,236
42261	AUTO MILEAGE	279	218	200	209	206
42299	OTHER EXPENSE	20,346	20,137	40,000	40,000	41,200
42408	TRAINING & EDUCATION	-	-	400	400	412
42415	CONFERENCE & MEETINGS	-	-	200	200	206
	Supplies Total	**21,952**	**25,877**	**49,185**	**49,194**	**50,661**
45003	GENERAL LIABILITY INSURANCE	43	232	91	91	350
45004	BUILDING MAINT - CURRENT SERVICES	261	-	-	-	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	261	-	-	-	-
45010	GF ADMIN	8,502	8,089	8,089	4,743	4,909
	Internal Services Total	**9,067**	**8,321**	**8,180**	**4,834**	**5,259**
49241	TRANSFER OUT-BOND/DEBT	364	-	-	-	-
	Transfer Total	**364**	**-**	**-**	**-**	**-**
5760 - Water Conservation Total		**87,692**	**67,703**	**95,111**	**89,222**	**93,858**

gedwin
pumps

Fire

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ -	$ 40,552	$ 60,895	$ 46,865	$ -
Supplies & Services	5,570,355	4,865,517	4,910,355	4,544,583	5,045,399
Capital Outlay	-	5,532,947	-	7,567	250,000
Debt Services	-	18,111	-	-	-
Internal Service	-	289	142,693	142,693	142,932
Transfers Out	-	-	-	-	-
TOTAL EXPENDITURES	**$ 5,570,355**	**$ 10,457,415**	**$ 5,113,943**	**$ 4,741,708**	**$ 5,438,331**

FULL TIME EQUIVALENT EMPLOYEES	**0.00**	**0.25**	**0.25**	**0.25**	**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).

FY 13-14 HIGHLIGHTS

- Successfully reestablished the Morgan Hill Fire Department through contracting with CAL FIRE
- Established a fire explorer program
- Initiated a community Cardio Pulmonary Resuscitation class schedule
- Participated in the County wide launch of the Pulse Point app.
- Amended the Morgan Hill municipal code to establish a volunteer firefighter force, participated in the training of the South County Volunteer Firefighters
- 1872 public education contacts
- Performed 1503 business inspections
- Completed a mapping update project
- Adopted Fire Code
- Water conservation landscaping and irrigation at El Toro Fire Station
- Completed the County wide fire apparatus renumbering plan

FY 14-15 WORKPLAN

- Fire Explorers- Continue to recruit and train cadets
- Insurance Service Office (ISO) rating- complete the ISO review to maximize city benefit.
- Develop a five year/strategic plan
- 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)
- Implement County wide Electronic Patient Care Reporting (EPCR) program
- Staff volunteer firefighting force as equipment allows

Fire (continued)

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 FY14-15:

Enhance public safety

- Continue to focus on preparedness and capacity for emergency response through technology, equipment, and staffing alternatives.
- Work collaboratively with other city departments to enhance city response capabilities.
- Continue to train the public in emergency response preparedness.
- Increase response capacity through funding of the volunteer firefighter program.
- Continue to facilitate training and participate in the Emergency Operations Center

Enhance Community Engagement and Diversity

- Continue to be proactive in public education events.
- Continue to support local community groups.
- Continue to support CERT training and related programs.

Supporting youth

- Continue with school site visits and station tours for fire prevention activities.
- Continue to expand the fire explorer program

FINANCIAL HIGHLIGHTS

FY 14-15 includes $25,000 for the purchase of Personal Protective Equipment (PPE) for our newly established volunteer firefighter program. It also includes $250,000 for the purchase of a Type VI Fire Engine, which is a smaller, more versatile response vehicle, equipped for wild land fires and advanced life support response.

Fire (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	-	28,305	44,217	36,629	-
41320	EARNED LEAVE LIABILITY	-	3,150	-	-	-
41560	UNEMPLOYMENT INSURANCE	-	17	-	-	-
41620	RETIREMENT - GENERAL	-	4,644	7,245	6,024	-
41690	DEFERRED COMPENSATION	-	384	1,327	408	-
41700	GROUP INSURANCE	-	2,178	4,966	1,870	-
41701	MEDICARE	-	392	657	517	-
41730	INCOME PROTECTION INS	-	242	272	362	-
41760	WORKERS COMP	-	516	1,086	899	-
41799	BENEFITS	-	725	1,125	156	-
	Salaries Total	**-**	**40,552**	**60,895**	**46,865**	**-**
42208	ELECTRIC	-	6,287	15,000	15,000	15,000
42210	WATER/SEWER	-	1,072	2,000	2,000	2,000
42214	TELEPHONE	-	11,494	12,000	13,641	12,000
42228	GASOLINE & OIL	-	13,219	30,000	48,000	49,440
42231	CONTRACT SERVICES	5,569,059	4,468,500	43,501	43,501	43,501
42238	CONTRACT SERVICES-CALFIRE	-	-	4,122,671	3,750,000	4,225,738
42244	STATIONERY & OFFICE SUPPLIES	-	11,944	3,000	8,400	8,652
42245	COMPUTER HARDWARE-NON CAPITAL	-	17,102	12,000	5,000	5,000
42248	OTHER SUPPLIES	-	285,915	88,000	88,000	111,000
42249	ALS SUPPLIES AND SERVICES	-	20,511	42,300	35,000	35,000
42250	ADVERTISING	377	261	-	500	300
42254	POSTAGE & FREIGHT	37	836	1,000	500	515
42257	PRINTING	-	3,538	1,000	1,000	3,000
42263	TB/DRUG/FINGERPRINTING	-	-	1,000	-	-
42281	SMALL TOOLS	-	65	2,000	1,383	1,030
42299	OTHER EXPENSE	882	2,258	1,000	1,525	1,030
42301	REIMBURSEMENTS	-	-	1,000	267	-
42408	TRAINING & EDUCATION	-	4,295	15,000	15,000	16,000
42410	PROFESSIONAL DEVELOPMENT	-	500	1,000	1,000	-
42415	CONFERENCE & MEETINGS	-	908	1,000	1,000	1,000
42423	MEMBERSHIP & DUES	-	445	1,000	2,000	2,060
42510	MAINT - BLDGS/IMPROVEMENTS	-	2,126	20,000	25,000	25,750
42523	MAINT - MACHINE/EQUIPMENT	-	1,013	5,000	1,983	2,500
42526	MAINT - AUTO/TRUCKS	-	7,109	25,000	25,000	25,000
42536	MAINT - OTHER	-	6,119	5,000	-	-
42546	FIRE STATION ACQUISITION PAYMENT	-	-	259,295	259,295	259,295
42556	APPARATUS LEASE	-	-	200,588	200,588	200,588
	Supplies Total	**5,570,355**	**4,865,517**	**4,910,355**	**4,544,583**	**5,045,399**
43820	OTHER IMPROVEMENTS	-	2,763,800	-	-	-
43825	MACHINERY/EQUIPMENT	-	32,737	-	7,567	-
43830	AUTO/TRUCKS	-	2,536,410	-	-	250,000
43835	FURNITURE/OFFICE EQUIPMENT	-	200,000	-	-	-
	Capital Total	**-**	**5,532,947**	**-**	**7,567**	**250,000**
44991	INTEREST	-	18,111	-	-	-
44994	LEASE PAYMENTS	-	-	-	-	-
	Debt Total	**-**	**18,111**	**-**	**-**	**-**
45003	GENERAL LIABILITY INSURANCE	-	289	30,113	30,113	30,000
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	-	60,000	60,000	60,000
45006	FLEET REPLACEMENT	-	-	50,663	50,663	50,663
45009	INFO SYSTEM SERVICES	-	-	1,917	1,917	2,269
	Internal Services Total	**-**	**289**	**142,693**	**142,693**	**142,932**
3510 - Fire Administration Total		**5,570,355**	**10,457,415**	**5,113,943**	**4,741,708**	**5,438,331**

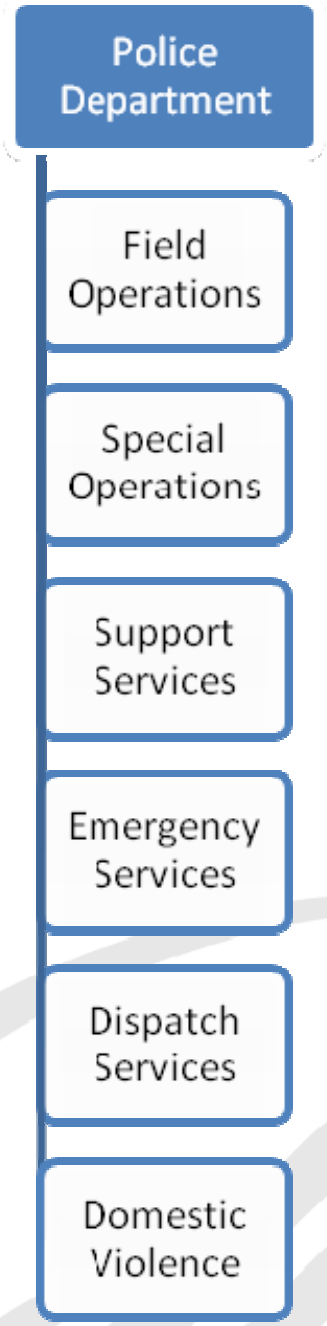
Police

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 8,848,019	$ 9,504,400	$ 10,899,300	$ 10,114,238	$ 11,032,872
Supplies & Services	1,187,128	1,253,527	1,265,809	1,280,654	1,240,345
Capital Outlay	34,095	51,901	115,920	115,920	110,070
Debt Services	-	-	-	-	-
Internal Service	581,983	794,727	1,098,227	1,087,180	1,265,000
Transfers Out	203,346	211,079	212,794	215,043	214,613
TOTAL EXPENDITURES	**$ 10,854,570**	**$ 11,815,634**	**$ 13,592,050**	**$ 12,813,036**	**$ 13,862,900**

PD ADMINISTRATION	$ 712,241	$ 845,279	$ 1,097,094	$ 853,871	$ 1,123,579
PD FIELD OPERATIONS	5,921,824	5,769,449	6,985,084	6,507,006	6,848,283
PD SUPPORT SERVICES	1,275,880	1,453,316	1,646,364	1,650,265	1,857,488
PD EMERGENCY SERVICES	129,723	149,454	173,065	180,467	165,228
PD SPECIAL OPERATIONS	1,109,661	1,863,788	1,890,406	1,863,895	2,187,473
DOMESTIC VIOLENCE GRANT	589,195	517,922	520,469	518,271	336,843
DISPATCH SERVICES	1,116,046	1,216,426	1,279,569	1,239,260	1,344,006
TOTAL EXPENDITURES BY PROGRAM	**$ 10,854,570**	**$ 11,815,634**	**$ 13,592,050**	**$ 12,813,036**	**$ 13,862,900**

FULL TIME EQUIVALENT EMPLOYEES	**52.96**	**55.50**	**56.50**	**56.50**	**58.50**


Police Department
Field Operations
Special Operations
Support Services
Emergency Services
Dispatch Services
Domestic Violence

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 FY13-14 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 indi-

Police Administration (continued)

cated 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.

During FY14-15 the Police Department will add two new officers for a total of 39 sworn police officers. A new Corporal level position will be added to work directly with local hotels (38th officer). This position will serve as the point person to between hotel staff, management and the Police Department to prevent the increase of illegal activity at those locations. Also in FY14-15, the Police Department will be increasing its presence on three regional task forces. An additional officer will be hired to allow the Department to participate as an active member on the federal San Jose Drug Enforcement Agency (DEA) Task Force (39th officer). Participation in this task force will include conducting high level drug trafficking investigations in Santa Clara County. Through a revenue sharing Agreement, participating agencies share proceeds from seized assets. It is anticipated $90,000 in revenue will be received in FY14-15 to offset a portion of the assigned officer's compensation. The second Task Force the Department will join is the Santa Clara County Special Enforcement Team (SCCSET). SCCSET is an all crimes task force that investigates drug sales, homicides, robberies and conducts electronic and visual surveillance. The SCCSET Task Force works in partnership with the AB109 Task Force to monitor AB109 offenders, enforce state drug laws, and arrest violent offenders using illegal weapons to commit crimes. The existing officer currently assigned to the United Narcotic Enforcement Team (UNET) will be reassigned to SCCSET. Current funding for agencies participating in SCCSET is 42% of compensation of the assigned officer or $85,000. The third task force is the Regional Auto Theft Task Force (RATTF). An existing 1FTE Detective will be assigned to RATTF to work throughout the County to curb auto thefts and related crimes. The cost for this position will be offset by a contribution of 42% of the officer's compensation for participation in the task force. Membership in all three task forces will not only enhance the Department's presence on a regional level but also contribute to employee development. Officers will gain expertise and skills in the investigation and prosecution of drug offenses, homicides, robberies, auto thefts and other related crimes and will share that knowledge with our team. Enhancing skills and expertise department-wide aligns to Outcome Four of the Department's Strategic Plan – Increase Proficiency of Staff.

Police Administration (continued)

FY13-14 HIGHLIGHTS

As noted, the Department has implemented a strategic plan for fiscal years 2013-2016. FY13-14 highlights are aligned to each of the 4 goals listed below.

GOAL 1 – REDUCE incidents of crime and traffic collisions

- Responded to 34,516 calls for service and self-initiated contacts during 2013 calendar year resulting in 1,592 arrests; this reflects a 3% increase in calls for service and self-initiated contacts from calendar 2012
- The Department met and exceeded its goal to reduce traffic collisions by 5%; in 2013 there was a 9% reduction in the number of collisions from 2012; The Department responded to a total of 200 traffic collisions
- Experienced a 3% decrease in Part 1 property crimes from calendar year 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
- Received grant award from the State of California to conduct 4 DUI checkpoints in 2013/2014 and purchase equipment to enhance checkpoint safety

GOAL 2 – INCREASE TRUST AND CONFIDENCE IN THE POLICE DEPARTMENT

- Established non-resident baseline levels on feelings of safety in the community and levels of trust and confidence in the Police Department through a community survey
- 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

Police Administration (continued)

- Expanded number of subscribers to e-newsletter to over 1,500
- 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 4.

GOAL 3 – INCREASE FEELING OF SAFETY

- Successfully launched Adopt-A-School program; Officers volunteer to serve as primary contact at each elementary and middle school and serve as a resource for students, faculty and parents
- Reinstated K9 program with funds provided by the Community Law Enforcement Foundation
- Prepared and submitted grant application to Department of Justice/Office of Violence Against Women for fourth round of funding for domestic violence grant in the amount of $900,000 over 36 months
- Achieved a crime rate of 2,177 crimes per 100,000 population; Average is 2,491 for county
- Achieved a 70% clearance rate for violent crimes*; Pacific Region average is 44%
- Achieved a 15% 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 43% increase in GB hours of data storage over 2012
- Hired 5 new police officers to replace sworn staff who retired from Department
- Hired 2 Multi-Service Officers for a total of 3 to support police activities and animal services
- Hired 1 Public Safety Dispatcher to support increased number of police officers

Police Administration (continued)

- Launched a Peer Support Team to provide support fellowship and debrief to officers, dispatchers and their families after a critical incident
- Completed Emergency Vehicle Operations Course (EVOC) training for sworn staff
- Developed long-term staffing plan

Police Department statistics reflect calendar year 2013

FY14-15 WORKPLAN

- Implement radio upgrade in coordination with Silicon Valley Regional Interoperability Authority
- Launch Neighborhood Ownership Program
- Implement pilot program for paperless report writing system
- Hire 7 officers: 1FTE Corporal to work with hotels, 1FTE officer to allow Dept to participate in San Jose DEA Task Force and the remainder will replace those retiring.
- Establish Family Justice Center for South County in partnership with District Attorney, Gilroy Police Department, Probation Department, Sheriff's Office, Department of Family and Children's Services, and Community Solutions

COUNCIL GOALS

The Police Department will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Supporting Youth

- Continue to support youth through participation on the South County Valley Youth Safety Task Force to address the influences and impacts of gang activity on Morgan Hill youth
- Provide youth identified as at-risk for gang affiliation with the opportunity to participate in sports programs and recreational activities mentored by police officers and law enforcement staff
- Continue Adopt-a-School Program whereby patrol officers regularly visit specific schools to conduct foot patrol and community outreach

Police Administration (continued)

- Continue to implement active Police Explorer program to offer youth between the ages of 14-21 with the opportunity to learn first-hand about law enforcement as a profession

Community Engagement and Diversity

- Continue to actively use social media such as Facebook and Twitter to enhance on-going communication between the Department and Morgan Hill residents regarding public safety
- Maintain quarterly schedule for Department e-newsletter; send eblasts as needed with announcements and alerts regarding public safety to subscribers
- Hold community events including Public Safety Day and National Night Out
- Implement Neighborhood Ownership Program, whereby officers will adopt a neighborhood within their regular beat to engage residents, hold regular Neighborhood Watch programs, serve as public safety liaison, and train volunteer residents to help educate and mobilize their neighbors to reduce crime
- Continue to conduct outreach to all segments of the community for participation in the Citizens Police Academy
- Offer Citizens Police Academy two times 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
- Expand Community Emergency Response Team (CERT) training to include Teen CERT, CERT offered in Spanish, and Advanced CERT training.

Participating in Regional Issues

- 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
- Continued participation on the United Narcotic Enforcement Team (UNET) to combat drug sales and drug use in Southern Santa Clara and San Benito counties
- Participate in radio upgrade project with Silicon Valley Interoperability Authority to enhance communication between and among law enforcement agencies in Santa Clara County
- Establish a Family Justice Center for Southern Santa Clara County to provide comprehensive interagency services to victims of domestic violence at one location. The Family Justice Center will en-

hance victim safety and security and also provide wrap-around services to support them as they navigate through the judicial process.

- A new officer will be hired to allow the Department to participate in the San Jose Drug Enforcement Administration (DEA); the DEA is a multi-jurisdictional task force dedicated to the investigation of high level drug trafficking activity
- An existing 1FTE Detective will be assigned to the Santa Clara County Special Enforcement Team (SCCSET); SCCSET is an all crimes task force that investigates drug sales, homicides, robberies and conducts electronic and visual surveillance
- An existing 1FTE Detective will be assigned to the Regional Auto Theft Task Force (RATTF); RATTF is a multi-jurisdictional task force dedicated to reducing the crime of auto-theft.

FINANCIAL COMMENTS

In FY14-15 the Police Department will hire 7FTE Police Officers to replace recently retired officers and fill two new positions: 1) 1FTE Corporal position to work with hotels and 2) 1FTE officer position to allow for participation in regional task forces for a total of 39 sworn positions. The new Corporal position will be funded by the General Fund at a cost of approximately $217,000. The cost for the three positions assigned to regional task forces will be partially offset by contributions from those units:

New – 1FTE assigned to DEA Task Force anticipated revenue: $90,000

Existing 1FTE assigned to SCCSET anticipated revenue: 42% of compensation or $85,000

Existing 1FTE assigned to RATTF anticipated revenue: 42% of compensation

Through participation in these regional partnerships, which also include agencies throughout the county, the Police Department will be able to leverage additional resources for the investigation and prosecution of drug, internet crimes, vehicle theft and other related crimes within Morgan Hill.

Police Administration (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	113,768	137,965	147,389	154,614	191,740
41160	SALARIES - SAFETY	165,057	177,780	324,116	179,633	322,825
41320	EARNED LEAVE LIABILITY	15,102	14,974	8,217	8,217	22,240
41560	UNEMPLOYMENT INSURANCE	2,419	296	-	-	-
41620	RETIREMENT - GENERAL	28,001	34,634	37,117	25,591	33,445
41630	RETIREMENT - SAFETY	54,271	58,563	112,242	60,541	113,686
41690	DEFERRED COMPENSATION	10,394	11,486	12,015	6,664	7,570
41700	GROUP INSURANCE	23,979	20,753	37,870	27,409	48,356
41701	MEDICARE	3,901	4,392	6,854	4,352	7,473
41730	INCOME PROTECTION INS	2,685	2,903	2,475	2,967	3,001
41760	WORKERS COMP	5,038	11,468	34,280	20,724	12,761
41799	BENEFITS	1,107	4,816	1,155	1,239	840
41800	UNIFORM	1,100	1,100	1,250	1,250	2,870
	Salaries Total	**426,822**	**481,130**	**724,980**	**493,201**	**766,807**
42231	CONTRACT SERVICES	65,470	131,582	125,849	105,917	97,500
42236	BANK CARD SERVICE FEES	981	845	500	1,430	1,473
42248	OTHER SUPPLIES	3,996	9,988	5,700	9,450	11,250
42250	ADVERTISING	-	451	150	500	1,000
42252	PHOTOCOPYING	42	76	75	75	77
42261	AUTO MILEAGE	68	51	200	200	206
42299	OTHER EXPENSE	24	26	200	200	206
42408	TRAINING & EDUCATION	6,003	1,994	3,000	3,000	3,090
42415	CONFERENCE & MEETINGS	920	3,375	2,000	2,459	5,000
42423	MEMBERSHIP & DUES	1,715	1,190	900	900	927
42435	SUBSCRIPTION & PUBLICATIONS	248	385	250	1,000	258
42531	MAINT - FURNITURE/OFFICE EQUIP	-	-	200	200	206
	Supplies Total	**79,467**	**149,962**	**139,024**	**125,331**	**121,193**
45003	GENERAL LIABILITY INSURANCE	2,606	7,933	20,296	20,296	20,966
	Internal Services Total	**2,606**	**7,933**	**20,296**	**20,296**	**20,966**
49246	TRANSFER OUT-441 (PD BOND DEBT SERVICE)	901	1,382	-	-	-
49247	TRANSFER OUT-441 (PD BOND DEBT SERVICE)	-	-	212,794	215,043	214,613
49248	TRANSFER OUT-441 (PD BOND PRINCIPAL)	77,880	80,240	-	-	-
49249	TRANSFER OUT-441 (PD BOND INTEREST)	124,565	124,632	-	-	-
	Transfer Total	**203,346**	**206,254**	**212,794**	**215,043**	**214,613**
3205 - PD Administration Total		**712,241**	**845,279**	**1,097,094**	**853,871**	**1,123,579**

Police Field Operations [010-3210]

ACTIVITY DESCRIPTION

The Field Operations Division is under the leadership of the Field Operations Captain. The division is guided by the department's four year Strategic Plan. The four outcome goals of the strategic plan are accomplished while responding to emergency and non-emergency calls for service, traffic enforcement, intelligent led policing, and partnering with the community.

The Field Operations Division consists of twenty-six sworn patrol officers, two traffic officers and six reserve officers. The civilian component of the division consists of three Multi-Service Officers (MSO). Division personnel conduct preliminary investigations and the necessary follow-up for most incidents. Personnel also participate directly and indirectly in accomplishing forty-five action items that make up our Strategic Plan.

Patrol officers in this division work with community members to identify and resolve problems of crime and disorder, either through formal problem-oriented policing projects, intelligence led policing or by directed patrol and targeted proactive enforcement.

Within the Field Operations Division, specially trained officers participate as field training officers, bicycle officers, and motorcycle officers. Officers in this division also assume other collateral duties such as patrol, traffic, and special 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.

The MSO's 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. This is the first year that we filled all three of our MSO positions. The third MSO will be assigned to a swing shift schedule, Monday through Thursday and will assist with dayshift responsibilities as well as assisting the graveyard shift with prisoner bookings and transports.

FY 13-14 HIGHLIGHTS

The department implemented the strategic plan for years 2013-2016. This plan consists of 4 major goals that include their own measurements and action items as means to track and achieve the goals. These goals are listed below and include the 2013-2014 fiscal year's highlights associated to each goal.

GOAL 1 – REDUCE INCIDENTS OF CRIME AND TRAFFIC COLLISIONS

- Responded to 34,354 calls for service and self-initiated contacts during the 2013 calendar year resulting in 1,592 arrests. This reflects a 3% increase in calls for service and self-initiated contacts from 2012
- Responded to 200 traffic collisions; a 9% decrease from 2012
- VIPs strategically deployed radar trailer in areas known for speeding 23 times

Police Field Operations (continued)

- Continued to deploy VIP's in neighborhoods that had an increase in theft related crimes as required
- Continued officer deployment in Predictive Policing locations based on crime data; Conducted over 3,900 patrol checks in PredPol locations
- Traffic division created and distributed quarterly newsletters documenting the top 5 Primary Collision Factors and their locations throughout the city
- Patrol participated in the AVIOD 13 campaign, resulting in 29 DUI arrests
- The traffic team conducted four DUI checkpoints, resulting in educating 1,132 drivers, and arresting two DUI drivers
- Continued to conduct parole/probation searches, to include Post Release Community Supervision (PRCS). Officers conducted at total of 353 probation/parole searches.

GOAL 2 – INCREASE TRUST AND CONFIDENCE IN THE POLICE DEPARTMENT

- Continued Volunteers in Policing Program and have 24 volunteers
- Continued scheduling VIPs to work in records and assist with fingerprinting
- Launched Face Book and Twitter accounts to foster on-going communication between the Police Department and community
- Patrol officers were assigned schools within their beats and required to visit the schools multiple times during their work week, referred as PRG2 (Public Relations Goal 2). As of April 2014, the department has conducted 293 PRG2 checks.
- Reduced number of citizen complaints from 3-year average of 8 to 3

GOAL 3 – INCREASE FEELING OF SAFETY

- Scheduled VIPs to augment patrol by conducting vacation checks, vehicle abatement and other patrol activities
- Dispatchers received 664 EMS calls for service. Officers responded to 26 serious medical related incidents, such as heart attacks, choking and head injuries

GOAL 4 – INCREASE PROFICIENCY OF STAFF

- Conducted scenario based training in Active Shooter, Defensive Tactics, Firearms and Taser
- Since implementation of VieVu body worn video camera patrol officers have downloaded 1,190 GB or 1,190 hours of video. VieVu cameras have also reduced liability issues by providing a record of an officer's actions
- Hired 5 new police officers to replace sworn staff who retired and one additional FTE that was added this fiscal year

Police Department statistics reflect calendar year 2013

Police Field Operations (continued)

FY 14-15 ACTIVITY GOALS

- Deploy Automated License Plate Reader during each shift
- Conduct at least 2 DUI checkpoints
- Purchase new radar/message/license plate reader to assist with traffic enforcement and community education/awareness
- Deploy officers for DUI saturation patrol during major holidays
- Maintain or increase 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
- Implement third MSO into patrol and ensure they work towards achieving SP goals 1 and 3 when call volumes allow

CITY COUNCIL GOALS

During FY14-15, the Field Operations Division will continue to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Support Youth

- 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
- Assign patrol officers to specific schools to conduct foot patrols and community outreach

Enhance Community Engagement and Diversity

- Continue to communicate with Morgan Hill residents on regular basis via Facebook and Twitter regarding Police Department activities
- Continue to implement Neighborhood Watch
- Continue to conduct outreach to all segments of the community for participation in the Citizens Police Academy
- Continue to offer Citizens Police Academy two times year, providing Morgan Hill residents with an opportunity to learn more about the inner workings of the Police Department, building community resulting in enhanced trust and confidence in the Department

Police Field Operations (continued)

Participating in Regional Issues

- 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

FINANCIAL COMMENTS

In FY14-15 the Police Department will hire 5.0 FTE Police Officers to replace recently retired officers and 1.0 FTE new officer to serve as a Corporal dedicated to monitoring activity at local hotels for a total of 38 sworn positions.

Police Field Operations (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	150,283	120,629	268,378	145,633	251,490
41160	SALARIES - SAFETY	3,029,134	2,817,792	3,389,736	3,103,394	3,372,342
41271	SALARIES - PART-TIME TEMP	31,670	36,006	41,000	41,000	41,129
41280	SALARIES - P.T. REIMBURSEMENT	15,179	9,397	10,500	10,500	10,815
41310	SALARIES - OTHER	1,631	720	-	1,803	-
41320	EARNED LEAVE LIABILITY	87,027	98,003	65,555	65,555	115,040
41490	OVERTIME - GENERAL	10,171	12,368	15,000	15,000	15,525
41500	OVERTIME - SAFETY	317,238	375,299	275,000	292,500	284,625
41505	OVERTIME - SAFETY-SPECIAL PROJECTS	18,008	18,197	71,600	66,000	41,607
41520	OVERTIME - REIMBURSABLE	48,475	49,142	50,000	50,000	51,750
41560	UNEMPLOYMENT INSURANCE	27,788	2,600	-	-	-
41620	RETIREMENT - GENERAL	23,860	19,779	43,971	25,409	43,867
41630	RETIREMENT - SAFETY	1,084,860	1,011,332	1,173,866	1,095,536	1,143,105
41690	DEFERRED COMPENSATION	7,013	7,540	7,641	3,407	3,227
41700	GROUP INSURANCE	384,248	347,557	428,201	434,381	501,448
41701	MEDICARE	42,879	41,870	59,339	48,685	59,029
41730	INCOME PROTECTION INS	13,447	13,899	6,447	14,959	7,862
41760	WORKERS COMP	91,507	179,742	386,896	343,352	100,918
41799	BENEFITS	2,818	2,870	2,520	1,995	1,680
41800	UNIFORM	43,417	34,106	45,750	45,750	47,123
41810	UNIFORM-RESERVES	-	-	300	300	390
	Salaries Total	**5,430,653**	**5,198,850**	**6,341,700**	**5,805,159**	**6,092,971**
42214	TELEPHONE	119	526	-	250	-
42228	GASOLINE & OIL	110,153	105,517	96,000	96,000	98,880
42231	CONTRACT SERVICES	55,016	49,470	50,400	54,148	72,125
42248	OTHER SUPPLIES	67,857	84,256	71,169	92,978	109,300
42299	OTHER EXPENSE	-	-	-	250	-
42408	TRAINING & EDUCATION	26,541	5,662	-	1,713	-
42411	POST TRAINING	4,151	35,789	60,750	60,750	62,573
42415	CONFERENCE & MEETINGS	-	1,013	2,000	4,000	6,360
42423	MEMBERSHIP & DUES	406	125	600	2,000	618
42435	SUBSCRIPTION & PUBLICATIONS	1,895	105	500	3,670	515
42523	MAINT - MACHINE/EQUIPMENT	2,633	104	3,000	1,000	3,090
42526	MAINT - AUTO/TRUCKS	73,893	66,262	55,000	81,123	62,000
	Supplies Total	**342,664**	**348,829**	**339,419**	**397,882**	**415,461**
43825	MACHINERY/EQUIPMENT	21,881	5,577	5,000	5,000	15,600
43830	AUTO/TRUCKS	-	-	-	-	30,470
	Capital Total	**21,881**	**5,577**	**5,000**	**5,000**	**46,070**
45003	GENERAL LIABILITY INSURANCE	29,143	88,852	162,368	162,368	157,246
45006	FLEET REPLACEMENT	97,483	122,516	136,597	136,597	136,535
	Internal Services Total	**126,626**	**211,368**	**298,965**	**298,965**	**293,781**
49250	TRANSFER OUT-790 (EQUIP REPLACEMENT)	-	4,825	-	-	-
	Transfer Total	**-**	**4,825**	**-**	**-**	**-**
3210 - PD Field Operations Total		**5,921,824**	**5,769,449**	**6,985,084**	**6,507,006**	**6,848,283**

Police Support Services [010-3225]

ACTIVITY DESCRIPTION

As its name implies, the Police Department Support Services Division encompasses a variety of functions that support the overall operations of the Department as well as providing customer service at the front counter of the police facility.

The functions included in this division are Records; Property/Evidence Management; and Dispatch Services. Dispatch Services has a separate program budget.

Police Records Specialists accomplish accurate and timely report and information processing for local, county, and state systems as required, and oversee the storage and processing of property and evidence pursuant to rigorous state requirements. Division personnel lend assistance to other divisions when supplementary personnel are required, such as animal licensing, Live Scan fingerprinting and the annual update of information collected from registrants who are required to report to the police facility.

FY 13-14 HIGHLIGHTS

The department implemented the strategic plan for years 2013-2016. This plan consists of 4 major goals that include their own measurements and action items as means to track and achieve the goals. The Support Division upholds Goal 2, to Increase Trust and Confidence in the Police Department and Goal 4, Increase Proficiency of Staff by completing the following highlighted tasks:

- Implemented Court issued electronic warrant program
- Participated in Business Managers Alliance Focus Groups at State of California, Department of Justice (DOJ) for California Law Enforcement Telecommunication System (CLETS) Vision 2015
- Contributing member of Coplink South Bay data information sharing system
- Delivered secure internet access to mobile computers
- Recruited/hired for ongoing vacant positions
- Participated in Criminal Justice Information Control (CJIC) Roadmap project
- Upgraded building card reader system
- Continued ongoing support/training in new Records Management System (RMS)
- Implemented scanning all supplemental documents in reports into RMS
- Completed Camera feeds to Dispatch Center
- Completed two internship assignments in evidence
- Assumed responsibility for entering department invoices into city financial program

FY 14-15 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

Police Support Services (continued)

- Participate in ongoing interoperability projects, such as ARIES, Coplink, CJIC Roadmap and South County Regional Interoperability projects
- Implement 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 under SVRIA guidelines to include all field radios and dispatch consoles
- Replace outdated digital recording devices
- Recruit, hire and train new evidence technician

FY 14-15 WORK PLAN

- Work with Building Maintenance to replace current business phone system with HIPC 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 FY14-15:

Participating in Regional Issues

- 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 Support Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	404,431	434,434	451,119	447,820	467,548
41271	SALARIES - PART-TIME TEMP	13,127	30,576	30,000	30,000	32,406
41320	EARNED LEAVE LIABILITY	10,331	11,537	6,348	6,348	32,877
41490	OVERTIME - GENERAL	3,174	2,727	1,000	5,000	1,030
41560	UNEMPLOYMENT INSURANCE	5,304	529	-	-	-
41620	RETIREMENT - GENERAL	64,746	73,242	73,911	77,099	81,554
41690	DEFERRED COMPENSATION	5,817	6,101	6,130	2,632	2,615
41700	GROUP INSURANCE	50,898	49,386	47,010	62,816	67,606
41701	MEDICARE	5,892	6,475	7,009	6,659	7,289
41730	INCOME PROTECTION INS	5,802	6,040	4,887	6,051	5,273
41760	WORKERS COMP	3,863	8,860	14,008	12,289	12,424
41799	BENEFITS	998	1,260	1,260	1,505	1,680
41800	UNIFORM	4,872	4,110	3,960	3,960	4,079
	Salaries Total	**579,255**	**635,279**	**646,642**	**662,179**	**716,381**
42214	TELEPHONE	112,723	104,006	96,000	96,000	98,880
42231	CONTRACT SERVICES	66,595	67,269	48,847	48,847	50,312
42244	STATIONERY & OFFICE SUPPLIES	20,986	24,477	16,000	18,711	16,480
42245	COMPUTER HARDWARE-NON CAPITAL	9,768	11,364	10,000	10,000	19,300
42246	COMPUTER SOFTWARE-NON CAPITAL	-	1,105	-	-	-
42248	OTHER SUPPLIES	7,635	11,959	5,500	5,500	5,665
42254	POSTAGE & FREIGHT	4,387	5,189	5,000	5,000	5,150
42257	PRINTING	4,526	6,914	6,500	6,500	6,695
42261	AUTO MILEAGE	638	145	500	500	515
42299	OTHER EXPENSE	-	1,247	-	-	-
42408	TRAINING & EDUCATION	4,433	2,786	4,500	4,500	7,635
42415	CONFERENCE & MEETINGS	-	-	250	250	258
42423	MEMBERSHIP & DUES	674	247	800	2,000	824
42435	SUBSCRIPTION & PUBLICATIONS	61	-	-	-	-
42510	MAINT - BLDGS/IMPROVEMENTS	3,570	8,489	6,000	1,500	6,180
42523	MAINT - MACHINE/EQUIPMENT	11,770	9,793	7,800	7,800	8,034
42531	MAINT - FURNITURE/OFFICE EQUIP	1,091	-	500	500	515
	Supplies Total	**248,857**	**254,992**	**208,197**	**207,608**	**226,443**
43825	MACHINERY/EQUIPMENT	3,050	25,381	4,000	4,000	40,000
43840	COMPUTER EQUIPMENT	3,844	-	12,000	12,000	24,000
43845	COMPUTER SOFTWARE	5,319	20,944	89,920	89,920	-
	Capital Total	**12,214**	**46,324**	**105,920**	**105,920**	**64,000**
45003	GENERAL LIABILITY INSURANCE	5,733	17,453	29,768	29,768	28,828
45004	BUILDING MAINT - CURRENT SERVICES	209,558	219,476	271,166	260,119	289,066
45005	BUILDING MAINT - FUTURE REPLACEMENT	85,502	82,937	72,198	72,198	72,198
45009	INFO SYSTEM SERVICES	134,761	196,855	312,473	312,473	460,572
	Internal Services Total	**435,554**	**516,721**	**685,605**	**674,558**	**850,664**
3225 - PD Support Services Total		**1,275,880**	**1,453,316**	**1,646,364**	**1,650,265**	**1,857,488**

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 and Pre-disaster Mitigation Operation and coordinates disaster preparedness programs including Community Emergency Response Team (CERT) training.

Due to recent city-wide staff turnover, a renewed organizational focus on emergency preparedness began in January 2014. The "Year of Preparedness" efforts are intended to ensure that the entire organization is properly trained to respond when needed. This effort will continue into the future and serve as the foundation for the Office of Emergency Services.

The Emergency Operations Center (EOC) staffing 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 and Fire Branch are staffed respectively by a MHPD Police Captain and a 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 staff represents the City as a member of the Santa Clara County Emergency Manager's Association (EMA). OES monitors the activities of the Santa Clara County Emergency Planning Council and several other related committees, both within the County and adjacent counties.

Police Emergency Services (continued)

FY 13-14 HIGHLIGHTS

- Coordinated volunteer/disaster service worker programs (CERT, ARES, OES,)
- Oversaw three 8 week CERT training programs
- Held the annual Map Your Neighborhood (MYN) program and 9/11 recognition
- Updated Emergency Operations Plan (EOP)
- 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
- Alert SCC program lead
- Obtained additional Point of Dispensing (POD) supplies through 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

FY 14-15 ACTIVITY GOALS

- Ensure city-wide National Incident Management System (NIMS) compliance
- Hold emergency preparedness workshop for private businesses
- Hold emergency preparedness workshop for faith based organizations
- Develop Evacuation and Response Plan for catastrophic events in coordination with CalFire
- Execute MOU with West Hills Community Church to store emergency supplies in a (city owned) shipping container on their premises

COUNCIL GOALS

OES will seek opportunities and align activities with the priorities, goals, and strategies the City Council has set for FY 14/15.

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 and scouting programs.

Police Emergency Services (continued)

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 (CESA), the Santa Clara County Emergency Managers Association, and Santa Clara County Hospital Emergency Preparedness Council.

FY 14-15 WORKPLAN

Enhance EOC staff to prepare and respond to a large scale event (disaster) in compliance with ICS/SEMS/NIMS.

FINANCIAL COMMENTS

In FY14/15 OES will seek state homeland security grant program (SHSGP) opportunities for EOC staff training.

Police Emergency Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	87,626	97,068	99,009	101,784	106,959
41320	EARNED LEAVE LIABILITY	5,781	4,825	981	981	2,488
41560	UNEMPLOYMENT INSURANCE	960	100	-	-	-
41620	RETIREMENT - GENERAL	13,851	15,927	16,222	16,715	18,657
41690	DEFERRED COMPENSATION	1,998	1,343	1,439	1,033	1,070
41700	GROUP INSURANCE	7,406	7,376	7,559	7,662	7,559
41701	MEDICARE	1,344	1,465	1,442	1,498	1,557
41730	INCOME PROTECTION INS	1,076	1,181	1,250	1,207	1,216
41760	WORKERS COMP	790	1,776	2,431	2,486	2,653
41799	BENEFITS	420	420	420	438	420
	Salaries Total	**121,253**	**131,480**	**130,753**	**133,804**	**142,579**
42231	CONTRACT SERVICES	840	6,586	500	500	515
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	1,500	1,500	1,545
42248	OTHER SUPPLIES	5,324	5,906	29,000	29,000	9,270
42250	ADVERTISING	470	52	1,000	1,000	1,030
42252	PHOTOCOPYING	-	-	600	600	618
42257	PRINTING	25	538	500	500	515
42261	AUTO MILEAGE	313	940	600	600	618
42408	TRAINING & EDUCATION	-	212	1,000	1,538	1,030
42415	CONFERENCE & MEETINGS	27	392	1,500	1,500	1,545
42423	MEMBERSHIP & DUES	284	175	500	500	515
42510	MAINT - BLDGS/IMPROVEMENTS	-	-	-	3,813	-
42523	MAINT - MACHINE/EQUIPMENT	145	-	200	200	206
	Supplies Total	**7,428**	**14,801**	**36,900**	**41,251**	**17,407**
45003	GENERAL LIABILITY INSURANCE	1,042	3,173	5,412	5,412	5,242
	Internal Services Total	**1,042**	**3,173**	**5,412**	**5,412**	**5,242**
3230 - PD Emergency Services Total		**129,723**	**149,454**	**173,065**	**180,467**	**165,228**

Police Special Operations [010-3245]

ACTIVITY DESCRIPTION

The Special Operations Division is under the supervision of the Special Operations Captain. The division is guided by the department's Strategic Plan: Reduce Incidents of Crime, Increase Trust and Confidence in Police Department, Increase Feelings of Safety and Increase Proficiency of Staff. The unit 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 Morgan Hill Unified School District (District). The officer is assigned to both 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 toward this officer's total compensation.

In FY13-14, the Police Department added a new Administrative Sergeant position mid-year that will report to the Special Operations Captain. The Administrative Sergeant has been selected but not filled due to officer injuries/vacancies. The Administrative Sergeant will be responsible for the Department's training program, officer scheduling, officer recruitment and hiring, manage the VIP program, and serve as the Public Information Officer (PIO), Internal Affairs and special projects. The new position will enhance trust and confidence in the Police Department and the proficiency of staff within the Department.

During FY14-15 the Department will be increasing its presence at the regional level through participation in three multi-jurisdictional task forces: 1) a new 1FTE officer will be hired to allow the Department to assign a Detective to the federal San Jose Drug Enforcement Task Force (DEA): 2) an existing 1FTE officer will be re-assigned from the United Narcotic Enforcement Team (UNET) to the Santa Clara County Special Enforcement Team (SCCSET); and 3) an existing 1FTE officer will be assigned to the Regional Auto Theft Task Force (RATTF). Membership in these task forces will benefit the Department and provide revenue to partially offset the cost of the three positions.

Police Special Operations (continued)

Based in San Jose, the DEA Task Force conducts high level drug trafficking investigations throughout Santa Clara County. Through an asset seizure sharing agreement, participating agencies receive annual revenue. Based on the 20 + year history of the DEA task force, it is anticipated Morgan Hill will receive approximately $90,000 in FY14-15. The SCCSET Task Force was formed by the California Department of Justice and works in conjunction with the AB109 Task Force to monitor AB109 offenders. The AB109 Task Force enforces state drug laws and apprehends violent criminals who use illegal weapons in the commission of crimes. SCCSET is based in Campbell and operates as an all crimes task force that investigates drug sales, homicides, robberies and conducts electronic and visual surveillance. SCCSET will contribute 42% or $85,000 toward the assigned officer's compensation (the Department's participation in UNET, required a $3,000 contribution from the city each year for membership). The third task force, RATTF, is housed in San Jose and is dedicated to the investigation and prosecution of auto thefts and related crimes throughout the county. RATTF will provide 42% of the officer's compensation for participation in the task force.

As an active member of these three specialized units, the Police Department will be able to leverage additional resources to investigate and prosecute drug sales, robberies, auto thefts and related crimes using a multi-disciplinary approach. The assigned officers will gain expertise and skills in the investigation and prosecution of these crime types and will share that knowledge with our team. Enhancing officer expertise and skills is aligned to Outcome Four in the Department's Strategic Plan – Increase Proficiency of Staff, which will result in department-wide benefits.

FY 13-14 HIGHLIGHTS

- Achieved violent crimes clearance rate at 76% while the regional average is 44%
- Achieved property crimes clearance rate of 15%; regional average is 14%
- Achieved graffiti abatement goal of cleaning up all graffiti in 48 hours and all gang graffiti in 24 hours. All graffiti is being recorded and uploaded into a county database
- Domestic Violence cases filing rate has increased from 55% to 79%
- (County-wide is 60-65%); our Domestic Violence Detective's consistent and timely follow-up has made a significant impact in the raising filing rate
- Successfully developed efficient operations plan for Cinco de Mayo public demonstration at Live Oak High School that ensured student, staff and public safety and security

Police Special Operations (continued)

- The Department implemented a strategic plan for years 2013-2016. This is the second year of the department strategic plan. The Special Operations Staff have performed the following action items in furtherance of the 4 outcomes:

GOAL 1 – REDUCE incidents of crime and traffic collisions

- Utilized crime statistics and technology to increase property crime clearance rates above regional average
- Instituted Predictive Policing software in collaboration with probation/parole and warrant information in order to strategically apprehend offenders
- Conducted five regional gang/sex registration suppression operations and referred 41 at -risk youth in Morgan Hill to CalGRIP programs funded by state grant

GOAL 2 – INCREASE TRUST AND CONFIDENCE IN THE POLICE DEPARTMENT

- Conducted two Citizen Police Academy sessions
- Used VIP's to work surveillance operations, neighborhood patrol checks, and special events
- Staff participated in a sports mentoring program in collaboration with the school district and Morgan Hill Youth Sports Alliance
- Conducted 2 sessions of the Parent Project to over 46 parents providing them with the skills and tools needed to change their child's at-risk behaviors
- Staff has sent out 227 messages educating the community about police related matters

GOAL 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 880 incidents of graffiti in the City

Police Special Operations (continued)

GOAL 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 14-15 ACTIVITY GOALS

- Assign a three officers to participate in the following multi-jurisdictional task forces: San Jose Drug Enforcement Administration (DEA), Santa Clara County Special Enforcement Team (SCCSET), Regional Auto Theft Task Force (RATTF)
- Target hotspot crime areas using analytical data to inform community and conduct parole/probation/ AB109 and warrant searches
- Maintain a clearance rate for Part 1 violent crimes above the regional average of 44%
- Maintain clearance rates for Part 1 property crimes above the regional average of 14%
- Conduct Active Shooter training based on revised County-wide protocol to the community
- Updating the Department's Missing Person Policy to reflect "Best Practices" in response to Missing Persons investigations
- Purchase SafeSwab drying cabinet to provide for controlled environment for drying DNA swabs
- Purchase a portable alternative light source for use in field to locate fingerprints and DNA at crime scenes
- Continue to recruit volunteers in crime prevention and graffiti abatement
- Graffiti abatement within 72 hours of notification
- Complete 70% of detective investigation follow-up in 60 days of receiving case
- Follow up with all victims of cases that are assigned to the detective bureau within 24 hours and keep them informed through all steps of the legal process
- Continue physical fitness program for detectives
- Identify and refer 30 at risk youth to CalGRIP services

Police Special Operations (continued)

FY-14-15 WORK PLAN

- Special Operations will continue to work toward completing action items included in the Strategic Plan.

CITY COUNCIL GOALS

The Special Operations Division will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Support Youth

- Deploy 1 SRO at Morgan Hill middle and high schools to address immediate safety concerns and issues on campus. The SRO will also facilitate on-going communication between the District and Police Department

Enhance Community Engagement and Diversity

- Continue to work with the School District to provide youth identified as at-risk for gang affiliation with the opportunity to participate in productive and enriching sports and recreational programs as part of the CalGRIP 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

Participating in Regional Issues

- On-going participation in the South Valley Youth Task Force to implement a regional approach to youth crime, gang activity and violence in Southern Santa Clara County
- Assign3 Detectives to participate in the following task forces: San Jose DEA, SCCSET and RATTF.
- Create and implement a South Santa Clara County Family Justice Center for Domestic Violence victims

FINANCIAL COMMENTS

In FY14-15 3FTE officers will be assigned to the San Jose DEA, SCCSET and RATTF task forces. Each task force will contribute toward the assigned officer's compensation:

Police Special Operations (continued)

San Jose DEA – Anticipate $90,000 through asset seizure sharing agreement

SCCSET - 42% of the officer's compensation or $85,000

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 FY13-14, the SRO remained assigned to schools but was supplemented by a new strategy where patrol officers adopted a school to provide the same services as a SRO. This strategy allowed for a greater opportunity for contacts with students, parents and faculty.

Police Special Operations (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	6,736	-	-	-	-
41160	SALARIES - SAFETY	543,689	1,016,397	955,900	960,517	1,149,141
41271	SALARIES - PART-TIME TEMP	13,421	24,774	27,000	27,000	31,930
41310	SALARIES - OTHER	141	232	-	128	-
41320	EARNED LEAVE LIABILITY	28,350	26,308	24,877	24,877	39,386
41490	OVERTIME - GENERAL	107	107	-	200	-
41500	OVERTIME - SAFETY	86,795	70,947	76,800	76,800	79,104
41505	OVERTIME - SAFETY-SPECIAL PROJECTS	4,807	4,893	15,000	9,000	15,450
41520	OVERTIME - REIMBURSABLE	11,250	25,357	20,000	32,000	20,600
41560	UNEMPLOYMENT INSURANCE	4,061	942	-	-	-
41620	RETIREMENT - GENERAL	226	-	-	406	-
41630	RETIREMENT - SAFETY	179,794	343,739	331,028	323,335	404,682
41690	DEFERRED COMPENSATION	554	2,112	3,315	3,086	3,227
41700	GROUP INSURANCE	59,442	112,449	99,122	113,909	172,584
41701	MEDICARE	8,565	15,437	15,881	12,312	18,811
41730	INCOME PROTECTION INS	1,806	3,868	1,975	3,800	2,604
41760	WORKERS COMP	15,812	58,791	103,559	98,525	32,146
41799	BENEFITS	333	191	525	984	1,079
41800	UNIFORM	7,210	8,613	9,280	9,558	9,558
	Salaries Total	**973,099**	**1,715,154**	**1,684,262**	**1,696,437**	**1,980,302**
42231	CONTRACT SERVICES	102,419	99,294	142,595	101,809	124,833
42236	BANK CARD SERVICE FEES	77	-	-	-	-
42248	OTHER SUPPLIES	17,673	21,397	16,760	16,760	29,550
42252	PHOTOCOPYING	-	316	350	350	361
42408	TRAINING & EDUCATION	8,588	1,556	-	-	-
42415	CONFERENCE & MEETINGS	-	289	400	400	412
42423	MEMBERSHIP & DUES	125	395	300	400	309
42435	SUBSCRIPTION & PUBLICATIONS	1,425	-	1,500	3,500	1,545
	Supplies Total	**130,308**	**123,248**	**161,905**	**123,219**	**157,010**
43825	MACHINERY/EQUIPMENT	-	-	5,000	5,000	-
	Capital Total	**-**	**-**	**5,000**	**5,000**	**-**
45003	GENERAL LIABILITY INSURANCE	6,254	25,386	39,239	39,239	50,161
	Internal Services Total	**6,254**	**25,386**	**39,239**	**39,239**	**50,161**
3245 - PD Special Operations Total		**1,109,661**	**1,863,788**	**1,890,406**	**1,863,895**	**2,187,473**

Police Domestic Violence Grant [010-3255]

ACTIVITY DESCRIPTION

The Morgan Hill Police Department administers a grant from the Department of Justice entitled *Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program*. This federally funded grant was first awarded to Morgan Hill in 2008. In 2012, the Police Department received its third grant award with 2-year term of September 2012 to August 2014. This unique grant is a collaboration between the Police Department and five non-profit agencies that serve victims of domestic violence. The city of Morgan Hill serves as the lead agency and fiscal agent for the grant. The partners include Asian Americans for Community Involvement, Community Solutions, Maitri, Next Door Solutions to Domestic Violence and the Support Network for Battered Women. The grant funds domestic violence advocacy and support services through the five non-profit agencies, a Domestic Violence (DV) detective assigned to Special Operations and a part-time DV grant manager.

The DV grant partner agencies provide services to victims of domestic violence in Morgan Hill as well as cities throughout Santa Clara County. Each year thousands of calls are made in Santa Clara County to police for assistance in domestic violence incidents. In 2013 the Santa Clara County District Attorney's Office reviewed 3,749 calls for service for domestic violence. The Santa Clara County District Attorney's Office issued 1,760 misdemeanor and 427 felony complaints in 2011, and the Criminal Courts issued protective orders in each of these cases. Santa Clara County's Family Law and Civil Courts issued 1,586 domestic violence restraining orders, a decrease from the 1,996 restraining orders issued in 2012. Sadly, there were 11 identified domestic violence related deaths in the county in 2013. This is an increase from the 9 domestic violence related deaths in 2012.

The grant activities consist of victim advocacy services that include court accompaniment, translation, and legal advocacy for restraining order petitions, child custody matters, and immigration concerns. The detective reviews all Morgan Hill and Gilroy domestic violence reports and contacts the victim within 72 hours after the incident. The part-time grant manager monitors and ensures accurate reporting and follow-up necessary to maintain the DV grant.

In 2013, the Domestic Violence Detective completed 268 domestic violence case reports made 136 domestic violence related arrests*. This reflects an 11% increase in reports and 7% increase in arrests over 2012. This is due in part to enhanced outreach and communication conducted by Detective Zen and our partner agencies in southern Santa Clara County to increase awareness of support and advocacy available to victims of domestic violence.

**Number of reports and arrests reflect both Morgan Hill and Gilroy Police Department activity*

Police Domestic Violence Grant (continued)

FY 13-14 HIGHLIGHTS

- A 79 year old male was arrested for battering his 79 year old wife. The batterer had prior arrests for DV against his wife. The batterer also suffers from Post Traumatic Stress Disorder (PTSD) and is the primary care giver to his wife who has severe health / declining mental health issues. The batterer is being held accountable and both the victim and her batterer will be receiving advocacy and support services in an effort to get each of them the appropriate level of care they require. The batterer cannot continue to be the primary care provider to his wife given his own mental health care needs
- 34 weapons were removed from homes involving incidents of domestic violence and or per restraining order mandates
- Prepared and submitted domestic violence grant application for 4th round of funding from Department of Justice/Office on Violence Against Women in the amount of $900,000
- DV Detective launched domestic violence clinic located within community to better serve victims and ensure they receive support and services while navigating through the judicial process
- Lead an inter-agency effort to establish a Family Justice Center in southern Santa Clara County to enhance victims' access to services. Representatives from the Police Department, District Attorney's Office, Probation Department, Family Services and Community Solutions will be co-located to provide victims with comprehensive services
- DV filing rate increased from 55% to 79% (County-wide is 60-65%)

FY 14-15 ACTIVITY GOALS

- Maintain filing rate with District Attorney's office of domestic violence cases of at least 79%
- Establish Southern Santa Clara County Family Justice Center pilot program
- Continue to provide advocacy services throughout Santa Clara County
- Continue to conduct domestic violence training updates to police patrol staff and domestic violence advocates

CITY COUNCIL GOALS

During FY14-15, the Domestic Violence Grant will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Enhance Community Engagement and Diversity

- Continue to work as part of the county-wide effort to provide support and referral services to victims of domestic violence
- Continue to provide court accompaniment and advocacy services to victims with appropriate language translation services as needed
- Continue to conduct outreach regarding domestic violence grant to increase awareness for advocacy, support and referral services for victims of domestic violence

Police Domestic Violence Grant (continued)

Participating in Regional Issues

- On-going participation in the Santa Clara County Domestic Violence Council to improve coordination among agencies, departments, courts, members of the community and victims in matters of family violence and abuse; and promote effective prevention, intervention and treatment techniques that will be developed based upon research and data collection.
- Establish Southern Santa Clara County Family Justice Center in partnership with the District Attorney's Office, Probation Department, Department of Family and Children's Services and Community Solutions that offers comprehensive support and advocacy services to domestic violence victims at one location to provide the following services:
    - crisis intervention
    - shelter and safety planning
    - counseling for adults and children
    - case management
    - legal assistance and information
    - referrals to self-sufficiency programs
    - referrals to children's programs
    - law enforcement investigation

FINANCIAL COMMENTS

In FY 13-14 the Department prepared and submitted a grant application to the US Department of Justice/ Office of Violence Against Women for the fourth cycle of funding for the domestic violence grant. The grant's DV consortium partners and grant activities maintain the same scope of services as the previous three grant awards. However, the Department of Justice extended the grant term from twenty-four to thirty-six months without an increase in the grant award amount. Due to this change, the Domestic Violence Detective position will now be funded at 43% by the grant over thirty-six months. The position had been funded at 75% from 2012-2014. The Police Analyst position will no longer be partially funded by the grant. This position had been funded at 25% from 2012-2014.

Police Domestic Violence Grant (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	44,428	27,497	25,051	26,291	-
41160	SALARIES - SAFETY	123,780	103,576	100,622	98,675	58,752
41320	EARNED LEAVE LIABILITY	4,902	2,413	2,173	2,173	2,984
41500	OVERTIME - SAFETY	-	(1,458)	-	-	-
41560	UNEMPLOYMENT INSURANCE	1,360	53	-	-	-
41620	RETIREMENT - GENERAL	10,748	6,903	6,308	4,262	-
41630	RETIREMENT - SAFETY	40,740	34,205	34,845	33,256	20,690
41690	DEFERRED COMPENSATION	842	524	501	486	-
41700	GROUP INSURANCE	16,423	13,472	12,906	14,999	8,945
41701	MEDICARE	2,241	1,829	1,828	1,650	855
41730	INCOME PROTECTION INS	814	638	269	576	70
41760	WORKERS COMP	3,457	5,986	10,134	10,053	1,457
41799	BENEFITS	521	459	420	438	181
41800	UNIFORM	870	908	-	-	-
	Salaries Total	**251,127**	**197,004**	**195,057**	**192,859**	**93,934**
42231	CONTRACT SERVICES	336,506	316,158	320,000	320,000	240,655
	Supplies Total	**336,506**	**316,158**	**320,000**	**320,000**	**240,655**
45003	GENERAL LIABILITY INSURANCE	1,563	4,760	5,412	5,412	2,254
	Internal Services Total	**1,563**	**4,760**	**5,412**	**5,412**	**2,254**
3255 - Domestic Violence Grant Total		**589,195**	**517,922**	**520,469**	**518,271**	**336,843**

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 13-14 HIGHLIGHTS

The department implemented the strategic plan for years 2013-2016. This plan consists of 4 major goals that include their own measurements and action items as means to track and achieve the goals. The Support Division upholds Goal 2, to Increase Trust and Confidence in the Police Department, Goal 3 to Increase Feeling of Safety and Goal 4 to Increase Proficiency of Staff by completing the following highlighted tasks:

- Deployed two Tactical Dispatchers to participate with Regional SWAT team
- Met POST requirements for dispatcher training
- Continued ride along program for dispatchers
- Deployed a treadmill workstation
- Combined existing part time positions to 1FTE and filled that position
- Participated in peer support group
- Processed 13,293 911 calls and 37,632 non-emergency phone calls

FY 14-15 ACTIVITY GOALS

- Maintain upkeep and accuracy of GIS database in CAD
- Implement Quality Assurance (QA) system
- Replace 911 PSAP equipment using state 911 funds
- Hold quarterly division meetings
- Purchase radio equipment under SVRIA guidelines
- Complete CAD to CAD integration under SVRIA guidelines

Police Dispatch Services (continued)

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 FY14-15:

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, 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

Police Dispatch Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	719,604	699,775	782,563	705,433	805,103
41271	SALARIES - PART-TIME TEMP	3,348	29,610	10,000	30,000	29,824
41310	SALARIES - OTHER	115	1,081	-	600	-
41320	EARNED LEAVE LIABILITY	17,081	16,693	15,185	15,185	32,209
41490	OVERTIME - GENERAL	96,130	150,945	80,000	124,701	82,400
41500	OVERTIME - SAFETY	4,095	19,165	4,275	18,000	4,403
41560	UNEMPLOYMENT INSURANCE	7,534	718	-	-	-
41620	RETIREMENT - GENERAL	114,135	116,058	128,215	116,131	140,434
41630	RETIREMENT - SAFETY	-	933	-	-	-
41700	GROUP INSURANCE	72,292	68,785	101,383	73,369	95,707
41701	MEDICARE	8,266	9,112	12,726	8,391	13,377
41730	INCOME PROTECTION INS	7,533	6,854	6,547	6,672	7,303
41760	WORKERS COMP	8,909	20,207	28,892	25,962	22,859
41799	BENEFITS	1,488	945	840	875	840
41800	UNIFORM	5,280	4,620	5,280	5,280	5,438
	Salaries Total	**1,065,810**	**1,145,503**	**1,175,906**	**1,130,599**	**1,239,898**
42231	CONTRACT SERVICES	35,396	31,273	39,065	44,063	40,237
42245	COMPUTER HARDWARE-NON CAPITAL	-	6,933	10,000	10,000	10,300
42248	OTHER SUPPLIES	2,845	4,202	4,200	4,200	4,326
42261	AUTO MILEAGE	-	-	100	100	103
42408	TRAINING & EDUCATION	2,921	3,013	5,000	5,000	5,150
42415	CONFERENCE & MEETINGS	-	117	-	-	-
42523	MAINT - MACHINE/EQUIPMENT	737	-	2,000	2,000	2,060
	Supplies Total	**41,898**	**45,537**	**60,365**	**65,363**	**62,176**
45003	GENERAL LIABILITY INSURANCE	8,338	25,386	43,298	43,298	41,932
	Internal Services Total	**8,338**	**25,386**	**43,298**	**43,298**	**41,932**
8270 - Dispatch Services Total		**1,116,046**	**1,216,426**	**1,279,569**	**1,239,260**	**1,344,006**

Community Development

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 2,835,554	$ 2,675,537	$ 2,942,190	$ 2,925,123	$ 3,324,934
Supplies & Services	1,776,070	12,795,606	2,373,955	5,294,179	2,327,069
Capital Outlay	-	-	-	-	-
Debt Services	3,441,477	3,440,189	3,750,250	100,665,142	6,937,403
Internal Service	768,680	454,476	505,868	496,002	564,236
Transfers Out	47,333	318,296	434,949	437,394	461,133
Project Expenditure	25,082,168	11,081,130	15,359,409	3,409,932	20,522,030
TOTAL EXPENDITURES	**$ 33,951,282**	**$ 30,765,234**	**$ 25,366,620**	**$ 113,227,772**	**$ 34,136,806**

PLANNING	1,052,049	1,729,996	2,406,783	2,452,168	2,196,508
BUILDING	876,258	1,016,654	1,199,794	1,232,825	1,374,243
LONG RANGE PLANING	398,574	540,300	1,063,031	790,942	999,474
CDBG FUND	89,916	62,988	71,337	-	142,000
CDBG REVOLVING LOAN FUND	146,400	-	-	-	-
MOBILE HOME PARK RENT	943	952	947	738	763
SENIOR HOUSING TRUST	19,113	18	-	-	-
HOUSING MITIGATION	532,533	2,159,597	1,041,495	1,233,970	4,890,588
COMH SUCCESSOR TO MHRDA RETIRED OBLIGATIONS	2,414,587	-	-	-	-
COMH SUCCESSOR TO MHRDA DEBT SERVICE	330,832	3,569,300	3,817,250	102,640,144	6,937,403
COMH SUCCESSOR TO MHRDA ADMINISTRATION	37,874	11,842,313	374,181	1,480,783	1,036,195
COMH SUCCESSOR TO MHRDA CIP BOND PROCEEDS	8,019,989	9,228,982	15,086,822	3,076,840	16,254,000
SUCCESSOR HOUSING AGENCY	779,356	614,133	304,981	319,361	305,630
BAHS ADMINISTRATION	2,110,540	-	-	-	-
BAHS DEBT SERVICE	3,233,210	-	-	-	-
BAHS ECONOMIC DEVELOPMENT	482,930	-	-	-	-
BAHS CIP	10,966,565	-	-	-	-
BAHS HOUSING	2,459,612	-	-	-	-
TOTAL EXPENDITURES BY PROGRAM	**$ 33,951,282**	**$ 30,765,234**	**$ 25,366,620**	**$ 113,227,772**	**$ 34,136,806**

FULL TIME EQUIVALENT EMPLOYEES	**19.12**	**20.33**	**20.08**	**20.08**	**21.67**

Community Development Department

The Community Development Department contains functions of the City dealing with the built environment including Building, Building Inspection, Current and Long Range Planning, Code Enforcement, Economic Development and Affordable Housing as well as related Administrative Support Services for those functions.

The FY 13-14 budget moved Engineering and Utilities, formerly a part of the Community Development Agency, to their own Department. Consistent with City Council 2013 Priorities, specifically "Stimulate Economic Development" this alignment allowed the Community Development Department to focus increased attention to development, and specifically economic development and housing activities. With the addition of a new Community Development Director in August 2014, Planning, Building, and Code Enforcement began reporting directly to the Director while Housing and Economic Development will be the specific focus of the Assistant City Manager for Community Development. Together this team was created to provide collaborative leadership on such City Council "Focus Areas" as the Habitat Conservation Plan (HCP) implementation, the General Plan Update, the SEQ, economic development attraction, retention, tourism and place-making activities as well as affordable housing retention and development.

The 13-14 fiscal year saw an unprecedented amount of planning and building activity as the economy continued to recover from the "great recession" and the residential development market returned with vigor. For Morgan Hill, the health in the economy activated residential projects that in previous years had been awarded allocations through the Residential Development Control System (RDCS), and did not build due to financial limitations. These activated projects accounted for nearly 900 residential units entering the development review implementation process in preparation for construction. This surge of activity was mitigated in some cases by contract planning and building inspection services, augmented by overtime, particularly to accommodate more that 11,000 building inspection requests.

The FY 14-15 Budget reflects an emphasis on core, non-RDA functions, the anticipation of continued growth in housing starts, a relatively weak outlook for commercial and industrial new construction (with the exception of tenant improvements), a focus on filling vacant industrial/commercial space and planning and implementation of projects that will be funded by the balance of the 2008 RDA bonds, which are available for projects as a result of the dissolution of the RDA. Making major gains in the dissolution process, the City received approval of the Long Range Property Management Plan (LRPMP) from the Department of Finance (DOF) in late March 2014, triggering the implementation of a process for the sale of the former Redevelopment Agency's real estate assets. In addition, with the previously awarded Certificate of Completion by the State DOF clearing the way for use of unspent bond proceeds, plans for construction of bond projects for which those dollars were originally intended are in high gear. These bond funded capital projects will help spur revitalization of the Downtown, and add value to the former real estate assets that will be offered for sale consistent with the Downtown Specific Plan. In addition, the investment of these dollars is consistent with one of the City Council's 2014 "Focus Areas", including the construction of a public parking structure, Monterey Road streetscapes and undergrounding of utilities.

Community Development Department (continued)

With the approval of the LRPMP by DOF, it is expected that significant time will be spent on the process of the disposal of former Redevelopment Agency assets, "opportunity sites" located Downtown, and the subsequent approval by the Oversight Board and DOF.

The FY 14-15 Budget also responds to the increase in permit activity experienced in calendar year 2013-14, anticipated to stay robust in FY14-15. Minor changes to the Building Division organization are being proposed, including the upgrade of a Building Inspector II position to a Supervising Building Inspector, and the addition of .5 Building Inspector to be filled with part time personnel. The Supervising Inspector upgrade builds depth in building plan check functions where Morgan Hill is vulnerable with no plan check back-up to the Chief Building Official. The position also offers maximum organizational flexibility, as the Supervising Inspector can perform both plan check services and inspections, and supervise code enforcement activities. Currently, should the Chief Building Inspector be unavailable, Morgan Hill has no building plan check services. Contract plan check services are an alternative, but are more expensive and require too much staff oversight to provide a cost effective solution to the service needs in this case.

Changes to the Planning Division are also being proposed. FY 14-15 proposes two modifications to the Planning program staffing model. First, to expand the Planning team's capacity to conduct long-range planning projects while maintaining quality customer service, it is proposed one of the two Planning Technician positions be upgraded to an Assistant Planner position. This Assistant Planner position would be funded in equal parts by the Community Development Fund and by the Long Range Planning fund. This upgrade will enhance the City's ability to complete long-range planning activities, such as the Climate Action Plan and the review of transportation level of service thresholds, while continuing to support a high level of customer service at the planning counter.

Second, to further build the Planning team's capacity for long-term planning while also providing greater support for economic development projects, it is proposed that the long-range, part-time contract Planning Manager position be replaced with a full time permanent Senior Planner position funded by the long-range planning program. This Senior Planner position will play a key project manager role in the General Plan update and upcoming comprehensive updates to the Zoning Code and Residential Development Control System, as well as oversee the adoption and implementation of the Climate Action Plan and development of CEQA thresholds. The two remaining Senior Planners will thus be able to focus on the land use entitlement program, with one serving as the main contact point and facilitator for the entitlement of economic development projects, as well as providing oversight of the City's increasing use of outside planning consultants.

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.

Community Development Department (continued)

The 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.

In FY 14-15 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 occupation of vacant industrial and office space, 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.

As Chair of the Silicon Valley Economic Development Alliance (SVEDA), the Economic Development Manager will work with the San Jose Silicon Valley Chamber of Commerce on the new Regional Economic Development initiative to promote economic prosperity in the region.

This budget proposes continued activities for marketing Downtown "opportunity sites", and familiarization of potential users and their brokers, 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 14-15 and FY 15-16 this is forecasted to occur. However, in FY 16-17 and beyond, the fund will have a significant structural imbalance. The FY 14/15 work program includes measures to advance alternatives to correct that imbalance. The City Manager's budget narrative explains the issue in more detail.

Economic Development (Funded by the General Fund)

ACTIVITY DESCRIPTION

Business retention and attraction is the chief duty of the Principal Planner/Economic Development Manager. In addition, all Planning, Building, Engineering and Housing staff (as well as all employees throughout the organization) are empowered to deliver economic development as a top priority. Since the dissolution of the Redevelopment Agency's robust economic development program, the City's Economic Development program has been void of any specific financing and assistance programs. Beginning in 2013-14, the General Fund has provided limited but critical funding for economic development activities supporting a program which has relied heavily on building partnerships, leveraging of other resources, and looking for innovative and cost-effective ways to offer business assistance.

The FY 14-15 work program is projected to be dominated by the marketing and implementation of the Successor Agency real estate disposition in the Downtown, enhancement of the visibility and suitability of these development sites to meet key tenant objectives of the community, and the focus upon working with the City's largest employers and sales tax producers to understand their future in Morgan Hill and any expansion or growth needs. During the first quarter of the year, the work program includes connecting with the top 25 companies and to the extent possible, exploring ways to partner to strengthen their presence in the community. Albeit the limited resources for economic development activities, the following services continue to be offered, consistent with City Council priorities, goals and strategies set for FY 14-15:

COUNCIL GOALS

The Economic Development Department will implement policies and activities that are aligned with priorities, goals and strategies the City Council has set for FY 14-15:

Support Youth

- Work with the Morgan Hill Downtown Association and Morgan Hill Property Based Improvement District to enhance and improve the Downtown and encourage Placemaking; including creating places and experiences for families and residents of all ages
- 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, connect schools and transit to make access available for people of all ages by foot, bike or alternate modes of transportation

Stimulate Economic Development

- Commercial, industrial and retail business attraction, expansion, and retention activities with a special focus on connecting with the top 25 companies to strengthen their presence in Morgan Hill
- 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

Economic Development (continued)

- Acting as an "ombudsman" for businesses in their interactions with the various City Departments
- Business start-up counseling and referrals
- Assisting site selection and development processing for companies
- Managing downtown properties and leases
- Facilitating the development of Downtown via the specific plan and assisting planned private development
- Creating policies to facilitate business development
- Working closely with brokers and developers to incentivize investment in Morgan Hill
- Developing marketing materials with updated demographics

Enhance Community Engagement and Diversity

- Collaborating with the Chamber of Commerce to market the City
- Working with PBID, the Downtown Association, and other advocacy organizations
- Assisting with general plan update efforts
- Assisting with Downtown Bond improvement project outreach to property owners and tenants
- Continuing work with Tourism Alliance

Participate in Regional Issues

- Participating in regional organizations to promote Morgan Hill, including SVEDA , CREW, ICSC, ULI and the Silicon Valley Manufacturing Round Table
- Facilitating business development and business resources workshops by partnering with regional partners

Improve Organizational Effectiveness and Transparency

- Monitoring existing loans and contracts
- Conducting special studies
- Assisting with the dissolution of the Redevelopment Agency by providing support to the Oversight Board

Finance and Advocate for Infrastructure Improvements

- Facilitating the use of impact fee financial assistance programs

FY 13-14 HIGHLIGHTS

Business Assistance Programs

- Launched a "Business Resources Event" in partnership with the Chamber of Commerce, Work2Future, SBDC, and GoBiz (State of California), assisting nearly 70 businesses
- Participated in the National Manufacturing Day, raising awareness of manufacturing in the region,

showcasing six companies in Morgan Hill

- Held a Tourism Forum Follow up meeting, which resulted in the creation of the Ideas Book that identified over 70 strategies to promote tourism in Morgan Hill
- Continued to promote the Grow Morgan Hill loan program, meeting with dozens of companies, including Psynergy which is currently being considered to receive a loan of $2 M, exhausting the program funds available

Downtown Revitalization

- 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
- Worked closely with PBID to address issues associated with their corporate status and well as the contract obligations with the City
- Updated materials that promote Morgan Hill with a fresh, fun and active perspective to the development and real estate community; updated demographics, traffic counts on major thorough fares
- Established a new Parking In-Lieu Fee to facilitate office development and created a parking exemption for retail use
- Pursued revitalization of downtown through implementation of the Downtown Specific Plan and by working with staff and developers to find design solutions to projects like the Westin Miles or Sunsweet
- Launched the first annual parklet project by turning parking spaces into community spaces
- Worked closely with the Morgan Hill Economic Development Committee, 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 and through mailers
- Crafted draft Request for Proposals to assist with the development of the Downtown development sites

Business Attraction/Expansion/Retention

- Worked closely with property owners and brokers to facilitate the sale of the 240K SF Hospira Building to Shoe Palace.
- Working with the Tourism Alliance, assisted with development of Wine Trail signage
- Assisted over twenty companies by doing 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
- Updated marketing collateral material for future long-term "timeless" use with updated demographics data

Economic Development (continued)

- Added information on all regional retail centers on the City's website to promote retail development
- Assisted All Sensors, See Grins RV, Mooyah Burgers, Tencate Composites, Del Monaco Foods, The Ford Store, Honda of Morgan Hill, GMP Plating, Anritsu, Specialized and many other companies with their relocations/expansions as well as connecting them to other business resources
- Participated at a SVEDA broker breakfast for all major industrial/office and retail brokers and key property owners promoting development opportunities in Morgan Hill
- Participated in regional ICSC retail recruitment events, including the Western Division Conference in San Diego, the Alliance in Fremont and the Idea Exchange in Napa
- Completed a retail analysis of the major retail centers to identify needs and opportunities
- Responded to inquires and leads generated from brokers, companies, GoED, CalBIS, and tradeshow participation via Central Coast Marketing Team (CCMT), Team CA, CALBIS, and regional connections

Planning/Administration

- Facilitated an Economic Development Symposium with 10 industry professionals and a Growth Management Symposium with regional experts to assist the General Plan Update
- Provided the City Council and Planning Commission an update on economic development activities, including potential strategies for strengthening and repurposing the shopping centers, eliminating vacancies, creating jobs, and creating placemaking opportunities
- Assisted with the development of the Long Range Management Plan which received approval by the Department of Finance
- Led the consultant selection and contract negotiation for the legal, financial, retail and relocation consultants for the Downtown development opportunities
- Continue to update the Economic Development pages on the City's website, adding information on tourism, 100% local, shopping centers and business resources
- Assisted with the rewrite of the ML (light industrial) zoning code to include food production as an allowed use which provided certainty to many food production users, and facilitated the opening of three new wholesale bakeries

Local and Regional Economic Development Partnerships

- Developed a Tourism Alliance community based organization to champion the top seven strategies in the Ideas Book for Tourism
- Continued to work closely with local community-based organizations, including the PBID, the Downtown Association and the Chamber of Commerce
- Actively participated in regional organization 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, the Farm Bureau of Santa Clara County
- Obtained leadership positions with SVEDA Chair for 2013-14 and Co-Chair of the Silicon Valley Manufacturing Roundtable Subcommittee on Middle Jobs

Economic Development (continued)

Marketing/Promotional Efforts

- Hosted a branding workshop with key community based organizations to develop consensus on branding and marketing strategies, including the creation of city tag line
- Launched a "100% Local" campaign promoting locally grown and produced food products, wines and farms
- Secured media coverage by issuing press releases and packaging stories to the media, including coverage with the Silicon Valley Business Journal and The Registry San Francisco
- Launched an economic development Facebook page
- Created three large banners that promote the Grow Morgan Hill Fund and the 100% Local campaign
- Created a restaurant map to demonstrate the strength and depth of 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 14-15 ACTIVITY GOALS

The FY 14-15 proposed budget includes funding for economic development activities, including support for marketing and branding, broker and business outreach activities.

Planning and Administration

- Assist MHEDC with strategic efforts in the Downtown
- Assist with Successor Agency Activities as needed to optimize opportunities to develop opportunity sites consistent with City goals

Business Assistance Programs

- Within the first three months of the FY, connect with the top 25 companies, including largest employers and sales tax generators, to explore their operational and/or growth needs and craft a path to assist in the long term satisfaction and longevity in Morgan Hill. To the extent needed, offer development processing assistance and planning to advance their business decisions
- Develop and administer existing programs, such as the Impact Fee Financing Program and the Grow Morgan Hill Fund and promote regional programs like Work2Future on-the job training, regional Micro loans, PG&E equipment and energy efficiency financing, SBA and SCORE programs

Business Attraction/Expansion/Retention

- Work with developers/property owners to strengthen key commercial/retail sites
- Continue to work with retail brokers to fill vacancies of major retail shopping centers
- Target economic development activities citywide to grow and diversify the City's tax base and provide employment opportunities for residents

Economic Development (continued)

- 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

Local and Regional Economic Development Partnerships

- Continue to work with the Chamber of Commerce, Downtown Association and Tourism Alliance on possible collaborations
- Continue to participate and find leadership positions with the Silicon Valley Economic Development Alliance and the Silicon Valley Manufacturing Roundtable and increase presence with the International Downtown Associations
- Work with San Jose Silicon Valley Chamber of Commerce to establish a Regional Economic Development initiative to focus on promoting the region as the global capital of innovation and to work with other economic development organizations to pursue jobs, talent, and investment in the region

Marketing/Promotional Efforts

- Continue the collaborative efforts with local organizations to increase tourism in Morgan Hill.
- Look to promote the City as a business location through partner leveraging activities, newsprint and web-based applications
- Issue quarterly email updates to the brokerage and development community

Downtown Revitalization

- Aide with the implementation of the Long Range Property Management Plan and the development of the parking structure and streetscape improvement projects
- Implement a second annual park-let event to transform parking spaces into active public spaces
- Continue to coordinate efforts with the Morgan Hill Downtown Association and Morgan Hill Downtown Property Based Improvement District
- Dispose of Associated Concrete Property to adjacent property owner to achieve best site development opportunity to benefit the community

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 priorities:

- Protecting the environment
- Stimulate economic development
- Improve organizational effectiveness

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

- Conducting the annual Residential Development Control System (RDCS) process for the allotment of residential units consistent with the City's growth management program
- 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
- Preparing Planning Commission agendas and minutes
- 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
- 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
- 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

FY 13-14 HIGHLIGHTS

- Completed the land use entitlement process for numerous projects consistent with the City's goals for customer service delivery, including the Ford Store expansion, Shoe Palace TI, Psynergy facility expansion and the Granary District, Huntington Square, Dunne-KB, Tilton-KB, and Clayton-MH Taylor residential projects
- Commenced implementation of the Santa Clara Valley Habitat Conservation Plan, including stakeholder training and creation of new application processes

Planning (continued)

- Conducted Residential Development Control System (RDCS) competitions; drafted recommended changes to RDCS evaluation criteria

FY 14-15 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
- Develop additional components of Greenbelt Financing & Implementation Strategy; carry out Greenbelt and Open Space Preservation activities
- Begin work on major realignment and streamlining 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

FY 14-15 ACTIVITY GOALS

- Fully integrate implementation of the Santa Clara Valley Habitat Conservation Plan into current planning practices
- Conduct RDCS competition based upon updated 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
- 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
- Implement fee schedule adjustments to improve sustainability of the operation of a cost-recovery Planning program
- Continue participation in the One Bay Area, Sustainable Communities Strategy, and Regional Housing Needs Allocation through MTC and ABAG

Planning (continued)

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. Willdan & Associates is currently assisting staff to audit those fees to determine if further refinements are necessary. Some modifications are expected in FY 14-15.

FY 14-15 proposes one modification to the current planning program staffing model. To expand the Planning team's capacity to conduct long-range planning projects while maintaining quality customer service and improving fiscal sustainability, it is proposed that one of the two Planning Technician positions be upgraded to an Assistant Planner position that would be funded in parts equally by the current planning program (Fund 206) and by the long range planning fund (Fund 207). This upgrade will continue to support a high level of customer service at the planning counter and enhance the City's ability to conduct permit processing while also better supporting long-range planning activities, such as the Climate Action Plan and the review of transportation level of service thresholds.

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)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	436,240	516,943	673,884	676,287	699,243
41271	SALARIES - PART-TIME TEMP	36,884	73,003	74,516	74,516	136,751
41320	EARNED LEAVE LIABILITY	12,295	10,467	9,766	9,766	18,358
41490	OVERTIME - GENERAL	319	508	500	500	515
41560	UNEMPLOYMENT INSURANCE	4,291	601	-	-	-
41620	RETIREMENT - GENERAL	85,105	110,781	137,570	113,064	121,969
41690	DEFERRED COMPENSATION	14,151	15,585	20,686	13,203	13,934
41700	GROUP INSURANCE	43,492	49,874	67,773	79,095	80,363
41701	MEDICARE	6,353	8,313	10,936	10,284	12,181
41730	INCOME PROTECTION INS	4,544	5,607	6,342	7,053	6,577
41760	WORKERS COMP	4,366	10,827	18,386	18,727	20,745
41799	BENEFITS	2,949	2,297	5,340	4,750	3,571
	Salaries Total	**650,988**	**804,808**	**1,025,699**	**1,007,245**	**1,114,207**
42214	TELEPHONE	2,275	9,233	12,000	8,000	12,360
42228	GASOLINE & OIL	114	579	800	-	824
42231	CONTRACT SERVICES	215,046	533,482	138,328	138,328	62,810
42236	BANK CARD SERVICE FEES	6,747	6,165	5,000	10,624	10,943
42237	CONTRACT SERVICES-PLANNING REQUESTS	-	121,352	378,228	378,228	200,000
42239	CONTRACT SERVICES-ENVIRONMENTAL REQUESTS	-	-	500,000	500,000	300,000
42244	STATIONERY & OFFICE SUPPLIES	2,525	2,845	2,475	2,475	2,549
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	7,500
42246	COMPUTER SOFTWARE-NON CAPITAL	525	1,231	2,500	2,500	2,575
42248	OTHER SUPPLIES	436	1,484	5,000	5,000	5,150
42250	ADVERTISING	10,556	9,724	10,000	10,000	10,300
42252	PHOTOCOPYING	9,284	9,845	11,000	11,000	11,330
42254	POSTAGE & FREIGHT	1,926	1,212	3,500	3,500	3,605
42257	PRINTING	464	809	2,000	2,000	2,060
42261	AUTO MILEAGE	1,040	1,043	950	2,000	979
42297	PRIOR YEAR EXPENSE	-	-	-	27,939	-
42299	OTHER EXPENSE	-	46	-	3,137	5,400
42408	TRAINING & EDUCATION	1,225	167	4,600	2,300	4,738
42415	CONFERENCE & MEETINGS	4,049	5,534	4,600	4,600	4,738
42423	MEMBERSHIP & DUES	1,351	10,540	14,400	7,000	14,832
42435	SUBSCRIPTION & PUBLICATIONS	-	326	500	500	515
42526	MAINT - AUTO/TRUCKS	-	46	350	350	361
	Supplies Total	**257,563**	**715,664**	**1,096,231**	**1,119,481**	**663,568**
45003	GENERAL LIABILITY INSURANCE	1,916	6,729	3,065	3,065	11,554
45004	BUILDING MAINT - CURRENT SERVICES	4,333	3,511	20,579	20,579	27,199
45005	BUILDING MAINT - FUTURE REPLACEMENT	3,374	4,258	4,258	4,258	4,258
45009	INFO SYSTEM SERVICES	11,074	20,547	34,084	34,084	40,340
45010	GF ADMIN	93,073	87,977	87,977	128,566	133,066
	Internal Services Total	**113,770**	**123,022**	**149,963**	**190,552**	**216,417**
49224	TRANSFER OUT-740 (BUILDING MAINTENANCE)	-	-	-	-	56,758
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	25,337	82,345	130,923	130,923	130,923
49241	TRANSFER OUT-BOND/DEBT	4,390	4,158	3,967	3,967	14,634
	Transfer Total	**29,727**	**86,503**	**134,890**	**134,890**	**202,315**
5120 - Planning Total		**1,052,049**	**1,729,996**	**2,406,783**	**2,452,168**	**2,196,508**

Building [206-5130]

ACTIVITY DESCRIPTION

The Building Division ensures compliance with State and local regulations, which provide minimum standards to safeguard life, health, and public welfare by regulating the use, occupancy, location, and maintenance of all buildings and structures.

Building Division staff reviews construction plans, issue permits, and provides field inspections for all construction and property development activities to ensure compliance with mandated regulations. The Building Division is responsible for 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 14-15, it is proposed that the division upgrade one Building Inspector II position to a Supervising Building Inspector position. This shift adds .5 FTE capacity to the plan check and supervision functions of the division which are now the sole responsibility of the Building Official. Additional breadth and support is important, as Morgan Hill has no backup to plan check services, and contract plan check services are not only more expensive, but also require the supervision and review of the Building Official. The .5 FTE building inspector loss is proposed to be filled with part-time personnel with revenues from cost recovery paying for the services.

FY 13-14 HIGHLIGHTS

- Provided staff training for the new State model codes which goes into effect January 1, 2014
- Created and modified policies and procedures to assist and empower staff
- Reviewed new software options to replace our current permit issuance and tracking computer system
- Implemented iPads have increased efficiencies for the Inspectors by allowing them additional time in the field to perform inspections
- Purchased a microfilm scanner which allows staff to electronically file permits, plans and associated documents.

FY 14-15 WORKPLAN

- Continue to pursue new software that will enhance our current permit and plan review tracking system.
- Expand on the type of Fax-in permit applications
- Explore a web based building permit system which will allow an applicant to electronically submit their drawings and application without visiting our 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 has increased during FY 13-14. Field Inspections increased to an average of 250 inspections per week due to over 400 active residential construction permits. This is up from last year with an average of 225 inspections per week. Residential permits continue to account for over 80% of the Building Division permit and inspection activity. New commercial buildings and tenant improvement projects still remain "soft", accounting for about 15% of building permit activity. Building inspectors have been working one additional hour of overtime since October, 2013; this is funded by the development community. In addition, the Code Enforcement Officer has been temporarily reassigned to spend about 50% of his time performing minor inspections, this allows the Building Inspectors additional time to focus on more complex inspections, and increase inspection efficiency. Many Developers have indicated they will continue building more new single family units during FY 14-15 as long as real estate sales remain strong.

Building (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	504,113	519,022	620,374	589,631	608,633
41271	SALARIES - PART-TIME TEMP	5,871	44,665	95,316	115,000	172,962
41320	EARNED LEAVE LIABILITY	19,222	23,767	14,398	14,398	26,527
41490	OVERTIME - GENERAL	71	20,422	5,000	24,000	12,000
41560	UNEMPLOYMENT INSURANCE	5,084	526	-	-	-
41620	RETIREMENT - GENERAL	109,500	121,552	137,436	100,477	122,491
41690	DEFERRED COMPENSATION	12,736	10,983	13,612	12,236	12,905
41700	GROUP INSURANCE	56,747	56,782	67,976	73,965	76,319
41701	MEDICARE	5,530	6,868	10,508	8,488	11,539
41730	INCOME PROTECTION INS	5,119	5,121	5,149	5,599	5,103
41760	WORKERS COMP	6,118	14,281	22,580	23,566	19,681
41799	BENEFITS	1,569	2,072	3,966	3,510	2,218
41800	UNIFORM	315	574	700	700	721
	Salaries Total	**731,993**	**826,635**	**997,015**	**971,570**	**1,071,099**
42214	TELEPHONE	8,001	12,998	13,000	13,000	13,390
42228	GASOLINE & OIL	7,412	8,320	5,500	6,178	5,665
42231	CONTRACT SERVICES	3,707	15,422	12,000	13,945	12,360
42236	BANK CARD SERVICE FEES	7,019	11,828	7,500	17,417	17,940
42244	STATIONERY & OFFICE SUPPLIES	2,683	7,039	3,500	3,500	3,605
42245	COMPUTER HARDWARE-NON CAPITAL	108	-	-	1,515	12,900
42246	COMPUTER SOFTWARE-NON CAPITAL	525	1,925	3,000	3,000	3,090
42248	OTHER SUPPLIES	1,395	6,587	1,500	1,500	1,545
42250	ADVERTISING	657	300	300	300	309
42252	PHOTOCOPYING	2,771	2,442	2,000	2,034	2,060
42254	POSTAGE & FREIGHT	770	781	800	800	824
42257	PRINTING	1,017	1,550	1,500	1,500	1,545
42261	AUTO MILEAGE	-	34	100	100	103
42299	OTHER EXPENSE	-	215	300	300	309
42408	TRAINING & EDUCATION	2,116	3,176	7,500	7,500	7,725
42415	CONFERENCE & MEETINGS	-	1,088	2,000	2,000	2,060
42423	MEMBERSHIP & DUES	1,502	1,354	500	2,242	515
42435	SUBSCRIPTION & PUBLICATIONS	847	4,144	500	3,169	515
42526	MAINT - AUTO/TRUCKS	4,245	740	2,000	6,536	2,060
	Supplies Total	**44,775**	**79,943**	**63,500**	**86,536**	**88,520**
45003	GENERAL LIABILITY INSURANCE	2,156	6,678	3,462	3,462	10,837
45004	BUILDING MAINT - CURRENT SERVICES	4,873	3,072	19,424	19,424	23,799
45005	BUILDING MAINT - FUTURE REPLACEMENT	3,795	3,726	3,726	3,726	3,726
45009	INFO SYSTEM SERVICES	21,553	27,838	44,072	44,072	54,429
45010	GF ADMIN	50,211	47,489	47,489	80,484	83,301
	Internal Services Total	**82,588**	**88,803**	**118,173**	**151,168**	**176,092**
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	12,500	17,635	17,635	20,080	25,727
49241	TRANSFER OUT-BOND/DEBT	4,402	3,638	3,471	3,471	12,805
	Transfer Total	**16,902**	**21,273**	**21,106**	**23,551**	**38,532**
5130 - Building Total		**876,258**	**1,016,654**	**1,199,794**	**1,232,825**	**1,374,243**

Long Range Planning [207-5170]

ACTIVITY DESCRIPTION

Long Range or Advance Planning is responsible for the development of City policies and ordinances to guide the ongoing use of land within Morgan Hill. A key component of these policies is the General Plan which establishes a long-term, 20 year vision for land uses and the related delivery of municipal services within Morgan Hill. This program also includes maintenance of the City's Zoning Code, special projects such as the Climate Action Plan, and the establishment of environmental review thresholds. The long range planning program involves:

- Monitoring and updating as necessary, the City's planning policy and implementing documents, such as the General Plan, Specific Plans, and Zoning Ordinance
- Ensuring consistency of the Zoning Ordinance and Zoning Map with the General Plan Land Use and Transportation diagrams
- Assisting decision-makers in identifying and evaluating future options for the growth and development of the community
- Undertaking major long range planning projects, including the development of an Agricultural Lands Preservation Program, the Southeast Quadrant land use plan, the Habitat Conservation Plan, a Climate Action Plan, and the Monterey/Watsonville Urban Services Area Adjustment
- Participating in regional planning efforts as an advocate for Morgan Hill

The Long Range Planning Fund 207 supports a number of future planning projects, with their related revenue sources and expenditure amounts. Chief among these projects in terms of importance, scope and cost is **Morgan Hill 2035**, composed of a General Plan Update and other major policy planning, implementation, and environmental documents described in more detail below. Long Range Planning also includes the ongoing Agricultural Lands Preservation Program and Southeast Quadrant Land Use Plan (SEQ), development of a form-based Zoning Overlay for the Monterey Corridor, preparation of a Climate Action Plan, coordination of the review of General Plan Amendment applications, ongoing Boundary Adjustment projects, and associated staffing and services. For 2014, four specific **focus areas** were recognized by the City Council that will require significant resources. The Long Range Planning program is the lead for two of the focus areas:

- Continue our General Plan Update, Morgan Hill 2035
- Approve and Implement the Agricultural Lands Preservation Program and Southeast Quadrant Land Use Plan

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

- Pursue revitalization of our downtown through implementation of the Long Range Property Management Plan redevelopment sites and public investment.
- Facilitate maintaining and enhancing the provision of medical services in Morgan Hill.

Long Range Planning (continued)

FY 13-14 HIGHLIGHTS

- Completed second phase of the Morgan Hill 2035 project, which includes a comprehensive update of the General Plan, through development of draft General Plan Vision and Goals and selection of three Growth Alternatives. 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
- Continued progress on the Agricultural Land Use Preservation Program and SEQ Area Plan including the first release of a public draft Program and public circulation of a Draft Environmental Impact Report
- Completed draft of the City's Housing Element leading to fulfillment of State Law requirements
- Commenced preparation of a Climate Action Plan including Planning Commission/City Council and community workshops

FY 14-15 WORKPLAN

- Complete next phase of Morgan Hill 2035 project, including the General Plan Update, to analyze and compare the three Growth Alternatives, and then select a preferred Land Use Plan and develop related key objectives, policies, and actions
- Complete Agricultural Land Use Preservation Program and SEQ Area Plan including adoption of a Final EIR, an agricultural preservation program and General Plan and Zoning amendments
- Complete update of the Housing Element of the General Plan for adoption by City Council as mandated by State law
- Complete the Climate Action Plan
- Initiate a comprehensive update of the City's Zoning Ordinance
- 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

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.

To further build the Planning team's capacity for long-term planning while also providing greater support

for economic development projects, it is proposed that the long-range part-time contract Planning Manager position be replaced with a regular Senior Planner position funded by the long-range planning program. This Senior Planner position will play a key project manager role in the General Plan update and upcoming comprehensive updates to the Zoning Code and Residential Development Control System, as well as oversee the adoption and implementation of the Climate Action Plan and development of CEQA thresholds. The two current planning (Fund 206) Senior Planners will thus be able to focus on conduct of the land use entitlement program, with one serving as the main contact point and facilitator for the entitlement of economic development projects, as well as providing oversight of the City's increasing use of outside planning consultants.

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 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.

Long Range Planning (continued)

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 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 14-15, 15-16, and 16-17 milestones for Morgan Hill 2035, pending any changes due to unforeseen circumstances.

Medical Services Planning

Milestone	Anticipated Date
Public Outreach, Plan Preparation and Environmental Review	Ongoing, 2014-2016
General Plan Advisory Committee (GPAC) #11: Creating a Preferred Land Use Plan	August 28, 2014
Community Workshop #3: Preferred Growth Alternative	Summer 2014
City Council/Planning Commission Study Session #4: Select Preferred Land Use Plan	Fall 2014
Housing Element	December 2014
Policy Development	Summer 2014 - May 2015
Draft General Plan	October 2015
Draft Zoning Ordinance	November 2015
Infrastructure Master Plan	December 2015
Draft EIR	January 2016
Final General Plan and Zoning	July 2016
Growth Management Ballot Measure	November 2016

Long Range Planning (continued)

The City is conducting an annual General Plan Amendment application review process coordinated with the General Plan Update. One proposed amendment would potentially redesignate the site that currently meets the City's General Plan policy requirement to maintain land zoned for an acute care hospital. As part of the review of this amendment and potentially as part of the overall General Plan Update, the City is undertaking an analysis of current and future medical service needs within Morgan Hill with the intent of planning land uses in line with those needs. The Long Range Planning team will play the lead project management role for the City in these efforts.

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.

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".

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). In December of 2013, the City of Morgan Hill circulated a Draft Environmental Impact Report (EIR) for the *Agricultural Lands Preservation Program and Southeast Quadrant Land Use Plan* and is currently in the process of preparing responses to the comments received from the public on the Draft EIR. The Draft EIR, in conjunction with Agricultural Preservation Program and proposed General Plan amendments, is expected to be considered

Long Range Planning (continued)

by the Planning Commission and City Council in the next few months (e.g., end of FY13-14 and beginning of FY14-15). LAFCO action is anticipated in December of 2014.

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. Implementation training will take place for Morgan Hill staff in late FY 12-13 or early FY 13-14. Implementation training will include application of the HCP and determination of fees and exemptions.

Long Range Planning (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	143,623	163,159	171,220	166,327	251,732
41271	SALARIES - PART-TIME TEMP	12,870	53,186	72,600	72,600	-
41320	EARNED LEAVE LIABILITY	2,897	3,721	4,550	4,550	2,623
41490	OVERTIME - GENERAL	20	275	-	-	-
41560	UNEMPLOYMENT INSURANCE	1,050	139	-	-	-
41620	RETIREMENT - GENERAL	22,109	28,338	28,471	27,420	43,910
41690	DEFERRED COMPENSATION	5,522	6,861	6,599	2,916	4,312
41700	GROUP INSURANCE	9,681	10,340	12,042	14,423	34,342
41701	MEDICARE	2,037	3,101	3,569	3,553	3,689
41730	INCOME PROTECTION INS	1,445	1,782	1,628	1,724	2,473
41760	WORKERS COMP	1,424	4,087	5,986	6,238	6,243
41799	BENEFITS	1,223	1,105	2,335	1,194	2,682
	Salaries Total	**203,901**	**276,094**	**309,000**	**300,945**	**352,006**
42214	TELEPHONE	406	1,416	1,200	1,200	1,236
42231	CONTRACT SERVICES	175,363	244,280	736,035	456,000	610,790
42236	BANK CARD SERVICE FEES	440	637	400	1,100	1,133
42248	OTHER SUPPLIES	-	-	-	150	-
42297	PRIOR YEAR EXPENSE	-	-	-	500	-
42415	CONFERENCE & MEETINGS	-	-	-	1,000	-
42423	MEMBERSHIP & DUES	1,492	2,161	1,750	1,750	1,803
	Supplies Total	**177,701**	**248,493**	**739,385**	**461,700**	**614,962**
45003	GENERAL LIABILITY INSURANCE	320	1,679	612	612	3,852
45004	BUILDING MAINT - CURRENT SERVICES	648	-	-	-	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	505	-	-	-	-
45010	GF ADMIN	14,795	14,034	14,034	27,685	28,654
	Internal Services Total	**16,268**	**15,713**	**14,646**	**28,297**	**32,506**
49241	TRANSFER OUT-BOND/DEBT	704	-	-	-	-
	Transfer Total	**704**	**-**	**-**	**-**	**-**
5170 - Long Range Planning Total		**398,574**	**540,300**	**1,063,031**	**790,942**	**999,474**

Community Development Block Grant [215-8000]

ACTIVITY DESCRIPTION

The City is a member of the Urban County Community Development Block Grant (CDBG) Joint Powers Authority. In 2011, the County Office of Affordable Housing, which is the direct recipient of the Federal CDBG funds, consolidated the administration of the Urban County's CDBG program. Each of the City's now must file an annual application with the County to receive approximately $71,000 in Capital Project grant funds. Due to this consolidation, beginning in the FY2013-2014 Budget, this section will be incorporated into the Capital Improvement Program.

FY 13-14 HIGHLIGHTS

- Switched CDBG project from installing security cameras at Main St Bus Depot to multi-year community engagement and park refurbishment project at Galvan Park. Funds received will be allocated by staff as noted in the resolution and CDBG application amendment approved by Council on July 17, 2013 as well as resolution and CDBG application approved by Council on December 4, 2013
- Refined the remaining transactions to finalize transfer of administration and servicing of Morgan Hill's CDBG Rehab Loan portfolio to the Santa Clara County Office of Affordable Housing
- Participate in Technical Advisory Committee and make recommendations regarding county-wide applications and processes

FY 14-15 ACTIVITY GOALS

- For FY2014-2015, the City will receive approximately $71,337 to administer and complete a multi-year community engagement and park refurbishment project at Galvan Park.

FINANCIAL HIGHLIGHTS

The County's decision to streamline its administration of the Urban County CDBG program to a single on-line process has resulted in the loss of $15,000 in administration and $30,000 in public services funds to the City. The City will continue to receive approximately $71,000 in capital project funding but will also have to submit a formal application annually to the County. Membership in the Urban County CDBG Joint Powers Authority will still require a Council Representative to attend the County's Housing and Community Development Committee meetings and for City staff to attend the counter-part Technical Advisory Committee meetings. This results in approximately $10,000 in unreimbursed costs that must be borne by the General Fund or CIP Admin Fund.

Due to the end of Sequestration of the Federal Budget, the anticipated CDBG budget should be stable for the next couple of years. However, the City will continue to pursue with other participating cities opportunities to pool funds and creatively manage the CDBG allocations.

Community Development Block Grant (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
86360	CONSTRUCTION	84,168	62,988	71,337	-	142,000
86440	GRANT AMOUNT	5,748	-	-	-	-
	Project Total	**89,916**	**62,988**	**71,337**	**-**	**142,000**
8000 - CDBG Programs & Projects Total		**89,916**	**62,988**	**71,337**	**-**	**142,000**

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 a very narrow band 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 FY13-14 the Housing efforts were focused upon completing and facilitating "pipeline" and "legacy" housing projects that were funded by the former Morgan Hill Redevelopment Agency, including restructuring transactions, approving sale and transfers, understanding the City's responsibilities and obligations to the former Agency's housing functions, and developing new strategies for the provision of local housing related services. Consistent with the restructuring of the CDA approved by the City Council as part of the FY 11-12 budget, some ongoing Housing programs are being administered via contract with a third party entity.

For FY 14-15, Housing will be negotiating with developers for potential use of housing funds. 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 2 or 3 new developments or institute new housing programs to help mitigate the effects of the current large increase in both home prices and rental rates.

Housing Programs (continued)

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 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 will begin 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 development new affordable housing units and preserve housing assets.

Housing Programs (continued)

FY 13-14 HIGHLIGHTS

- Facilitated the sale of new BMR affordable units with multiple lotteries and community outreach
- Created new BMR policy to be proactive in preventing foreclosures rather than just reacting. Updated BMR document templates to insure City has strongest legal protections in the event of foreclosures or unreported encumbrances or rentals of units.
- Facilitated several BMR settlements that resulted in over $300,000 being returned to the City
- Collaborated with South County Housing to complete permanent financing of the Crest Avenue Apartments Rehabilitation Project
- Collaborated with EAH Housing to complete permanent financing of the Bella terra Senior Apartments Project
- Coordinated the Urban County CDBG grant award of $71,337 for City's Gavilan Park rehabilitation project
- Continued monthly and weekly meetings to create best practices, with non-profit partner Neighborhood Housing Services of Silicon Valley (NHSSV) to administer the City's Below Market Rate (BMR) Program Administration
- Received Council approval for new Senior and BMR Homeowner rehabilitation project.
- Provided support for the "wind down" of Morgan Hill Redevelopment Agency and transfer of housing assets and functions to the City
- Reviewed 14 Residential Development Control System competition applications
- Processed holdover BMR sale transactions including 18419 Jade Lane (Wildoner Transaction), 397 Calle Atavio, Selene Ave and the sale of the City -owned 345 Calle Viento. Negotiated settlement on transfer of several bank foreclosures, with goal of salvaging affordability covenants
- Participated in a variety of local working groups including the County's CDBG Technical Assistance Committee, Homeless Count Advisory Committee and Housing Action Coalition
- Explored various partnership opportunities for additional affordable housing development which could include projects helping Transitional Aged Youth (TAY), Veterans or additional Family affordable units
- Submitted and presented Affordable Housing Funding Status Report to City Council

FY 14-15 ACTIVITY GOALS

- Further refine policies and procedures of BMR Program Administration with NHSSV
- Coordinate NHSSV audit and monitoring of BMR inventory; execute First Time Homebuyer and Foreclosure Prevention education
- Monitor RHNA progress for housing element and assist preparation of 2014 Housing Element update
- Follow up on direction provided by City Council at Ma7 7 Housing strategy update meeting
- Continue negotiating with developers for potential opportunities to develop at least one major affordable housing development.
- Continue to maximize efficient use of Morgan Hill's affordable housing funds & review alternatives for program and service delivery options
- Facilitate Urban County CDBG grant award for Galvan Park rehabilitation project

Housing Programs (continued)

FY 14-15 WORKPLAN

- Refine consultant services agreement for BMR Program Administration by NHSSV
- Implement new Senior and BMR homeowner rehabilitation plan
- Monitor housing production and make necessary preparations for the 2014 General Plan Housing Element Update
- Report back to City Council on direction provided at May 7th Housing strategy meeting
- Coordinate the City's annual CDBG CIP grant application to the Urban County
- Facilitate the financing or pre-development activity for one new affordable housing project during the current housing element period or issue RFQ to ascertain developer interest
- Assist with annual review of housing related fees including Mobile Home Rent Fee
- Assist with the review of the annual RDCS applications
- Explore partnership with The Housing Trust for additional programs or leverage funds in another fashion

COUNCIL GOALS

The Housing Department will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

- **Stimulate Economic Development**
    - The use of housing funds to create new developments will bring construction jobs to the community while stimulating development on vacant or dilapidated parcels.
    - Pursuing compensation due to BMR foreclosures and preventing foreclosures will not only maintain the City's investment in affordable housing, but keep the foreclosure rate below average.

- **Enhance Community Engagement and Diversity**
    - The Housing Division, through the City's non-profit partner, will be providing outreach activities and events to increase awareness of the BMR program with current residents, potential participants, employees as well as with the lender and realtor community
    - Provide access to local foreclosure prevention education programs
    - Stakeholder and public participation events will be conducted through the Housing Element process
    - Galvan Park CDBG project will include extensive community engagement to facilitate feedback on new amenities to be included with project.

- **Participate in Regional Issues**
    - Continue working with other Housing Departments in Ad Hoc working groups to analyze and strategize best Housing practices in a post-Redevelopment environment

Housing Programs (continued)

- Continue participation on County CDBG Technical Advisory Committee
- Continue participation with Housing Action Coalition
- Continue participation with County Homeless Outreach groups

Improve Organizational Effectiveness and Transparency

- Continue working with BMR non-profit Administrator NHSSV to improve BMR processes and increase community outreach and communication
- Maintain Housing Twitter page and look for new, creative options to communicate information to the public about housing opportunities

PERFORMANCE MEASURES

- 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 HIGHLIGHTS

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 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, 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.

Housing Programs (continued)

However, over the last couple of years the City has accumulated over $6 million in housing funds. Over 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 should be able to fund 2-3 new affordable housing developments over the next 5-7 years.

For FY 14-15, $4,200,000 in housing program expenditures are proposed for Fund 236; $276,639 in salaries and $58,408 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 $191,320 in salaries and $76,447 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 3.8 FTE's.

In spite of RDCS allocations and projects with BMR waivers pending, it is anticipated that $1,200,000 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)

Mobile Home Rent Commission [234-8250]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	1	2	-	-	-
42236	BANK CARD SERVICE FEES	-	3	-	25	25
42252	PHOTOCOPYING	1	-	-	-	-
	Supplies Total	**2**	**5**	**-**	**25**	**25**
45010	GF ADMIN	941	947	947	713	738
	Internal Services Total	**941**	**947**	**947**	**713**	**738**
8250 - Mobile Home Park Rent Total		**943**	**952**	**947**	**738**	**763**

Housing Programs (continued)

Senior Housing Trust [235-8425]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	13	18	-	-	-
	Supplies Total	**13**	**18**	**-**	**-**	**-**
86440	GRANT AMOUNT	19,100	-	-	-	-
	Project Total	**19,100**	**-**	**-**	**-**	**-**
8425 - Senior Housing Trust Total		**19,113**	**18**	**-**	**-**	**-**

Housing Programs (continued)

Housing Mitigation [236-7100]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	79,450	194,480	167,132	193,845	200,155
41320	EARNED LEAVE LIABILITY	-	6,099	1,939	1,939	3,446
41490	OVERTIME - GENERAL	16	138	-	5,600	-
41560	UNEMPLOYMENT INSURANCE	688	176	-	-	-
41620	RETIREMENT - GENERAL	15,436	39,502	32,335	32,410	34,913
41690	DEFERRED COMPENSATION	2,253	3,769	2,833	3,148	3,224
41700	GROUP INSURANCE	7,084	20,568	17,379	21,494	22,144
41701	MEDICARE	1,103	2,862	2,457	2,386	2,930
41730	INCOME PROTECTION INS	843	1,933	1,485	1,966	1,829
41760	WORKERS COMP	832	4,002	4,490	5,288	4,964
41799	BENEFITS	897	2,657	2,306	2,049	1,881
	Salaries Total	**108,602**	**276,186**	**232,356**	**270,125**	**275,486**
42214	TELEPHONE	-	2,171	2,100	2,100	2,163
42230	SPECIAL COUNSEL	-	-	-	-	110,000
42231	CONTRACT SERVICES	27,923	135,151	315,583	315,583	79,650
42236	BANK CARD SERVICE FEES	-	-	-	7,534	7,760
42244	STATIONERY & OFFICE SUPPLIES	-	355	350	350	361
42248	OTHER SUPPLIES	-	-	-	46	-
42250	ADVERTISING	-	-	-	1,000	-
42254	POSTAGE & FREIGHT	14	87	-	200	-
42257	PRINTING	-	41	-	200	-
42261	AUTO MILEAGE	81	1,034	1,000	1,000	1,030
42299	OTHER EXPENSE	13	1,100	200	200	206
42408	TRAINING & EDUCATION	-	-	-	100	-
42415	CONFERENCE & MEETINGS	15	508	2,000	2,000	2,060
42423	MEMBERSHIP & DUES	-	-	1,000	1,000	1,030
42435	SUBSCRIPTION & PUBLICATIONS	-	36	100	100	103
	Supplies Total	**28,047**	**140,483**	**322,333**	**331,413**	**204,363**
45003	GENERAL LIABILITY INSURANCE	-	2,742	962	962	3,696
45004	BUILDING MAINT - CURRENT SERVICES	-	439	1,155	1,155	3,400
45005	BUILDING MAINT - FUTURE REPLACEMENT	-	532	532	532	532
45009	INFO SYSTEM SERVICES	-	1,988	1,917	1,917	2,269
45010	GF ADMIN	-	131,494	131,494	47,356	49,013
	Internal Services Total	**-**	**137,195**	**136,060**	**51,922**	**58,910**
86100	ACQUISITION EXPENSE	136	224	250	250	-
86420	PROGRAM LOANS	376,937	1,454,990	-	379,764	-
86440	GRANT AMOUNT	18,811	-	-	-	-
86441	HOUSING PROGRAMS	-	-	200,000	50,000	4,200,000
	Project Total	**395,884**	**1,455,214**	**200,250**	**430,014**	**4,200,000**
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	-	150,000	150,000	150,000	150,000
49241	TRANSFER OUT-BOND/DEBT	-	520	496	496	1,829
	Transfer Total	**-**	**150,520**	**150,496**	**150,496**	**151,829**
7100 - Housing Mitigation Total		**532,533**	**2,159,597**	**1,041,495**	**1,233,970**	**4,890,588**

Housing Programs (continued)

Successor Housing Agency [255-7220]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	32,677	128,889	132,139	144,107	135,812
41271	SALARIES - PART-TIME TEMP	(353)	-	-	-	-
41320	EARNED LEAVE LIABILITY	4,161	9,488	2,321	2,321	3,582
41490	OVERTIME - GENERAL	-	1,380	-	1,700	-
41560	UNEMPLOYMENT INSURANCE	627	114	-	-	-
41620	RETIREMENT - GENERAL	10,182	26,102	23,395	24,072	23,690
41690	DEFERRED COMPENSATION	1,276	3,194	2,016	2,573	3,749
41700	GROUP INSURANCE	6,281	11,776	14,419	18,069	17,698
41701	MEDICARE	296	1,957	1,963	1,897	1,999
41730	INCOME PROTECTION INS	773	1,297	1,133	1,380	1,135
41760	WORKERS COMP	340	2,358	3,373	3,744	3,368
41799	BENEFITS	1,007	2,121	3,249	2,107	2,073
	Salaries Total	**57,268**	**188,676**	**184,008**	**201,970**	**193,106**
42210	WATER/SEWER	300	976	400	400	412
42214	TELEPHONE	384	588	1,000	1,000	1,030
42231	CONTRACT SERVICES	7,200	2,178	500	500	515
42244	STATIONERY & OFFICE SUPPLIES	334	140	150	150	155
42248	OTHER SUPPLIES	-	3	-	-	-
42252	PHOTOCOPYING	136	589	-	1,000	-
42254	POSTAGE & FREIGHT	560	92	100	115	103
42257	PRINTING	63	22	100	100	103
42261	AUTO MILEAGE	28	-	200	200	206
42299	OTHER EXPENSE	-	-	-	4,151	-
42415	CONFERENCE & MEETINGS	58	268	500	500	515
	Supplies Total	**9,064**	**4,857**	**2,950**	**8,116**	**3,039**
45003	GENERAL LIABILITY INSURANCE	1,795	2,026	476	476	1,751
45009	INFO SYSTEM SERVICES	4,017	1,988	2,396	2,396	2,836
45010	GF ADMIN	-	82,640	82,640	69,911	72,358
	Internal Services Total	**5,812**	**86,654**	**85,512**	**72,783**	**76,945**
82229	RDA-SPECIAL COUNSEL	224	-	-	-	-
	Project Total	**224**	**-**	**-**	**-**	**-**
86100	ACQUISITION EXPENSE	1,128	1,237	-	-	-
86280	PROPERTY MANAGEMENT	471	-	-	1,500	-
86400	PROCESSING & SERVICING	391	848	1,000	1,000	1,030
86420	PROGRAM LOANS	667,000	331,862	-	-	-
86441	HOUSING PROGRAMS	-	-	-	2,481	-
86440	GRANT AMOUNT	37,998	-	-	-	-
	Project Total	**706,988**	**333,946**	**1,000**	**4,981**	**1,030**
49241	TRANSFER OUT-BOND/DEBT	-	-	31,511	31,511	31,511
	Transfer Total	**-**	**-**	**31,511**	**31,511**	**31,511**
7220 - Housing Total		**779,356**	**614,133**	**304,981**	**319,361**	**305,630**

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 Council 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 14-15 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 six months. 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 back ni 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.

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

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 Council Goals

During FY 14-15, the Successor Agency will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set for FY 2014:

Finance and Advocate for Infrastructure Improvements

- Implement Downtown Place-making and Infrastructure Investment Plan recommendations;
- Construct a 275 space public garage Downtown

Stimulate Economic Development

- Implement property planning, disposition and implementation in accordance with Long Range Property Management Plan (LRPMP), consistent with former Redevelopment Plan, Downtown Specific Plan and Priority Development Area goals

Lastly, in 2013 the City Council recognized that certain "**Focus Areas**" would require significant resources including the "wind down" of projects and programs of the former redevelopment agency in accordance with State directives and to meet other challenges posed by potential new state mandates/takeaways. In FY 2014-15, those activities continue, albeit, not consuming the same resources as in the past fiscal year as focus turns to use of bond proceeds and disposition of former Redevelopment Agency real estate assets.

City of Morgan Hill Acting as the Successor Agency of the Morgan Hill Redevelopment Agency - Retired Obligations [250-7201]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	86,410	-	-	-	-
	Supplies Total	**86,410**	**-**	**-**	**-**	**-**
82205	TAXES	10,725	-	-	-	-
	Project Total	**10,725**	**-**	**-**	**-**	**-**
86420	PROGRAM LOANS	2,308,500	-	-	-	-
86440	GRANT AMOUNT	8,952	-	-	-	-
	Project Total	**2,317,452**	**-**	**-**	**-**	**-**
7201 - Retired Obligations Fund Total		**2,414,587**	**-**	**-**	**-**	**-**

City of Morgan Hill Acting as the Successor Agency of the Morgan Hill Redevelopment Agency - Debt Service [250-7205]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42205	TAXES	-	-	-	1,925,659	-
42229	RDA-SPECIAL COUNSEL	751	23,955	55,000	-	-
42231	CONTRACT SERVICES	38,580	105,156	12,000	49,343	-
	Supplies Total	**39,331**	**129,111**	**67,000**	**1,975,002**	**-**
44990	PRINCIPAL	-	2,940,000	1,695,000	97,525,000	4,050,000
44991	INTEREST	60,415	154,125	1,551,090	985,570	2,884,903
44996	ISSUANCE COST	-	-	-	1,660,099	-
44995	SERVICE FEES	231,087	346,064	504,160	494,473	2,500
	Debt Total	**291,501**	**3,440,189**	**3,750,250**	**100,665,142**	**6,937,403**
7205 - Debt Service Total		**330,832**	**3,569,300**	**3,817,250**	**102,640,144**	**6,937,403**

City of Morgan Hill Acting as the Successor Agency of the Morgan Hill Redevelopment Agency - Administration [250-7210]

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	12,389	211,276	139,165	127,185	231,467
41160	SALARIES - SAFETY	(16,613)	-	-	-	-
41271	SALARIES - PART-TIME TEMP	(1,650)	-	-	-	-
41320	EARNED LEAVE LIABILITY	13,737	12,281	2,318	2,318	6,131
41490	OVERTIME - GENERAL	-	80	-	977	-
41500	OVERTIME - SAFETY	(1,650)	-	-	-	-
41520	OVERTIME - REIMBURSABLE	(281)	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	340	177	-	-	-
41620	RETIREMENT - GENERAL	9,447	46,519	27,192	21,237	40,375
41630	RETIREMENT - SAFETY	(3,661)	-	-	-	-
41690	DEFERRED COMPENSATION	955	6,804	3,501	3,751	7,461
41700	GROUP INSURANCE	4,706	12,972	10,831	9,061	18,231
41701	MEDICARE	(73)	3,661	2,085	1,779	3,422
41730	INCOME PROTECTION INS	538	1,902	951	1,183	1,682
41760	WORKERS COMP	(152)	3,811	3,417	3,174	5,740
41799	BENEFITS	1,730	3,656	4,652	2,603	4,521
	Salaries Total	**19,762**	**303,139**	**194,112**	**173,268**	**319,030**
42205	TAXES	-	36,546	34,001	41,124	32,365
42208	ELECTRIC	30	-	-	-	-
42214	TELEPHONE	849	1,538	1,600	687	1,648
42230	SPECIAL COUNSEL	-	8,391	40,000	2,084	20,000
42231	CONTRACT SERVICES	3,259	4,784	3,480	6,239	620,000
42233	AUDIT FEES	-	4,050	-	-	-
42244	STATIONERY & OFFICE SUPPLIES	212	111	250	18	258
42248	OTHER SUPPLIES	16	0	-	-	-
42250	ADVERTISING	-	217	850	850	876
42252	PHOTOCOPYING	3,102	2,134	2,200	1,449	2,266
42254	POSTAGE & FREIGHT	80	13	175	89	180
42257	PRINTING	13	5	-	-	-
42261	AUTO MILEAGE	529	-	-	-	-
42295	HEALTHY START PROGRAM	-	(422,433)	-	-	-
42299	OTHER EXPENSE	-	11,841,633	-	1,156,375	-
42415	CONFERENCE & MEETINGS	438	42	-	1,087	-
	Supplies Total	**8,529**	**11,477,032**	**82,556**	**1,210,002**	**677,592**
45003	GENERAL LIABILITY INSURANCE	3,572	2,142	567	567	2,627
45009	INFO SYSTEM SERVICES	6,012	-	-	-	-
	Internal Services Total	**9,583**	**2,142**	**567**	**567**	**2,627**
49241	TRANSFER OUT-LEASE PAYMENT	-	-	36,946	36,946	36,946
49210	TRANSFER OUT-010 (GENERAL FUND)	-	60,000	60,000	60,000	-
	Transfer Total	**-**	**60,000**	**96,946**	**96,946**	**36,946**
7210 - Successor Agency Administration Total		**37,874**	**11,842,313**	**374,181**	**1,480,783**	**1,036,195**

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

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42230	SPECIAL COUNSEL	-	-	-	-	75,000
42231	CONTRACT SERVICES	-	-	-	101,903	-
	Supplies Total	**-**	**-**	**-**	**101,903**	**-**
86360	CONSTRUCTION	8,019,989	9,228,982	15,086,822	2,974,937	16,179,000
	Project Total	**8,019,989**	**9,228,982**	**15,086,822**	**2,974,937**	**16,179,000**
7215 - CIP Bond Proceeds Total		**8,019,989**	**9,228,982**	**15,086,822**	**3,076,840**	**16,179,000**

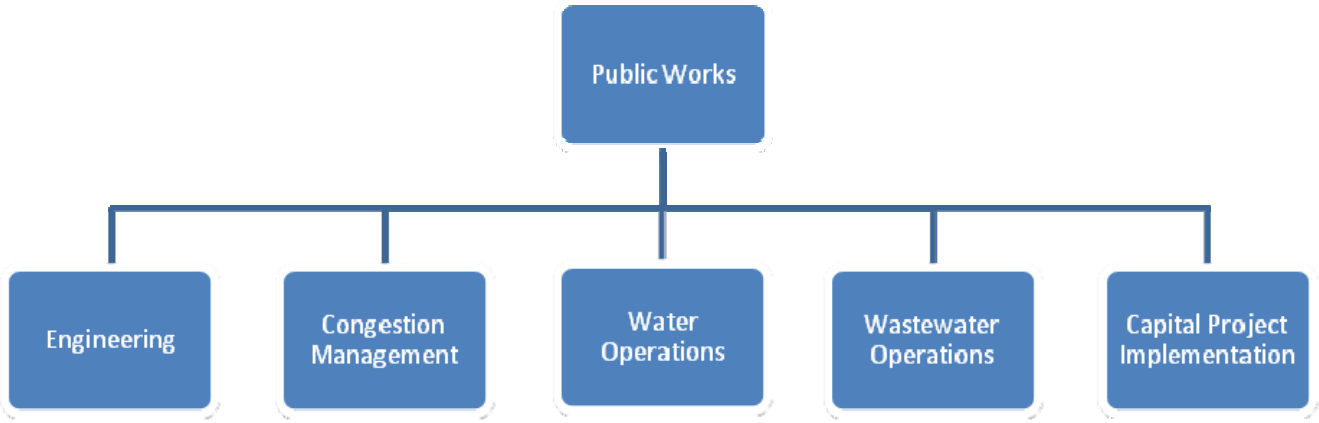
Public Works

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
Employee Services	$ 5,262,525	$ 5,302,591	$ 5,454,670	$ 5,433,871	$ 5,678,245
Supplies & Services	6,993,764	8,306,839	9,248,662	9,197,083	8,610,531
Capital Outlay	356,737	526,072	1,032,964	892,326	718,330
Debt Services	2,141,439	2,154,517	3,380,581	2,593,499	2,987,269
Internal Service	1,227,407	1,386,777	1,425,781	1,216,537	1,299,426
Transfers Out	4,064,972	2,286,338	2,361,173	1,877,089	1,719,547
TOTAL EXPENDITURES	**$ 20,046,844**	**$ 19,963,134**	**$ 22,903,830**	**$ 21,210,405**	**$ 21,013,347**

CONGESTION MANAGEMENT	$ 44,669	$ 69,642	$ 67,327	$ 70,290	$ 71,787
ENGINEERING	451,099	507,574	624,418	605,174	771,244
SEWER OPERATIONS	8,224,842	8,952,431	9,819,350	9,181,298	9,612,673
SEWER RATE STABLIZATION	569,642	501,691	501,707	3,355	3,472
WATER OPERATIONS	7,744,983	8,184,543	10,252,273	9,781,716	9,006,691
WATER RATE STABLIZATION	1,400,130	100,161	204	556	575
CAPITAL PROJECT IMPLEMENTATION	1,611,480	1,647,094	1,638,551	1,568,015	1,546,904
TOTAL EXPENDITURES BY PROGRAM	**$ 20,046,844**	**$ 19,963,134**	**$ 22,903,830**	**$ 21,210,405**	**$ 21,013,347**

FULL TIME EQUIVALENT EMPLOYEES	**34.24**	**31.79**	**31.79**	**31.79**	**31.79**



• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 OPERATING AND CIP
• CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 14-15 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY14-15 • OPERATING AND CIP BUDGET •

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 13-14 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 14-15 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 budget reflects no increase in the Congestion Management Program Member Agency Fee of $26,000.

Congestion Management (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	12,945	29,198	29,851	30,200	31,717
41271	SALARIES - PART-TIME TEMP	1,653	4,015	-	3,000	-
41320	EARNED LEAVE LIABILITY	256	776	693	693	2,002
41490	OVERTIME - GENERAL	9	27	-	-	-
41560	UNEMPLOYMENT INSURANCE	153	25	-	-	-
41620	RETIREMENT - GENERAL	2,772	5,483	5,610	4,992	5,532
41690	DEFERRED COMPENSATION	216	849	886	602	634
41700	GROUP INSURANCE	782	2,123	2,109	2,617	2,820
41701	MEDICARE	221	459	436	450	463
41730	INCOME PROTECTION INS	133	288	252	288	264
41760	WORKERS COMP	139	740	1,032	990	787
41799	BENEFITS	4	195	195	195	195
	Salaries Total	**19,281**	**44,177**	**41,064**	**44,027**	**44,414**
42214	TELEPHONE	72	73	150	150	155
42423	MEMBERSHIP & DUES	25,104	25,104	26,000	26,000	26,780
	Supplies Total	**25,175**	**25,176**	**26,150**	**26,150**	**26,935**
45003	GENERAL LIABILITY INSURANCE	212	289	113	113	438
	Internal Services Total	**212**	**289**	**113**	**113**	**438**
6110 - Congestion Management Total		**44,669**	**69,642**	**67,327**	**70,290**	**71,787**

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 13-14 HIGHLIGHTS

New residential development activity continued strong in FY 13-14. Residential Development Control System (RDCS) 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 activity remains light with respect to public improvements with most new projects occupying existing buildings.

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 13-14 to help the team meet map and plan check turn-around times. 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.

Engineering (continued)

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 team members supported the Planning Division by reviewing and scoring Residential Development Control System applications as well as the Department's Environmental Programs Division team with the implementation of the Storm Water Management Plan as required by the EPA NPDES Phase II program.

FY 13-14 ACTIVITY GOALS

- Provide coordinated cross-functional land development engineering services
- Provide engineering plan check for miscellaneous projects submitted to the City meeting established turn-around times and developer's expectations
- Provide construction inspection for developer off-site improvements in a thorough manner that enables projects to move forward with minimal delays
- Provide traffic consulting when called for
- Provide support to CIP program by completing projects assigned and offering technical support when needed

COUNCIL GOALS

The Engineering Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Support Youth

- Assist the Planning staff in conditioning development projects for adequate bike lanes, paths, and other amenities to enhance child pedestrian movement
- Evaluate neighborhood traffic concerns for the safety of children
- Pursue 'Safe Routes to School' grant funding and utilize revenues from the RDCS 'Safe Routes to School' program to improve the safety for children accessing school sites

Enhance Community Engagement and Diversity

- Participate in outreach opportunities involving development activities and proposals
- Actively participate in the General Plan Update process and encourage land development stakeholders to do the same

Participating in Regional Issues

- Ongoing participation in the Valley Transportation Authority (VTA) Technical Advisory Committee
- Continued participation in the joint Storm Water Management Program with the City of Gilroy and Santa Clara County (south region)

Engineering (continued)

Improve Organizational Effectiveness and Transparency

- Continuously seek improved customer service by streamlining permit processing
- Seek ways to empower teammates at all levels to make appropriate decisions at the lowest level possible, thus improving efficiency
- Ensure engineering policies and conditions as they relate to the variety of development proposals are consistent and fair in their application
- Collaborate at all times with Planning, Building, and Economic Development teams when reviewing development proposals.

Finance and Advocate for Infrastructure Improvements

- Participate actively with the Community Services Department team on the implementation of the sustainable streets program
- Review Residential Development Control System applications with the goal of maximizing multi-modal transportation opportunities.
- Work with teammates from the Community Development Department and the Community Services Department to seek out grant opportunities for transportation improvements
- Through the General Plan Update process, identify future infrastructure needs and ensure they are included in the City's Master Plans

FINANCIAL COMMENTS

The revenues received in FY 13-14 from development activity soared above projections which means the Land Development Engineering team will start the 14-15 fiscal year with a full compliment of work. The FY 14-15 budget will be larger than the previous year due to a slight staff shift in engineering staffing from the CIP Project Implementation function and the increase in contract services.

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 also need to implement 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.

Engineering (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	199,840	210,639	214,426	216,380	315,349
41271	SALARIES - PART-TIME TEMP	274	3,635	1,716	5,145	-
41320	EARNED LEAVE LIABILITY	4,417	6,455	4,547	4,547	13,785
41490	OVERTIME - GENERAL	142	1,125	-	500	-
41560	UNEMPLOYMENT INSURANCE	1,869	194	-	-	-
41620	RETIREMENT - GENERAL	41,586	45,136	46,832	36,042	55,006
41690	DEFERRED COMPENSATION	5,991	5,796	5,453	4,400	6,834
41700	GROUP INSURANCE	23,167	21,919	23,759	27,996	41,947
41701	MEDICARE	2,711	3,025	3,161	2,899	4,598
41730	INCOME PROTECTION INS	1,948	1,981	1,727	1,973	2,531
41760	WORKERS COMP	2,041	4,712	7,669	6,594	7,821
41799	BENEFITS	2,034	2,153	1,883	1,595	1,723
41800	UNIFORM	175	960	300	300	309
	Salaries Total	**286,192**	**307,730**	**311,473**	**308,371**	**449,903**
42214	TELEPHONE	1,076	5,023	3,200	3,200	3,296
42228	GASOLINE & OIL	1,552	1,390	2,000	2,000	2,060
42231	CONTRACT SERVICES	30,542	48,784	145,000	145,000	143,000
42236	BANK CARD SERVICE FEES	1,517	1,360	1,300	2,001	2,061
42244	STATIONERY & OFFICE SUPPLIES	849	818	1,100	1,100	1,133
42245	COMPUTER HARDWARE-NON CAPITAL	-	244	250	250	1,158
42246	COMPUTER SOFTWARE-NON CAPITAL	158	380	250	250	258
42248	OTHER SUPPLIES	2,355	1,399	1,300	1,300	1,339
42250	ADVERTISING	206	-	200	200	206
42252	PHOTOCOPYING	427	408	700	700	721
42254	POSTAGE & FREIGHT	344	114	250	250	258
42257	PRINTING	253	106	400	2,000	412
42261	AUTO MILEAGE	-	-	200	200	206
42281	SMALL TOOLS	37	-	-	-	5,400
42299	OTHER EXPENSE	171	367	500	510	515
42408	TRAINING & EDUCATION	201	-	1,200	1,200	1,236
42415	CONFERENCE & MEETINGS	21	389	800	800	824
42423	MEMBERSHIP & DUES	740	457	300	572	309
42435	SUBSCRIPTION & PUBLICATIONS	422	105	400	400	412
42526	MAINT - AUTO/TRUCKS	655	532	600	4,500	618
	Supplies Total	**41,527**	**61,873**	**159,950**	**166,433**	**165,421**
45003	GENERAL LIABILITY INSURANCE	3,935	29,794	20,949	20,949	28,674
45004	BUILDING MAINT - CURRENT SERVICES	2,107	2,414	17,692	17,692	18,700
45005	BUILDING MAINT - FUTURE REPLACEMENT	1,641	2,927	2,927	2,927	2,927
45006	FLEET REPLACEMENT	5,365	-	-	-	-
45009	INFO SYSTEM SERVICES	9,468	1,551	10,275	10,275	12,161
45010	GF ADMIN	85,465	80,790	80,790	55,720	57,670
	Internal Services Total	**107,981**	**117,476**	**132,633**	**107,563**	**120,132**
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	12,500	17,635	17,635	20,080	25,727
49241	TRANSFER OUT-BOND/DEBT	2,899	2,859	2,727	2,727	10,061
	Transfer Total	**15,399**	**20,494**	**20,362**	**22,807**	**35,788**
5410 - Engineering Total		**451,099**	**507,574**	**624,418**	**605,174**	**771,244**

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.

The City of Morgan Hill owns, and therefore funds, 42% of the capital renovation and expansion costs at the wastewater treatment facility while the City pays the facility's annual operations and maintenance costs based on the actual prior year annual flow as recorded by the Harding flow meter. Flow reports for the calendar year 2013 reflected no change in the Morgan Hill portion and therefore, Morgan Hill's percentage share of operations and maintenance of the plant is expected to remain the same.

In FY 14-15 the SCRWA plant will continue the capital improvement program to replace many significant plant components including the primary influent force main ($3 million), secondary clarifier ($1.4 million), aeration system ($2.2 million) and the pre-anoxic basin ($1.1 million). Total capital improvement investment in FY 14-15 is approximately $24 million with Morgan Hill contributing approximately $10 million.

The city's wastewater team focuses their efforts on upkeep and maintenance of .9 million feet of sewer pipelines and 14 lift stations. These are the principle 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 city's 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.

For FY 14-15, the primary focus of the wastewater operational staff will continue to be maintaining the wastewater collection system through routine line flushing, inspection, 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.

FY 13-14 HIGHLIGHTS

- Flushing: Increased time spent flushing mains with video review workflow in place, which provided flushing crews with an understanding of their cleaning effectiveness.
- Inspection: Purchased state-of-the art camera and mobile video center, improving in flushing

techniques and identifying defects in the larger sewer mains – a task made possible by the equipping crews with the appropriate equipment.

- Repairs: Increased internal point repairs and pipeline improvements by utilizing advanced materials and techniques, most notably the area of internal repair patching which make repairs less costly and enable crews to perform a greater number of repairs.
- M-Lift Station Rebuilt: Lift station difficult to maintain due to design of the wet well is to shallow, limiting the stations capacity. The electrical panels and components were out dated, requiring additional time to maintain and repair, so were replaced. The rebuild is part of the ongoing maintenance and replacement program which includes a rotational refurbishing all the City's lift stations.
- Data Management: Brought manhole inspection process into the GIS system.

FY 14-15 ACTIVITY GOALS

- H-Lift Station Rebuild: During the wet weather season, a significant amount of ground water flows through cracks in the wet well and around the pipeline entry points, which increase costs associated with operated the lift and subsequent wastewater treatment at the treatment plant. This lift station is difficult to maintain due to design of the wet well as it is square instead of round (which hinders maintenance), and the electrical panels and components are out dated, requiring additional time to maintain and repair. The rebuild is part of the Utility Division's ongoing maintenance and replacement program which includes refurbishing City lift stations.
- Support Engineering Department with deployment of Capital Improvement Plan.

FY 14-15 WORK PLAN

- Work with City Building Department to amend City's Municipal Code to include clarification language.
- Amend City Engineering Standards to include the installation of backwater valves on sewer laterals where appropriate.
- Identify capital projects in anticipation of issuing $6 million in revenue bonds for investment into the wastewater system

Wastewater Operations (continued)

FINANCIAL COMMENTS

The FY 14-15 budget for Wastewater Operations reflects the fourth 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, 2015 ratepayers will see a rate increase of 3.5% with additional rate increases of 3.5% in 2016.

The most significant costs for the Wastewater fund is the ongoing investment in capital projects which will account for over $35 million attributed to both the replacement and upgrading of current facilities ($19.4 million) and to support future residential and commercial growth ($15.6 million).

Financing these capital investments the City could come in two ways: issue Wastewater Revenue bonds or incorporate a "save-and-pay" approach in which the wastewater treatment rates provide enough funding to accumulate sufficient dollars to fund capital projects.
The 2011 rate study update initially calculated a $55 million infrastructure investment over the next eight years for wastewater-related projects of which $20 million was attributed for the expansion of the SCRWA treatment facility in Gilroy. The rate study assumed that design and construction of the plant would be completed in FY 14-15, however updated wastewater flow projections support a revised timeline of FY 16-17 for design with construction completed in FY 19-20. This project will necessitate a bond issuance of $16 million in FY 17-18. In the meantime, wastewater flow updates will continue to provide feedback as to when the plant expansion project should commence.

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 14-15. In FY 13-14, SCRWA adopted policies that increased the amount that the City contributes to the reserve fund by approximately 20% from FY 12-13. 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)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	1,183,131	1,103,133	1,146,150	1,197,568	1,248,046
41271	SALARIES - PART-TIME TEMP	-	-	-	103	-
41320	EARNED LEAVE LIABILITY	29,017	36,479	14,232	14,232	12,740
41490	OVERTIME - GENERAL	12,085	26,753	17,000	30,000	25,000
41560	UNEMPLOYMENT INSURANCE	15,302	1,414	-	-	-
41620	RETIREMENT - GENERAL	276,716	261,883	272,553	201,983	217,697
41690	DEFERRED COMPENSATION	25,410	23,066	27,508	20,151	24,961
41700	GROUP INSURANCE	224,366	175,515	185,956	216,057	231,726
41701	MEDICARE	16,860	15,104	16,915	15,579	18,502
41730	INCOME PROTECTION INS	12,818	11,920	11,181	12,750	12,271
41760	WORKERS COMP	21,461	40,776	59,893	61,603	31,572
41799	BENEFITS	3,514	3,516	3,428	3,278	2,987
41800	UNIFORM	12,637	16,665	7,000	14,000	7,210
	Salaries Total	**1,833,318**	**1,716,224**	**1,761,816**	**1,787,304**	**1,832,712**
42208	ELECTRIC	20,936	24,964	24,000	24,000	24,840
42210	WATER/SEWER	1,389	1,888	1,900	1,400	1,938
42214	TELEPHONE	10,507	9,583	9,000	9,000	9,180
42228	GASOLINE & OIL	27,593	27,439	22,000	23,000	22,440
42231	CONTRACT SERVICES	64,420	180,831	493,788	250,000	275,000
42236	BANK CARD SERVICE FEES	21	194	-	29	30
42240	RENTALS - OUTSIDE	14,611	13,987	2,500	-	2,550
42244	STATIONERY & OFFICE SUPPLIES	5,496	6,628	5,000	5,000	5,100
42245	COMPUTER HARDWARE-NON CAPITAL	2,865	4,380	8,000	8,000	8,160
42246	COMPUTER SOFTWARE-NON CAPITAL	10,018	6,313	9,000	9,000	9,180
42248	OTHER SUPPLIES	52,521	68,700	75,000	65,000	60,000
42250	ADVERTISING	1,652	1,344	1,000	1,500	2,000
42254	POSTAGE & FREIGHT	1,867	4	250	50	255
42257	PRINTING	5,896	1,206	1,500	1,500	1,530
42261	AUTO MILEAGE	164	429	255	100	150
42270	SEWER CHRGS MAINT/OPS (SCRWA)	2,806,504	3,580,785	3,800,000	3,800,000	3,914,000
42273	WATER/SEWER MAINTENANCE SVS	-	-	17,500	15,000	17,850
42281	SMALL TOOLS	2,332	5,665	4,000	1,000	4,080
42299	OTHER EXPENSE	14,348	5,891	18,081	18,000	18,443
42408	TRAINING & EDUCATION	9,606	7,510	7,500	5,000	7,650
42415	CONFERENCE & MEETINGS	663	2,460	750	690	765
42423	MEMBERSHIP & DUES	4,533	6,429	5,300	5,300	5,406
42435	SUBSCRIPTION & PUBLICATIONS	155	249	125	440	175
42523	MAINT - MACHINE/EQUIPMENT	34,346	26,390	17,000	17,000	17,340
42526	MAINT - AUTO/TRUCKS	28,674	33,842	30,000	30,596	30,600
	Supplies Total	**3,121,119**	**4,017,109**	**4,553,449**	**4,290,605**	**4,438,662**

Wastewater Operations (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
43825	MACHINERY/EQUIPMENT	17,896	54,870	40,000	48,000	50,000
43840	COMPUTER EQUIPMENT	812	3,890	7,000	7,500	7,140
43845	COMPUTER SOFTWARE	5,413	-	7,500	9,738	7,650
	Capital Total	**24,120**	**58,760**	**54,500**	**65,238**	**64,790**
44990	PRINCIPAL	1,155,000	1,190,000	1,235,000	1,235,000	1,275,000
44991	INTEREST	449,175	423,049	777,000	394,953	364,859
44995	SERVICE FEES	3,219	3,232	3,500	3,500	3,605
	Debt Total	**1,607,394**	**1,616,281**	**2,015,500**	**1,633,453**	**1,643,464**
45003	GENERAL LIABILITY INSURANCE	27,816	90,411	112,264	112,264	127,689
45004	BUILDING MAINT - CURRENT SERVICES	23,022	21,149	31,666	31,666	26,342
45005	BUILDING MAINT - FUTURE REPLACEMENT	1,428	1,428	1,293	1,293	1,293
45006	FLEET REPLACEMENT	59,325	103,678	104,167	104,167	93,834
45009	INFO SYSTEM SERVICES	9,222	14,582	19,170	19,170	22,688
45010	GF ADMIN	229,927	217,250	217,250	178,561	184,811
	Internal Services Total	**350,740**	**448,498**	**485,810**	**447,121**	**456,657**
49210	TRANSFER OUT-010 (GENERAL FUND)	228,020	245,020	245,020	246,371	247,762
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	25,750	35,271	36,000	40,159	51,453
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	4,221	2,814	3,000	3,000	3,000
49262	TRANSFER OUT-643 (SEWER CIP)	757,167	534,000	407,853	407,853	600,000
49271	TRANSFER OUT-650 (WATER OPS)	272,994	278,454	256,402	260,194	274,173
	Transfer Total	**1,288,152**	**1,095,559**	**948,275**	**957,577**	**1,176,388**
5900 - Sewer Operations Total		**8,224,842**	**8,952,431**	**9,819,350**	**9,181,298**	**9,612,673**

Water Operations [650-5710]

ACTIVITY DESCRIPTION

The City of Morgan Hill supplies water to approximately 12,900 residential, commercial, and industrial customers. Water Operations ensures that the City's water supply needs are continually met and that water quality meets or exceeds all public health and environmental standards. The water system includes 17 groundwater wells, 9 pumping stations, 10 reservoir sites, 23 pressure zones and 165 miles of distribution pipeline. Water Operations delivers quality service to its customers through formalized maintenance programs and long range planning activities that improve the reliability of the water system.

The Water Operations Fund receives the majority of its revenue from fixed meter and water consumption charges and thus is heavily reliant on two primary drivers – climate and economic development. FY 13-14 witnessed record water consumption levels as the City produced approximately 8,200 acre feet of water – well above the forecasted amount of 7,800 AF.

Water consumption in FY 14-15 is forecasted to be 7,000 AF which is far lower than the historical average of 7,800 AF established as the ongoing consumption baseline during the 2011 Water Rate Update Study. As the State of California has entered its' third year of drought, the Santa Clara Valley Water District (SCVWD) has asked that all water retailers reduce water consumption by 20%. In March 2014, the City Council adopted a resolution declaring a level 1 water shortage and thus water conservation measures have been implemented and are expected to reduce the amount of water consumed during the peak summer months.

FY 14-15 looks to be a challenging year for statewide water producers and the City of Morgan Hill is no exception. The Water Division team is taking steps to address the community's water demand by enlisting groundwater experts to analyze the city's wells. If groundwater levels follow historic trends, well pumps may need to be lowered resulting in a less efficient and less productive water system. The groundwater study is a key document for the city as it develops a strategic plan to manage the water demand for FY 14-15 and beyond if the drought continues in an unprecedented fashion. The Water Division will reduce distribution system flushing to "as-needed" and suspending large meter testing for the year. These activities contribute to an efficient water system, but drought conditions call for the suspension of non essential water use. These activities will be reestablished when water supplies are no longer stressed. During this drought the Water Operations team will continue to work closely with the SCVWD on water conservation and the status of the groundwater basin. An extended drought (dry winter of 2014/15) could severely impact water availability leading to mandatory use restrictions leading to significantly less water sold. This scenario has the potential to negatively impact the Water Operations budget as revenues decrease.

The FY 14-15 estimated groundwater charges paid to our water supplier, the SCVWD, equals approximately 26% of the Water Operations budget. This is the single highest cost in the budget at $2.2 million dollars.

Water Operations (continued)

There is a recommendation before the SCVWD Board to increase the groundwater recharge rates by 4.6%, from $305 AF to $319 AF beginning July 1, 2014. This is a significant change from the Water District as they have historically asked retailers to assume increases of 3.5% annually. The increase has been assumed in the recommended FY 14-15 budget and accounted for as part of the 5-year forecast.

In May 2014, the City issued $23 million in water revenue bonds of with $13 million of new financing to be used to fund new projects. Projects funded by bond proceeds include new well construction, new water reservoirs, and new water mains. Without the bond issuance, the City would continue its "pay-as-you-go" financing approach which requires the operations fund to finance projects only when revenues are available. The proposed five-year Capital Improvement Program is included in the CIP Section of the budget document.

FY 13-14 HIGHLIGHTS

- Exercised 1,100 water valves.
- Installed the first fixed radio meters to begin remote meter reading enabling better access to meter reads for customers and reducing the labor costs to read meters.
- Installed meters with remote control access to turn meters on and off as a pilot study.
- Integrated addition data points into GIS system such as water main and service leaks; information that advances staffs ability to analyze water system stress points.
- Implemented improved data collection system that utilizing innovative GIS tools that increase reliability of information and reduces lost data.
- Rehabilitated two wells: Jackson Well and Boy Ranch #3
- Reduced disinfection costs by installing bulk storage tanks at each well allowing bulk delivery of chlorine; this will reduce chlorine cost by over 50%

FY 14-15 ACTIVITY GOALS

- Play significant role in supporting Engineering in deploying the Capital Improvement Plan - an elevated level of activity due to bond proceeds.
- Rehabilitate three wells, Boys Ranch 3, Diana 1, and Main 1 Well to ensure system production reliability.
- Maintain existing water system infrastructure to met or exceed water quality standards.
- Evaluate pilot programs of the two fixed meter reading systems and provide report with conclusion and recommended action.
- Expand leak monitoring in high water pressure zones.

Water Operations (continued)

- Pilot test at least two work order tracking system that potentially will reduce processing time, provide better tracking of operations, and establish a closer relationship between work completed and work recorded.
- Rehabilitate three wells: Boy Ranch #1, Butterfield, and Main Ave #2
- Support Public Works Engineering Division in implementing Capital Improvement Program projects fund by the 2014 Water Revenue Bond issuance
- Integrate water meter testing and control valve maintenance into the GIS system for better asset management

FINANCIAL COMMENTS

The FY 14-15 budget for Water Operations incorporates the fourth of a five-year rate adjustment period as recommended in the July 2011 Water Rate Study Update and approved by the City Council in October 2011. Effective January 1, 2012 ratepayers saw an increase of 16.5% in fixed meter and consumption charges, and further rate adjustments of 6.25% on January 1 of each subsequent year through 2016. Rate increases are necessary to sustain the City's water maintenance program, invest in ongoing capital project needs, and meet required fiscal obligations.

The water operations fund now complies with the required fund balance level that meets both the financial security of the fund, and also fulfills the requirements under debt service covenants. The approved rate increases in the previous three years and upcoming two will allow the fund to comply with the Council adopted fund balance policy of maintaining a 25% revenue to expenditures ratio in FY 15-16 and meet debt service costs needed to fund the ongoing capital improvement program.

As previously mentioned the Santa Clara Valley Water District has raised their groundwater extraction fees by 4.6% beginning July 1, 2014 and expects to increase these fees annually by the same percentage for the next five years. These rate increases are included in the Water Fund Five-Year Forecast.

Water Operations (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	1,183,101	1,244,524	1,325,419	1,347,440	1,444,083
41271	SALARIES - PART-TIME TEMP	-	9,062	-	20,873	-
41320	EARNED LEAVE LIABILITY	34,976	41,224	16,955	16,955	20,512
41490	OVERTIME - GENERAL	64,268	74,065	70,000	74,533	72,100
41560	UNEMPLOYMENT INSURANCE	15,129	1,584	-	-	-
41620	RETIREMENT - GENERAL	274,720	297,591	317,697	226,376	251,891
41690	DEFERRED COMPENSATION	25,556	27,389	31,094	24,345	28,882
41700	GROUP INSURANCE	197,310	184,282	212,386	217,827	240,485
41701	MEDICARE	15,783	16,631	20,293	17,443	22,050
41730	INCOME PROTECTION INS	12,888	13,476	13,087	14,383	14,397
41760	WORKERS COMP	22,303	47,713	73,344	72,301	37,601
41799	BENEFITS	4,848	4,462	4,109	4,476	4,508
41800	UNIFORM	15,967	17,724	9,000	20,000	9,270
	Salaries Total	**1,866,849**	**1,979,726**	**2,093,384**	**2,056,952**	**2,145,779**
42205	TAXES	2,271,455	1,184	560	560	-
42208	ELECTRIC	741,133	834,869	675,000	780,000	650,000
42209	GROUNDWATER PRODUCTION	-	2,482,426	2,379,000	2,450,370	2,239,380
42210	WATER/SEWER	3,691	2,609	2,600	2,600	2,678
42214	TELEPHONE	28,633	26,446	20,000	22,769	20,600
42228	GASOLINE & OIL	53,244	48,121	48,000	48,000	49,440
42231	CONTRACT SERVICES	280,147	365,804	885,174	885,174	500,000
42236	BANK CARD SERVICE FEES	64	310	400	400	425
42240	RENTALS - OUTSIDE	-	-	2,500	2,500	2,575
42244	STATIONERY & OFFICE SUPPLIES	10,748	8,234	9,000	9,000	9,270
42245	COMPUTER HARDWARE-NON CAPITAL	5,851	2,705	4,500	9,182	4,635
42246	COMPUTER SOFTWARE-NON CAPITAL	10,018	11,211	12,500	12,500	12,875
42248	OTHER SUPPLIES	222,292	271,805	205,495	205,495	210,000
42250	ADVERTISING	1,624	2,418	1,000	1,325	1,030
42252	PHOTOCOPYING	161	26	100	100	103
42254	POSTAGE & FREIGHT	4,285	1,465	1,000	3,500	1,500
42257	PRINTING	8,858	2,823	2,000	2,000	2,060
42261	AUTO MILEAGE	147	388	250	250	258
42273	WATER/SEWER MAINTENANCE SVS	325	-	50,000	50,000	51,500
42281	SMALL TOOLS	14,733	11,020	10,000	10,000	10,300
42299	OTHER EXPENSE	36,746	31,773	25,000	31,353	25,750
42408	TRAINING & EDUCATION	13,341	9,062	18,000	18,000	18,540
42415	CONFERENCE & MEETINGS	2,008	1,063	3,000	3,000	3,090
42423	MEMBERSHIP & DUES	16,514	11,307	15,000	15,000	15,450
42435	SUBSCRIPTION & PUBLICATIONS	523	414	200	329	206
42510	MAINT - BLDGS/IMPROVEMENTS	1,143	-	15,000	15,000	15,450
42523	MAINT - MACHINE/EQUIPMENT	10,825	10,292	10,000	10,000	10,300
42526	MAINT - AUTO/TRUCKS	18,035	21,494	25,000	25,000	25,750
	Supplies Total	**3,756,545**	**4,159,271**	**4,420,279**	**4,613,407**	**3,883,165**

Water Operations (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
43825	MACHINERY/EQUIPMENT	-	-	158,727	158,727	85,000
43840	COMPUTER EQUIPMENT	812	4,046	5,000	7,749	5,150
43845	COMPUTER SOFTWARE	10,362	-	13,000	19,025	13,390
43897	METERS	317,113	459,364	795,737	635,587	550,000
	Capital Total	**328,287**	**463,410**	**972,464**	**821,088**	**653,540**
44990	PRINCIPAL	351,530	371,492	835,746	800,500	396,535
44991	INTEREST	180,311	164,538	522,535	152,746	140,266
44994	LEASE PAYMENTS	-	-	-	-	800,000
44995	SERVICE FEES	2,205	2,205	6,800	6,800	7,004
	Debt Total	**534,046**	**538,236**	**1,365,081**	**960,046**	**1,343,805**
45003	GENERAL LIABILITY INSURANCE	74,656	61,423	40,540	40,540	72,195
45004	BUILDING MAINT - CURRENT SERVICES	46,140	42,386	63,464	63,464	52,794
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,862	2,862	2,592	2,592	2,592
45006	FLEET REPLACEMENT	44,324	55,291	60,008	60,008	59,938
45009	INFO SYSTEM SERVICES	31,647	50,374	80,514	80,514	99,828
45010	GF ADMIN	279,568	264,138	264,138	189,127	195,746
	Internal Services Total	**479,197**	**476,474**	**511,256**	**436,245**	**483,094**
49210	TRANSFER OUT-010 (GENERAL FUND)	388,855	421,855	434,521	434,521	435,557
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	25,750	35,271	36,000	40,159	51,453
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	15,455	10,300	10,300	10,300	10,300
49273	TRANSFER OUT-653 (WATER REPLACE)	350,000	100,000	408,988	408,998	-
49275	TRANSFER OUT-652 (WATER RATE STABILIZATION)	-	-	-	-	-
	Transfer Total	**780,060**	**567,426**	**889,809**	**893,978**	**497,310**
5710 - Water Operations Total		**7,744,983**	**8,184,543**	**10,252,273**	**9,781,716**	**9,006,691**

CIP Project Implementation [745-8280]

ACTIVITY DESCRIPTION

The CIP Project Implementation engineering team implements the annual capital improvement program (CIP). These activities include upfront planning for the CIP, producing bid documents (plans, specifications, cost estimates) for capital projects, and managing the construction of the projects. The Engineers and Aides in the CIP section also provide support services to teammates in other departments within the City and to the City Manager including technical advice, documentation research, preparation of exhibits, and attendance at meetings when necessary. In addition, the CIP Project Implementation engineering team members respond to inquiries from the public on a regular basis. The non-Engineering, non-technical team members in CIP Project Implementation team include administrative staff. Their role is to provide support and guidance for the implementation of the CIP program.

The CIP Project Implementation engineering team is augmented by consultants as needed for technical specialty work or time-constrained projects. In addition, through the use of in-house and contract support, the Division provides inspection services for CIP projects.

In cooperation with the Community and Engagement Manager, the CIP Engineering team is responsible for community engagement and communication with the general public regarding projects that are in the planning stage, the design stage, and in the construction stage. This outreach includes meetings with the public, meetings with specific affected property owners and businesses, notices and letters, and through use of social media.

FY 13-14 HIGHLIGHTS

- Completed Phase 1 of the City Council Chamber Renovation project
- Completed the Centennial Recreation Center (CRC) Front Door Replacement project
- Completed the CRC pool replaster project
- Completed design for the Community and Cultural Center Splash Pad project
- Continued collaboration with Open Space Authority on El Toro Trail project
- Completed the Barrett Sewer Main project
- Completed the Sewer Point Repair project
- Completed the Sewer Lift Station O Repair project
- Completed the Access Hatch to Monterey Trunk Sewer Siphon project
- Completed the Hill Road/E. Dunne Storm Drain project
- Participated in Upper Llagas Flood Control project to bring project to 90% complete
- Launched the Drainage, Sewer, & Water Master Plan revisions through General Plan Update
- Completed the Butterfield Blvd/Digital Drive Traffic Signal project

CIP Project Implementation (continued)

- Completed two Sidewalk Replacement projects
- Launched the planning, engineering and communication efforts for Downtown Projects
- Started design on Downtown Parking Structure project
- Attended regular South County Regional Wastewater Authority (SCRWA) meetings
- Worked with SCRWA officials to implement CIP & maintenance work
- Completed Boys Ranch 3 Well Rehabilitation project
- Completed Llagas Reservoir Re-coating project
- Participated in Valley Transportation Authority (VTA) CIP Subcommittee meetings
- Participating member of the County 2040 Expressways Study

FY 14-15 ACTIVITY GOALS

- Plan for and implement projects in the CIP program
- Provide timely inspection for various CIP projects
- Actively participate in the planning and design of the Upper Llagas Flood Control project
- Actively participate in the planning and design of the Sewage Treatment Plant expansion
- Implement RDA Bond Proceed CIP program established by the Successor Agency and approved by the Oversight Board

COUNCIL GOALS

The Project Implementation Division will implement policies and activities that are aligned with the priorities, goals and strategies the City Council has set for FY14-15:

Support Youth

- Continually seek for grants that will fund projects for adequate bike lanes, paths, and other amenities to enhance child pedestrian movement
- Pursue 'Safe Routes to School' grant funding and utilize revenues from the RDCS 'Safe Routes to School' program to improve the safety for children accessing school sites
- Collaborate with MHUSD on PA Walsh circulation and access project

Enhance Community Engagement and Diversity

- Proactive outreach for projects affecting neighborhoods will help inform community and involve a variety of citizens in decisions related to project implementation
- Continue collaboration with City Communications and Engagement Manager to create and maintain proactive outreach for Downtown projects
- Engage the community in developing and implementing the El Toro trail project and seek trail opportunities that benefit the community while not overly impeding the privacy and security needs of residential areas

CIP Project Implementation (continued)

Participating in Regional Issues

- On-going participation in the Valley Transportation Authority (VTA) Capital Improvements Program Sub-Committee
- Continued participation in the South County Regional Wastewater Authority (SCRWA) and have a strong voice in operations, capital investment and budgeting discussions and decisions
- Continued participation in the Santa Clara Valley Water District Uvas/Llagas and Coyote Creek Watershed Advisory Committees
- Ongoing review and support for the Upper Llagas Flood Control project
- Ongoing review and support for the Anderson Dam Seismic Retrofit project
- Ongoing review and support for the County Expressway 2040 Study

Improve Organizational Effectiveness and Transparency

- Continuously seek improved quality control over project plans and specifications to reduce change orders
- Seek ways to empower teammates at all levels to make appropriate decisions, thus improving efficiency
- Ensure all applicable State and local purchasing ordinance policies are employed in the contracting methods
- 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.
- Collaborate at all times with other City departments and stakeholders to ensure the City's capital improvements needs are met

Finance and Advocate for Infrastructure Improvements

- Participate actively with the Community Services team on the implementation of the sustainable streets program
- Promote broader transportation funding sources at the VTA Capital Improvements Program Sub-Committee meetings
- Work with teammates from the Community Development Department and the Community Services Department to seek out grant opportunities for transportation improvements
- Through the General Plan Update process, identify future infrastructure needs and ensure they are included in the City's Master Plans

FY 14-15 WORKPLAN

- Deliver Downtown Bond Proceeds projects that advance the Downtown Specific Plan and other planning documents
- Assist Utilities team with implementation of the water and wastewater backlog of projects

CIP Project Implementation (continued)

FINANCIAL COMMENTS

The proposed FY 14-15 budget for Project Implementation (8280) is focused on delivering bond funded projects in the downtown and for water improvements City-wide. To assist the CIP Implementation engineers deliver projects, design consultants will be used extensively. The staffing level for FY 14-15 is slightly smaller than the previous year as a handful of engineering teammates will be spending more of their time managing the land development surge currently facing the City.

CIP Project Implementation (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	876,297	871,290	866,778	897,009	859,019
41320	EARNED LEAVE LIABILITY	21,197	22,560	15,239	15,239	31,533
41490	OVERTIME - GENERAL	1,951	11,701	8,000	8,000	8,240
41560	UNEMPLOYMENT INSURANCE	8,305	850	-	-	-
41620	RETIREMENT - GENERAL	192,821	198,640	197,843	149,818	149,839
41690	DEFERRED COMPENSATION	23,783	22,195	22,530	17,728	17,345
41700	GROUP INSURANCE	97,599	81,688	80,013	96,432	93,925
41701	MEDICARE	12,191	12,214	12,740	11,851	12,632
41730	INCOME PROTECTION INS	8,357	8,162	6,764	7,882	6,729
41760	WORKERS COMP	10,400	21,034	32,454	28,589	21,508
41799	BENEFITS	3,983	4,149	3,872	3,969	3,946
41800	UNIFORM	-	251	700	700	721
	Salaries Total	**1,256,885**	**1,254,735**	**1,246,933**	**1,237,217**	**1,205,437**
42214	TELEPHONE	4,268	9,119	8,100	8,100	8,343
42228	GASOLINE & OIL	5,583	5,813	5,500	5,500	5,665
42230	SPECIAL COUNSEL	318	1,748	32,433	32,433	33,406
42231	CONTRACT SERVICES	8,267	8,256	6,500	6,500	6,695
42244	STATIONERY & OFFICE SUPPLIES	4,570	3,432	5,500	5,500	5,665
42245	COMPUTER HARDWARE-NON CAPITAL	3,600	1,217	4,500	4,500	9,485
42246	COMPUTER SOFTWARE-NON CAPITAL	2,157	2,389	4,200	4,200	4,326
42248	OTHER SUPPLIES	6,688	3,600	6,500	6,500	6,695
42250	ADVERTISING	89	-	300	300	309
42252	PHOTOCOPYING	4,135	2,495	2,200	7,200	2,266
42254	POSTAGE & FREIGHT	1,752	416	1,100	3,600	1,133
42257	PRINTING	1,560	798	900	4,200	927
42261	AUTO MILEAGE	891	670	800	897	824
42299	OTHER EXPENSE	171	13	1,000	1,000	1,030
42408	TRAINING & EDUCATION	958	578	3,500	3,500	3,605
42415	CONFERENCE & MEETINGS	887	906	1,500	1,795	1,545
42423	MEMBERSHIP & DUES	1,254	457	800	800	824
42435	SUBSCRIPTION & PUBLICATIONS	181	184	200	662	206
42510	MAINT - BLDGS/IMPROVEMENTS	-	-	200	200	206
42523	MAINT - MACHINE/EQUIPMENT	-	-	200	200	206
42526	MAINT - AUTO/TRUCKS	1,971	1,228	2,500	2,500	2,575
42531	MAINT - FURNITURE/OFFICE EQUIP	-	-	250	250	258
	Supplies Total	**49,299**	**43,319**	**88,683**	**100,337**	**96,194**
43840	COMPUTER EQUIPMENT	4,330	3,902	6,000	6,000	-
	Capital Total	**4,330**	**3,902**	**6,000**	**6,000**	**-**
45003	GENERAL LIABILITY INSURANCE	27,365	124,396	84,056	84,056	78,456
45004	BUILDING MAINT - CURRENT SERVICES	12,652	2,414	6,353	6,353	18,700
45005	BUILDING MAINT - FUTURE REPLACEMENT	9,853	2,927	2,927	2,927	2,927
45006	FLEET REPLACEMENT	5,365	-	-	-	-
45009	INFO SYSTEM SERVICES	35,665	26,738	15,068	15,068	17,833
45010	GF ADMIN	196,637	185,804	185,804	113,330	117,297
	Internal Services Total	**287,537**	**342,279**	**294,208**	**221,734**	**235,212**
49241	TRANSFER OUT-BOND/DEBT	13,429	2,859	2,727	2,727	10,061
	Transfer Total	**13,429**	**2,859**	**2,727**	**2,727**	**10,061**
8280 - Capital Project Implementation Total		**1,611,480**	**1,647,094**	**1,638,551**	**1,568,015**	**1,546,904**

GAP

Internal Service Funds/Miscellaneous Programs

Appropriations Summary

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Projection	14-15 Adopted
Employee Services	$ 1,047,429	$ 996,569	$ 1,022,320	$ 1,111,315	$ 1,846,372
Supplies & Services	$ 3,229,599	$ 3,227,918	$ 3,975,614	$ 3,694,738	$ 3,871,634
Capital Outlay	$ 427,071	$ 418,506	$ 790,929	$ 444,005	$ 652,500
Debt Services	$ -	$ 15,329	$ -	$ 17,406	$ 25,874
Internal Service	$ 137,367	$ 121,670	$ 85,994	$ 86,292	$ 133,756
Transfers Out	$ 158,000	$ 43,205	$ -	$ -	$ -
TOTAL EXPENDITURES	**$ 4,999,466**	**$ 4,823,198**	**$ 5,874,857**	**$ 5,353,756**	**$ 6,530,136**

	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Projection	14-15 Adopted
EMPLOYEE ASSISTANCE	39,973	102,272	50,743	51,041	51,077
INFORMATION SERVICES	530,284	617,617	821,982	740,575	1,068,000
BUILDING MAINTENANCE - CCC	259,347	308,333	393,389	362,853	519,736
BUILDING MAINTENANCE - AC	433,981	488,322	586,074	607,271	759,524
BUILDING MAINTENANCE - CRC	427,390	395,379	436,279	397,548	582,886
BUILDING MAINTENANCE - PD	254,682	277,438	291,229	261,685	289,060
BUILDING MAINTENANCE - OLD CH/OTHERS	186,094	142,475	122,570	134,228	170,273
BUILDING MAINTENANCE - DSC	86,835	125,587	149,297	147,579	176,792
BUILDING MAINTENANCE - FRIENDLY INN	21,372	30,434	29,489	31,374	37,425
BUILDING MAINTENANCE - EL TORO YOUTH CTR	-	10,777	13,516	9,516	10,496
BUILDING MAINTENANCE - CORP YARD	113,684	97,951	132,732	78,812	107,747
BUILDING REPLACEMENT	168,206	75,634	270,601	226,934	192,000
UNEMPLOYMENT INS	54,049	27,892	55,050	20,516	35,000
WORKERS' COMP	714,666	792,961	821,958	679,780	555,066
EQUIPMENT REPLACEMENT	379,452	264,772	502,552	207,406	395,906
EMPLOYEE BENEFITS	503,250	469,176	316,000	486,179	400,000
GENERAL LIABILITY INSURANCE	826,199	596,178	881,396	910,459	1,179,148
TOTAL EXPENDITURES BY PROGRAM	**$ 4,999,466**	**$ 4,823,198**	**$ 5,874,857**	**$ 5,353,756**	**$ 6,530,136**

FULL TIME EQUIVALENT EMPLOYEES	**13.57**	**13.10**	**13.90**	**13.90**	**19.02**

Employee Assistance Programs [240-2610]

ACTIVITY DESCRIPTION

This fund supports various employee financial assistance programs. The FY 14-15 budget includes funding for the employee computer loan program. Through this program, an employee may borrow up to $2,000 to purchase a computer system for home use. The employee repays the City through payroll deductions.

FY 13-14 HIGHLIGHTS

- Distributed roughly $40,000 in loans for employee home computer purchase
- Collected and estimated $36,000 in loan repayments

FY 14-15 ACTIVITY GOALS

- Promote the availability of home computer loans for employees
- Target first time loan applicants

FINANCIAL COMMENT

The computer loan program is a revolving loan fund with new loans being distributed from the existing loan payments. The program focuses on first time borrowers.

Employee Assistance Programs (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	5	1	-	-	-
42299	OTHER EXPENSE	-	7,849	-	-	-
42605	COMPUTER LOAN PROGRAM	39,243	50,474	50,000	50,000	50,000
	Supplies Total	**39,248**	**58,324**	**50,000**	**50,000**	**50,000**
45010	GF ADMIN	725	743	743	1,041	1,077
	Internal Services Total	**725**	**743**	**743**	**1,041**	**1,077**
49210	TRANSFER OUT-010 (GENERAL FUND)	-	43,205	-	-	-
	Transfer Total	**-**	**43,205**	**-**	**-**	**-**
2610 - Employee Assistance Total		**39,973**	**102,272**	**50,743**	**51,041**	**51,077**

Information Services [730-2520]

ACTIVITY DESCRIPTION

Information Services' goal is to add value to the City of Morgan Hill business processes by managing information assets so that departments can concentrate on their business while providing quality customer service.

Guiding this is the Information Services Information Technology Strategic Plan (ITSP) which works as both the roadmap and governance model for aligning department business needs with technology solutions. Information Services meets with departments individually on a bi-monthly basis to review business issues, potential solutions and status on existing projects.

This activity manages information technology planning and technical support for all City operations and includes the new Technology and Telecommunications components for the General Plan Project and Emergency Operations. Equipment supported includes approximately 242 personal computers and laptops, 33 virtual servers, 14 physical servers, one storage area network (SAN), five Network-Attached Storage (NAS) devices, one Private Branch Exchange (PBX) phone systems and other associated peripheral equipment required to sustain the City's 10 local and wide area networks, electronic mail, internet access, database administration, and remote access to City information.

This year Information Services is adding a 1.0 FTE Programmer Analyst to the Information Services team and will now be able to provide in-house software support for programming and maintaining interfaces, reports, programs and databases in primarily a Microsoft SQL, DotNet, HTML5, and ESRI (GIS) environment as well as support for data analysis and requirements development for the automation and integration of departmental business processes internally and with external business partners.

FY 13-14 HIGHLIGHTS

- Started replacement of aging access network equipment with next generation network to provide redundancy and performance designed for GIS, web conferencing, private cloud, virtual desktops, large digital documents and redundant multisite internet connectivity.
- Worked with Public Works on Council Chamber remodel and Audio Visual upgrades
- Worked with City Clerk on setting up Habitat Agency space and technology
- Implemented Hosted Voice Over IP (VOIP) telephone systems for Habitat Agency, Council Building and Fire Stations
- Continue to work with departments to develop City information standards and data integration
- Continue to with departments on upgrading application MS SQL servers to 2008 or 2012
- Started upgrade to Exchange 2013
- Started implementation of Virtual User Profiles - Phase 1 of desktop virtualization

Information Services (continued)

- Upgraded Civic Center wireless networks
- Started upgrading servers to Windows 2008 R2 or Windows 2012
- Implemented new backup system
- Implemented automated patch management for all applications
- Implemented Shadow database server for the Police Department to integrate with partner information systems

FY 14-15 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 implementation of Virtual User Profiles - Phase 1 of desktop virtualization
- Start phase 2 of Virtual Desktop Infrastructure (VDI) to virtualize existing City applications.
- Start planning for move to Active Directory Federation Services.
- Setup Laserfiche to support storage of 'original signed documents' in unchangeable format.
- Install a Write Once Read Many (WORM) tape drive for physical storage of digital 'original documents' in unchangeable formats.
- Expand online storage to support increased online documents and digital images.
- Upgrade all workstations to Windows 7 / Windows 8 operating system
- Hire new Programmer Analyst position
- Work with Police Department on enhanced PS-Net report and data integration with internal and external partners
- Work with Finance on developing enhanced EDEN reports using Crystal Reports Server of distribution
- Work with all City Departments on cataloging and mapping existing unstructured data
- Work with all departments on integrating systems and producing public facing information.

FY 14-15 ACTIVITY GOALS

- Continue to provide excellent support with increased service satisfaction and decreased service completion times
- Continue to support the enhancement of department business processes through technology
- Continue to reduce infrastructure costs through client virtualization and uniform replacement costs of servers and desktops within the City
- Develop business processes and reporting functions that support an enterprise view of City information
- Develop the foundation for unifying communication technologies of voice, fax, e-mail, and instant messaging
- Implement new technologies that reduce City operational costs and support green initiatives

FINANCIAL COMMENTS

The Information Services budget is an Internal Service Fund that starting in FY13-14 now includes 10% of the Administrative Services Director and a $115,000 Programmer Analyst personnel cost. Operating costs are

funded by departments based on the amount of technology present in each department. This is represented by the amount of equipment each division is using and the complexity associated with the support of those devices.

Communications and Engagement

ACTIVITY DESCRIPTION

The Communications and Engagement function was added in the FY 13-14 budget process, with the Communications and Engagement Manager position being filled in January 2014. The Communications and Engagement Manager serves as the City's Public Information Officer and is responsible for developing and disseminating information about the City's programs, services, policies, events, and major initiatives. This position is also responsible for administering the oversight and coordination of all external and internal communications and provides support and direction for community outreach efforts.

FY 13-14 HIGHLIGHTS

- Recruited and hired new Communications and Engagement Manager
- Launched a City wide "Engage" Facebook page bringing the total number of City Facebook pages to 11
- Contracted with Civic Plus for the complete refresh and updating of the City website
- Managed extensive community outreach efforts for the Downtown Improvement Program
- Presented public participation plan for Council adoption

FY 14-15 WORKPLAN

- Implement public participation plan throughout the organization and community
- Continue to increase use of social media and digital civic engagement technologies
- Select, contract for and implement use of open data platform
- Implement an employee communications and engagement training program
- Implement complete website refresh and updating, including the introduction of a new mobile application
- Create team responsible for ongoing management and updating of website

FINANCIAL COMMENTS

As an internal service fund, the Communications and Engagement Manager is paid for by all the Departments.

Information Services (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	286,954	270,845	404,171	349,311	513,619
41271	SALARIES - PART-TIME TEMP	-	-	-	1,275	18,096
41320	EARNED LEAVE LIABILITY	16,057	15,652	11,543	11,543	12,195
41490	OVERTIME - GENERAL	1,641	4,830	-	4,000	4,000
41560	UNEMPLOYMENT INSURANCE	2,881	300	-	-	-
41620	RETIREMENT - GENERAL	61,093	58,711	81,293	58,022	89,591
41690	DEFERRED COMPENSATION	6,796	4,646	8,443	5,209	7,629
41700	GROUP INSURANCE	29,953	26,105	43,553	43,351	73,985
41701	MEDICARE	4,215	4,036	6,009	4,817	7,854
41730	INCOME PROTECTION INS	2,750	2,789	4,009	3,708	4,988
41760	WORKERS COMP	2,159	5,044	9,922	8,594	13,286
41799	BENEFITS	4,426	4,735	10,245	5,214	5,970
	Salaries Total	**418,926**	**397,692**	**579,188**	**495,044**	**751,213**
42214	TELEPHONE	3,181	9,084	3,500	3,500	5,876
42231	CONTRACT SERVICES	73,698	78,666	86,928	86,928	106,427
42244	STATIONERY & OFFICE SUPPLIES	-	10	600	1,000	1,000
42245	COMPUTER HARDWARE-NON CAPITAL	3,709	29,553	83,000	72,600	5,000
42246	COMPUTER SOFTWARE-NON CAPITAL	333	2,678	24,000	24,000	6,000
42247	CONTRACT IS SERVICES	459	2,655	3,000	3,000	3,000
42248	OTHER SUPPLIES	-	4,010	200	705	200
42250	ADVERTISING	-	-	-	960	250
42252	PHOTOCOPYING	2	19	100	100	100
42254	POSTAGE & FREIGHT	-	3	50	50	50
42261	AUTO MILEAGE	514	-	700	700	1,080
42299	OTHER EXPENSE	32	-	100	300	300
42408	TRAINING & EDUCATION	198	207	500	500	1,000
42415	CONFERENCE & MEETINGS	-	-	200	707	200
42423	MEMBERSHIP & DUES	-	160	400	400	500
42425	COMMUNICATION ENGAGEMENT	-	-	25,000	25,000	101,440
42435	SUBSCRIPTION & PUBLICATIONS	160	-	-	160	200
	Supplies Total	**82,287**	**127,045**	**228,278**	**220,610**	**232,623**
43840	COMPUTER EQUIPMENT	8,032	54,441	-	10,405	43,000
43845	COMPUTER SOFTWARE	-	25,612	2,060	2,060	30,000
	Capital Total	**8,032**	**80,052**	**2,060**	**12,465**	**73,000**
45003	GENERAL LIABILITY INSURANCE	434	3,474	1,836	1,836	8,931
45004	BUILDING MAINT - CURRENT SERVICES	17,634	6,788	8,387	8,387	-
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,971	2,565	2,233	2,233	2,233
	Internal Services Total	**21,039**	**12,827**	**12,456**	**12,456**	**11,164**
2520 - Information Services Total		**530,284**	**617,617**	**821,982**	**740,575**	**1,068,000**

Building Maintenance - Community and Cultural Center [740-2115]

ACTIVITY DESCRIPTION

The Community Services Department, in partnership with the Building Maintenance Manager, is responsible for all major repairs, preventive maintenance, capital improvements and future replacement schedules for the Community and Cultural Center (CCC) campus, including the Playhouse and Gavilan College facilities.

FY 13-14 HIGHLIGHTS

- Replaced Playhouse carpet
- Installed Smart Irrigation Controllers
- Upgraded Public WiFi
- Repaired conduit
- Painted rooms and hallways

FY 14-15 ACTIVITY GOALS

- Recarpet Reception Area, back offices, and the Madrone and Machado rooms
- Replace Furniture
- Replace Chairs
- Upgrade Camera System
- Install Mounted Projector

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems. The Community Services Department is responsible for day-to-day operations of the CCC campus. .

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Total electric usage measured in kWh	Target	363,360	375,264	444,403	450,300
	Actual	366,560	396,000	437,184	
Total gas usage measured in Therms	Target	16,347	16,666	22,053	23,323
	Actual	16,594	18,368	22,644	

Building Maintenance - Community and Cultural Center (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	2,367	2,441	2,452	2,490	124,113
41320	EARNED LEAVE LIABILITY	293	289	151	151	5,312
41490	OVERTIME - GENERAL	-	-	-	-	500
41560	UNEMPLOYMENT INSURANCE	17	2	-	-	-
41620	RETIREMENT - GENERAL	373	400	402	409	21,649
41690	DEFERRED COMPENSATION	101	52	52	50	2,260
41700	GROUP INSURANCE	334	312	320	376	15,127
41701	MEDICARE	-	-	36	-	1,808
41730	INCOME PROTECTION INS	26	26	25	26	1,850
41760	WORKERS COMP	33	69	94	95	3,090
41799	BENEFITS	-	-	-	-	78
	Salaries Total	**3,545**	**3,591**	**3,532**	**3,597**	**175,787**
42208	ELECTRIC	88,730	91,891	94,000	94,000	69,000
42210	WATER/SEWER	15,741	24,845	21,000	26,000	25,000
42214	TELEPHONE	-	-	-	290	-
42231	CONTRACT SERVICES	92,264	96,839	112,234	99,863	126,857
42248	OTHER SUPPLIES	14,188	17,365	19,000	18,000	18,500
42262	CHEMICALS	-	-	-	-	1,500
42510	MAINT - BLDGS/IMPROVEMENTS	19,403	49,379	127,060	104,540	66,100
	Supplies Total	**230,327**	**280,319**	**373,294**	**342,693**	**306,957**
44990	PRINCIPAL	-	-	-	-	8,092
44991	INTEREST	-	-	-	-	376
	Debt Total	**-**	**-**	**-**	**-**	**8,468**
45003	GENERAL LIABILITY INSURANCE	25,476	24,423	16,563	16,563	28,524
	Internal Services Total	**25,476**	**24,423**	**16,563**	**16,563**	**28,524**
2115 - Community & Cultural Center Total		**259,347**	**308,333**	**393,389**	**362,853**	**519,736**

Building Maintenance - Aquatics Center [740-2120]

ACTIVITY DESCRIPTION

The Community Services Department, in partnership with the Building Maintenance Manager, is responsible for all major repairs, preventive maintenance, capital improvements and future replacement schedules for the Aquatics Center (AC).

FY 13-14 HIGHLIGHTS

- Installed Scoreboard
- Replaced Deck Umbrellas
- Replaced Chlorine Generator tank
- Replaced Water Heater
- Landscape Improvements
- Bird Abatement around Slides and Lightposts
- Replaced Underwater Lightbulbs
- Party Room Paint & Sound Absorbers
- Replaced Customer Service Windows (front & kitchen)

FY 14-15 ACTIVITY GOALS

- Landscape Improvements
- Spray Pool paving
- Shed in storage area
- Fence in storage area
- Concrete over south grass area
- Water Softener for Domestic Water
- Replace some kitchen equipment
- Locker Room Shower Revamp
- Concrete repair / replacement

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems. The Community Services Department staff is responsible for day-to-day operations of the Aquatics Center.

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Total electric usage measured in kWh	Target	622,880	609,000	567,224	565,225
	Actual	607,230	537,355	562,221	
Total gas usage measured in Therms	Target	106,869	109,687	117,676	121,206
	Actual	119,764	110,044	102,328	

Building Maintenance - Aquatics Center (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	2,367	2,441	2,452	2,490	101,044
41320	EARNED LEAVE LIABILITY	293	289	151	151	4,388
41490	OVERTIME - GENERAL	833	-	-	-	1,125
41560	UNEMPLOYMENT INSURANCE	36	4	-	-	-
41620	RETIREMENT - GENERAL	373	400	402	409	17,625
41690	DEFERRED COMPENSATION	101	52	52	50	1,799
41700	GROUP INSURANCE	334	312	320	376	20,808
41701	MEDICARE	9	-	36	-	1,483
41730	INCOME PROTECTION INS	26	26	25	26	1,038
41760	WORKERS COMP	51	69	94	95	2,534
41799	BENEFITS	-	-	-	-	78
	Total	**4,423**	**3,593**	**3,532**	**3,597**	**151,922**
42208	ELECTRIC	174,883	180,183	178,000	180,000	180,000
42210	WATER/SEWER	27,952	28,986	33,000	33,000	34,000
42228	GASOLINE & OIL	-	60	-	-	-
42231	CONTRACT SERVICES	76,563	58,965	77,927	78,735	109,850
42248	OTHER SUPPLIES	33,594	30,369	33,000	36,100	35,600
42262	CHEMICALS	61,443	59,504	72,000	72,000	72,000
42281	SMALL TOOLS	820	-	1,000	1,000	1,000
42510	MAINT - BLDGS/IMPROVEMENTS	39,320	107,337	184,328	184,328	159,000
	Supplies Total	**414,575**	**465,405**	**579,255**	**585,163**	**591,450**
43825	MACHINERY/EQUIPMENT	-	10,516	-	15,224	9,000
43835	FURNITURE/OFFICE EQUIPMENT	-	3,954	-	-	-
	Capital Total	**-**	**14,470**	**-**	**15,224**	**9,000**
45003	GENERAL LIABILITY INSURANCE	14,983	4,854	3,287	3,287	7,152
	Internal Services Total	**14,983**	**4,854**	**3,287**	**3,287**	**7,152**
2120 - Aquatics Center Total		**433,981**	**488,322**	**586,074**	**607,271**	**759,524**

Building Maintenance - Centennial Recreation Center [740-2125]

ACTIVITY DESCRIPTION

The Community Services Department, in partnership with the Building Maintenance Manager, is responsible for all major repairs, preventive maintenance, capital improvements and future replacement schedules for the Centennial Recreation Center (CRC).

FY 13-14 HIGHLIGHTS

- Replaced chairs
- Fitlinxx Studio Partner for Gymnasium
- Floor strip, seal wax
- Painting as needed
- Tile coating for Senior Center Restrooms
- Upgrades
- Installed New automatic doors for Main Lobby
- Completed Pool re-plastering
- Additional TV and Fan in Hallway
- Striped & Waxed Linoleum Floors
- Installed Carpets
- Installed Smart Irrigation Controllers
- Replaced 10 treadmills

FY 14-15 ACTIVITY GOALS

- Landscape upgrades
- Digital Cable Conversion & TV replacement
- Install Water Softener
- Replace Pool Covers
- Replace Spin Bikes
- Replace Star Trac Up-Bikes
- Replace Star Trac Re-Bikes
- Locker Room Floor Resurfacing
- Painting as needed (interior/exterior)

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems. The Recreation and Community Services Department staff is responsible for day-to-day operations of the Centennial Recreation Center.

Building Maintenance - CRC (continued)

PERFORMANCE MEASURES

Measure		Actual FY 11-12	Actual FY 12-13	Estimated FY 13-14	FY 14-15
Total electric usage measured in kWh	Target	444,960	774,500	Solar	Solar
	Actual	764,200	Solar	Solar	Solar
Total gas usage measured in Therms	Target	54,847	65,687	65,243	67,200
	Actual	62,297	64,201	64,987	

*Solar Panels do not affect actual energy consumption

Building Maintenance - CRC (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	2,367	2,441	2,452	2,490	109,190
41320	EARNED LEAVE LIABILITY	293	289	151	151	4,234
41490	OVERTIME - GENERAL	-	-	-	-	1,125
41560	UNEMPLOYMENT INSURANCE	17	2	-	-	-
41620	RETIREMENT - GENERAL	373	400	402	409	19,046
41690	DEFERRED COMPENSATION	101	52	52	50	1,850
41700	GROUP INSURANCE	334	312	320	376	19,775
41701	MEDICARE	-	-	36	-	1,601
41730	INCOME PROTECTION INS	26	26	25	26	1,140
41760	WORKERS COMP	33	69	94	95	2,736
41799	BENEFITS	-	-	-	-	117
	Salaries Total	**3,545**	**3,591**	**3,532**	**3,597**	**160,814**
42208	ELECTRIC	113,973	51,734	55,000	55,000	30,000
42210	WATER/SEWER	29,347	49,792	44,000	50,000	50,000
42228	GASOLINE & OIL	128	15	-	-	-
42231	CONTRACT SERVICES	157,438	147,554	190,000	164,962	180,630
42248	OTHER SUPPLIES	63,017	65,837	70,000	74,200	76,500
42262	CHEMICALS	13,837	4,991	12,000	6,000	6,000
42281	SMALL TOOLS	219	589	1,000	1,000	2,200
42510	MAINT - BLDGS/IMPROVEMENTS	18,715	48,037	45,000	27,042	50,200
42526	MAINT - AUTO/TRUCKS	50	18	-	-	-
	Supplies Total	**396,724**	**368,567**	**417,000**	**378,204**	**395,530**
45003	GENERAL LIABILITY INSURANCE	27,122	23,221	15,747	15,747	26,542
	Internal Services Total	**27,122**	**23,221**	**15,747**	**15,747**	**26,542**
2125 - Centennial Recreation Center Total		**427,390**	**395,379**	**436,279**	**397,548**	**582,886**

Building Maintenance - Police Station [740-3225]

ACTIVITY DESCRIPTION

Building Maintenance is responsible for all preventive maintenance and repairs of the Police Station.

FY 14-15 ACTIVITY GOALS

- Upgrade security access system
- Painting as needed (interior/exterior)
- Storage locker repairs at the firing range
- Repair garage door operators
- AV upgrade for jail security/interview room

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems.

Building Maintenance - Police Station (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	24,744	28,666	25,522	30,875	31,560
41320	EARNED LEAVE LIABILITY	857	1,058	1,045	1,045	2,708
41490	OVERTIME - GENERAL	322	166	-	-	-
41560	UNEMPLOYMENT INSURANCE	619	52	-	-	-
41620	RETIREMENT - GENERAL	5,870	6,984	6,211	5,162	5,505
41690	DEFERRED COMPENSATION	503	497	514	510	631
41700	GROUP INSURANCE	2,654	2,108	2,160	2,225	2,880
41701	MEDICARE	356	412	370	413	458
41730	INCOME PROTECTION INS	395	405	752	424	872
41760	WORKERS COMP	516	1,169	1,436	1,746	783
	Salaries Total	**36,836**	**41,516**	**38,010**	**42,400**	**45,397**
42208	ELECTRIC	90,833	93,660	103,000	105,000	110,000
42210	WATER/SEWER	5,144	4,950	5,500	5,500	6,000
42231	CONTRACT SERVICES	56,288	74,369	48,800	51,566	55,000
42248	OTHER SUPPLIES	5,245	10,093	25,200	25,000	13,200
42510	MAINT - BLDGS/IMPROVEMENTS	44,883	34,584	58,500	20,000	40,000
	Supplies Total	**202,394**	**217,656**	**241,000**	**207,066**	**224,200**
45003	GENERAL LIABILITY INSURANCE	15,453	18,265	12,219	12,219	19,463
	Internal Services Total	**15,453**	**18,265**	**12,219**	**12,219**	**19,463**
3225 - PD Support Services Total		**254,682**	**277,438**	**291,229**	**261,685**	**289,060**

Building Maintenance - Old City Hall/Others [740-5150]

ACTIVITY DESCRIPTION

Building Maintenance is responsible for custodial and maintenance of the Old City Hall Building, which is now the new Council Chambers, as well as the grounds surrounding the Morgan Hill Library.

FY 13-14 HIGHLIGHTS

- Prepared for the construction of the new Council Chambers by storing furniture and supplies that were housed in the Old City Hall building.

FY 14-15 ACTIVITY GOALS

- Maintain the City's facilities in a state of clean and good repair

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems. Funds will be transferred from the General Fund and the Community Development Fund to the Building Maintenance Fund to cover all expenditures in this budget. Expenditures associated with the Villas, exterior of the library, and the Civic Center Campus are also included in this budget.

Building Maintenance - Old City Hall/Others (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	13,496	2,441	2,452	2,490	12,792
41320	EARNED LEAVE LIABILITY	878	289	151	151	1,370
41490	OVERTIME - GENERAL	30	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	318	2	-	-	-
41620	RETIREMENT - GENERAL	3,094	400	402	409	2,231
41690	DEFERRED COMPENSATION	322	52	52	50	256
41700	GROUP INSURANCE	1,494	312	320	376	1,500
41701	MEDICARE	181	-	36	-	185
41730	INCOME PROTECTION INS	210	26	25	26	264
41760	WORKERS COMP	266	69	94	95	317
	Salaries Total	**20,290**	**3,591**	**3,532**	**3,597**	**18,915**
42208	ELECTRIC	43,448	32,985	38,500	40,000	40,000
42210	WATER/SEWER	18,713	20,552	20,500	21,000	22,000
42214	TELEPHONE	3,034	2,785	3,500	2,526	2,500
42231	CONTRACT SERVICES	38,893	27,684	15,000	28,000	30,000
42248	OTHER SUPPLIES	10,924	320	6,000	3,500	7,500
42254	POSTAGE & FREIGHT	1	5	-	17	-
42510	MAINT - BLDGS/IMPROVEMENTS	35,513	31,566	19,950	20,000	25,000
	Supplies Total	**150,526**	**115,897**	**103,450**	**115,043**	**127,000**
45003	GENERAL LIABILITY INSURANCE	15,278	22,987	15,588	15,588	24,358
	Internal Services Total	**15,278**	**22,987**	**15,588**	**15,588**	**24,358**
5150 - Building Maintenance - CH/Others Total		**186,094**	**142,475**	**122,570**	**134,228**	**170,273**

Building Maintenance – City Hall/Development Services Center

ACTIVITY DESCRIPTION

Building Maintenance is responsible for custodial service and maintenance of City Hall/ Development Services Center (DSC).

FY 13-14 HIGHLIGHTS

- Installed a Lactation Room

FY 14-15 ACTIVITY GOALS

- Half-time Custodian will continue to provide service for City Hall/DSC and the new Council Chambers
- Setup building for generator power with existing generator

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems.

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

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	13,960	25,876	25,522	26,797	25,304
41320	EARNED LEAVE LIABILITY	878	1,587	792	792	2,139
41490	OVERTIME - GENERAL	30	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	318	52	-	-	-
41620	RETIREMENT - GENERAL	3,226	6,284	6,211	4,509	4,414
41690	DEFERRED COMPENSATION	330	497	514	510	506
41700	GROUP INSURANCE	1,494	2,108	2,160	2,225	2,420
41701	MEDICARE	188	378	370	359	367
41730	INCOME PROTECTION INS	210	405	752	376	669
41760	WORKERS COMP	285	1,078	1,436	1,509	628
	Salaries Total	**20,920**	**38,264**	**37,757**	**37,077**	**36,447**
42208	ELECTRIC	40,433	38,624	42,000	42,000	45,000
42210	WATER/SEWER	-	1,965	-	2,500	3,000
42231	CONTRACT SERVICES	10,115	20,072	12,500	22,500	24,000
42248	OTHER SUPPLIES	6,516	16,287	10,500	12,462	12,500
42510	MAINT - BLDGS/IMPROVEMENTS	7,013	4,903	43,000	27,500	50,000
	Supplies Total	**64,077**	**81,851**	**108,000**	**106,962**	**134,500**
45003	GENERAL LIABILITY INSURANCE	1,838	5,472	3,540	3,540	5,845
	Internal Services Total	**1,838**	**5,472**	**3,540**	**3,540**	**5,845**
5155 - Building Maintenance - DSC Total		**86,835**	**125,587**	**149,297**	**147,579**	**176,792**

Building Maintenance – Friendly Inn [740-5165]

ACTIVITY DESCRIPTION

The Community Services Department is responsible for the general maintenance, upkeep, lighting, cleaning, repairs to interior improvements including, but not limited to custodial, electrical, and plumbing services.

Renovation of the City's Friendly Inn Non-Profit Service Center was completed in FY 09-10. The City Council approved tenancy for the Silicon Valley Chapter of the American Red Cross, Morgan Hill Home Group of Narcotics Anonymous, Advent Ministries, Work2Future, and Project Sentinel.

FY 14-15 ACTIVITY GOALS

- Maintain collaborative relationship with all Friendly Inn tenants

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems. The Community Services Department, Recreation Division, serves as the agent of the City in the collection, crediting and payment of all fees, charges, expenses and costs necessary for the operation of the Friendly Inn Non-Profit Service Center.

Building Maintenance – Friendly Inn (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42208	ELECTRIC	7,248	5,381	7,000	7,000	7,000
42210	WATER/SEWER	2,086	5,082	2,000	2,000	2,000
42214	TELEPHONE	1,103	1,572	1,500	1,500	1,500
42231	CONTRACT SERVICES	10,421	14,215	13,949	15,834	21,021
42248	OTHER SUPPLIES	374	1,841	950	950	950
42510	MAINT - BLDGS/IMPROVEMENTS	141	-	2,500	2,500	2,500
	Supplies Total	**21,372**	**28,091**	**27,899**	**29,784**	**34,971**
45003	GENERAL LIABILITY INSURANCE	-	2,343	1,590	1,590	2,454
	Internal Services Total	**-**	**2,343**	**1,590**	**1,590**	**2,454**
5165 - Friendly Inn Maintenance Total		**21,372**	**30,434**	**29,489**	**31,374**	**37,425**

Building Maintenance – El Toro Youth Center [740-5167]

ACTIVITY DESCRIPTION

The City is responsible for general maintenance of the El Toro Youth Center located at 17620 Crest Avenue. The building is owned by the City and operated by Catholic Charities of Santa Clara County.

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled future replacement of major building equipment, such as mechanical systems.

Building Maintenance – El Toro Youth Center (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42210	WATER/SEWER	-	1,043	1,500	1,500	1,700
42231	CONTRACT SERVICES	-	4,275	4,500	3,500	4,000
42248	OTHER SUPPLIES	-	1,125	500	2,000	2,000
42510	MAINT - BLDGS/IMPROVEMENTS	-	3,575	6,500	2,000	2,000
	Supplies Total	**-**	**10,017**	**13,000**	**9,000**	**9,700**
45003	GENERAL LIABILITY INSURANCE	-	760	516	516	796
	Internal Services Total	**-**	**760**	**516**	**516**	**796**
5167 - El Toro Youth Center Maintenance Total		**-**	**10,777**	**13,516**	**9,516**	**10,496**

Building Maintenance - Corporation Yard [740-5715]

ACTIVITY DESCRIPTION

Building Maintenance is responsible for repairs, maintenance and long-term equipment replacement at the Corporation Yard.

FY 14-15 ACTIVITY GOALS

- Interior/Exterior Painting
- HVAC Duct Repairs
- Parking Lot Repairs

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that recovers the cost of maintaining City facilities by charging the departments that use those facilities. An additional fee is charged for the scheduled

Building Maintenance - Corporation Yard (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	23,356	23,830	24,423	25,396	30,483
41320	EARNED LEAVE LIABILITY	1,635	1,707	1,749	1,749	2,206
41490	OVERTIME - GENERAL	322	-	-	-	-
41560	UNEMPLOYMENT INSURANCE	619	52	-	-	-
41620	RETIREMENT - GENERAL	5,520	5,770	5,935	4,244	5,317
41690	DEFERRED COMPENSATION	503	494	492	526	610
41700	GROUP INSURANCE	2,654	2,108	2,160	2,225	2,880
41701	MEDICARE	349	357	354	352	442
41730	INCOME PROTECTION INS	280	289	752	308	872
41760	WORKERS COMP	485	988	1,372	1,427	756
	Salaries Total	**35,724**	**35,594**	**37,237**	**36,227**	**43,566**
42208	ELECTRIC	18,361	18,705	18,500	17,000	18,500
42210	WATER/SEWER	2,463	2,965	2,750	2,600	2,800
42231	CONTRACT SERVICES	25,808	22,985	16,500	13,740	13,000
42248	OTHER SUPPLIES	281	599	2,000	500	1,000
42510	MAINT - BLDGS/IMPROVEMENTS	15,593	11,328	52,000	5,000	22,500
	Supplies Total	**62,507**	**56,582**	**91,750**	**38,840**	**57,800**
45003	GENERAL LIABILITY INSURANCE	15,453	5,775	3,745	3,745	6,381
	Internal Services Total	**15,453**	**5,775**	**3,745**	**3,745**	**6,381**
5715 - PW - Edes Court Maintenance Total		**113,684**	**97,951**	**132,732**	**78,812**	**107,747**

Unemployment Insurance [760-8230]

ACTIVITY DESCRIPTION

Human Resources manages the unemployment insurance (UI) activity and budget. Working in conjunction with the State Employment Development Department, Human Resources evaluates claims for benefits in an effort to manage the City's liability in this area.

The City has chosen the self-insured method as the most cost-effective way to manage the City's unemployment insurance costs; the City reimburses the State for actual costs incurred for the payment of UI benefits. The State bills the City quarterly; payment to the qualified former employee actually precedes the City's reimbursement to the State.

FINANCIAL COMMENTS

The City will continue to be challenged with unemployment claim charges due partly to seasonal and temporary employees filing for unemployment once their temporary assignment has ended and they are separated from employment with the City. The weekly unemployment insurance benefit amounts range from a minimum of $40 to a maximum of $450, for up to 26 weeks, depending on the claimant's past quarterly earnings.

Unemployment Insurance (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	34	20	50	-	-
42542	CLAIMS - UNEMPLOYMENT	54,015	27,873	55,000	20,516	35,000
	Supplies Total	**54,049**	**27,892**	**55,050**	**20,516**	**35,000**
8230 - Unemployment Insurance Total		**54,049**	**27,892**	**55,050**	**20,516**	**35,000**

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.

As a result of an actuarial review of the City's self-insured workers' compensation program, the FY 14-15 Recommended Budget changes the way the workers' compensation program is funded by the various operating departments and funds.Instead of charging different rates to different municipal functions (such as public safety, utility/street/park maintenance, recreation and community services, and administrative/office), the City's actuary suggested charging every department the same fixed percentage (2.48%) of salary for each of its employees, to cover the cost of the excess (> $250,000) workers compensation insurance, administrative costs to the City's third-party administrator, and out-of-pocket medical costs below that self-insured retention level (the $250,000 mark).

At the same time, the actuary recommended that workers' compensation benefits (replacement salary/wages) for each affected employee be paid by their home department's operating budget - just as if the employee were still earning salary/wages for time actually worked. FY 14-15 Recommended Budget includes this change, to avoid the illusion of salary savings versus budget in operating departments that happen to have significant absences from work due to job-related injuries or illness.

FY 13-14 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

FY 14-15 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

Workers' Compensation (continued)

FINANCIAL COMMENTS

The past fiscal year has seen a reduction in the number of workers' compensation claims and in total workers' compensation expense. Lost work days were higher than anticipated; all lost days were employees of the Police Department. Although we do not foresee an increase in number of claims, the increased oversight of the third-party administrator should result in better tracking of medical-only expenses and a slight increase in the medical claims expense performance measure. 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. The estimated ending fund balance June 30, 2014 is $1,000,000.

PERFORMANCE MEASURES

Measure		FY 12-13			FY 13-14*			FY 14-15 Estimated		
		Misc	Police	Total	Misc	Police	Total	Misc	Police	Total
Number of new claims involving temporary disability benefits	Target	3	7	10	3	7	10	2	7	10
	Actual	1	8	9	0	2	2			
Number of lost work days due to temporary disability on new claims	Target	50	125	175	50	150	175	5	185	190
	Actual				0	181	181			
Workers Compensation medical claims expense	Target	$40,000	$140,000	$180,000	$40,000	$120,000	$160,000	$15,000	$144,500	$159,500
	Actual	$26,400	$64,800	$91,200	$10,500	$115,600	$126,100			
Workers compensation temporary disability (lost work days) expense	Target	$12,000	$150,000	$162,000	$25,000	$205,000	$230,000	$5,000	$205,000	$210,000
	Actual	$5,640	$278,900	$284,540	$0	$65,967	$65,967			
Work Compensation permanent partial disability expenses	Target	$10,000	$100,000	$110,000	$10,000	$100,000	$110,000	$0	$130,775	$130,775
	Actual	$0	$52,000	$52,000	$0	$104,619	$104,619			
Total Workers Compensation Expense	Target	$62,000	$390,000	$452,000	$75,000	$425,000	$500,000	$20,000	$480,275	$500,275
	Actual	$33,350	$431,650	$465,000	$38,367	$286,186	$324,553			

* Estimated final costs calculated from figures as of 4/1/14.

Workers' Compensation (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42221	INSURANCE PREMIUMS	170,861	179,406	188,377	184,242	200,600
42231	CONTRACT SERVICES	33,601	33,607	31,000	39,163	35,960
42261	AUTO MILEAGE	326	158	200	65	65
42299	OTHER EXPENSE	5,068	2,103	2,000	5,869	3,000
42415	CONFERENCE & MEETINGS	-	-	-	60	60
42435	SUBSCRIPTION & PUBLICATIONS	-	380	381	381	381
42545	CLAIMS - WORKER'S COMP	504,811	577,306	600,000	450,000	315,000
	Supplies Total	**714,666**	**792,961**	**821,958**	**679,780**	**555,066**
8220 - Workers' Comp Total		**714,666**	**792,961**	**821,958**	**679,780**	**555,066**

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 14-15, 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 14-15 the following equipment is proposed to be replaced:

Replace 2002 Electric Gem Car	$13,500
Replace D01116 Cherokee	$25,000
Replace D02182 Chevy Pickup	$35,000
Replace W07104 Ford 350	$35,000
Replace S04112 Vacon	$250,000
Police Trailer	$20,000
Total	**$378,500**

Equipment Replacement (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
42231	CONTRACT SERVICES	217	538	-	-	-
42250	ADVERTISING	-	367	-	-	-
	Supplies Total	**217**	**906**	**-**	**-**	**-**
43825	MACHINERY/EQUIPMENT	-	(1)	-	-	-
43830	AUTO/TRUCKS	379,234	248,538	502,552	190,000	378,500
	Capital Total	**379,234**	**248,537**	**502,552**	**190,000**	**378,500**
44994	LEASE PAYMENTS	-	15,329	-	17,406	17,406
	Debt Total	**-**	**15,329**	**-**	**17,406**	**17,406**
8500 - Equipment Replacement Total		**379,452**	**264,772**	**502,552**	**207,406**	**395,906**

Employee Benefits Fund [791-2610]

Since FY 10-11, the Employee Benefits Fund has captured in one place the City's liability for leave earned but not taken. The purpose of this internal service fund is to remove from operating department budgets the expenditure spikes caused by payouts of vacation and other leave earned but not taken, thus dampening the effects on operating department budgets of the inherently episodic nature of leave payouts to employees exiting the City workforce.

A second purpose of the Employee Benefits Fund is to identify and accumulate financial resources to prefund, to the extent feasible, the City's accumulated liability for leave earned but not taken.

The City's three business-type activities (Water Fund, Wastewater Fund and Information Services Fund) have always reflected on their balance sheets both a liability for, and assets to pay, leave earned but not taken by their employees, sometimes referred to as "compensated absences."The City's governmental activities, such as the General Fund and the Community Development Fund and the former Redevelopment Agency, carried at June 30, 2013 a collective long-term liability for compensated absences of $1,529,873 (down almost $80,000 from 2012).Unlike the three business-type activities, those funds do not have sufficient cash to discharge fully their accumulated liability.

Therefore, those funds are being assessed each year for a rolling 10-year period one-tenth of their accumulated liability—or about $153,000 collectively per year. The recommended budget for FY 14-15 includes the fifth year of such one-tenth payments on the long-term liability by the General Fund, the Community Development Fund and other governmental funds into the Employee Benefits Fund.

Employee Benefits Fund (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41320	EARNED LEAVE LIABILITY	503,222	469,136	316,000	486,179	400,000
	Salaries Total	**503,222**	**469,136**	**316,000**	**486,179**	**400,000**
42231	CONTRACT SERVICES	28	40	-	-	-
	Supplies Total	**28**	**40**	**-**	**-**	**-**
2610 - Employee Assistance Total		**503,250**	**469,176**	**316,000**	**486,179**	**400,000**

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.

NEW FOR FY 14-15

Through the addition of a 0.5 FTE Risk Management Analyst ($62,300) to support the City's risk management functions, City will be able to more effectively streamline claims processing and monitoring, enhance review and monitoring of insurance requirements in City contracts, as well as become more proactive in developing risk management policies, procedures, best practices and trainings.

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 13-14 appear immediately below.

FY 13-14 HIGHLIGHTS

- The Aquatics Center staff is attending training in life saving and lifeguard techniques.
- The Police Department renewed its subscription to Lexipol which provides the Department with an updated policy and daily training bulletins which help keep officers abreast of current law.
- The City Attorney's Office and the Community Development Agency are working to draft a sewer ordinance and review of Sanitary Sewer Management Plan.
- The Aquatics Center is installing security cameras to enhance safety at the Center.
- The Centennial Recreation Center is installing floor sealant in the restrooms to enhance safety in those areas.
- The pool deck at the Centennial Recreation Center is being resealed in order to add a non-slip coating to prevent slips and falls.

General Liability (continued)

FY 14-15 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% of the reserve policy level for this fund.

General Liability (continued)

Object	Expenditure Details Description	11-12 Actual	12-13 Actual	13-14 Amended	13-14 Year End Projection	14-15 Adopted
41100	SALARIES - GENERAL	-	-	-	-	43,497
41620	RETIREMENT - GENERAL	-	-	-	-	7,587
41690	DEFERRED COMPENSATION	-	-	-	-	870
41700	GROUP INSURANCE	-	-	-	-	7,836
41701	MEDICARE	-	-	-	-	631
41730	INCOME PROTECTION INS	-	-	-	-	811
41760	WORKERS COMP	-	-	-	-	1,079
	#REF!	**-**	**-**	**-**	**-**	**62,311**
42217	SURETY BOND	786	797	917	797	1,012
42219	GENERAL LIABILITY INS	326,685	424,691	488,394	552,097	701,163
42220	PROPERTY INSURANCE	69,715	81,325	93,524	68,080	86,462
42231	CONTRACT SERVICES	3,108	62	5,000	-	-
42539	CLAIMS FOR DAMAGES	392,906	89,303	277,576	273,500	328,200
	Supplies Total	**793,199**	**596,178**	**865,411**	**894,474**	**1,116,837**
43845	COMPUTER SOFTWARE	-	-	15,985	15,985	-
	Capital Total	**-**	**-**	**15,985**	**15,985**	**-**
49213	TRANSFER OUT-302 (PARK MAINTENANCE)	33,000	-	-	-	-
	Transfer Total	**33,000**	**-**	**-**	**-**	**-**
8210 - General Liability Insurance Total		**826,199**	**596,178**	**881,396**	**910,459**	**1,179,148**

Special Analysis

City Council's 2014 Priorities, Goals, and Strategies…….. 344

Discretionary Reserves 348

General Fund Five-Year Projections 349

Grant Revenue 352

Public Employees Retirement System (PERS).....353

Public Infrastructure Financing Summary 354

City Council's 2014 Priorities, Goals, and Strategies

2014 Commitment

For 2014, the City Council is committed to remaining focused on existing planning efforts, projects, and initiatives with an eye towards completing what has already been started.

Ongoing Priorities

The City Council is committed to providing high quality and sustainable services to the entire Morgan Hill community. Fundamental to the City Council's success are the ongoing priorities of:

- Enhancing public safety
- Protecting the environment
- Maintaining fiscal responsibility
- Supporting youth
- Fostering an organizational culture that focuses on teamwork, employee recognition, and open communication.

2014 Priorities

For 2014, the City Council continued five priorities from 2013 to move the community and organization forward.

- Stimulate Economic Development
- Enhance Community Engagement and Diversity
- Participate in Regional Issues
- Improve Organizational Effectiveness
- Advocate for Infrastructure Improvement Funding

2014 Focus Areas

In addition to the City Council's priorities, four specific focus areas were recognized by the Council that require significant resources in 2014.

- Continue our General Plan Update, *Morgan Hill 2035*
- Pursue revitalization of our downtown through implementation of the Long Range Property Management Plan redevelopment sites and public investment.
- Approve and implement the Agricultural Lands Preservation Program and Southeast Quadrant Land Use Plan.
- Facilitate maintaining and enhancing the provision of medical services in Morgan Hill.

City Council's 2014 Priorities, Goals, and Strategies (continued)

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
Further the community-wide progress that has been achieved by elevating the focus on actively promoting other initiatives that foster a healthy, active, supportive, and safe environment for all of our youth. Areas of focus include, but are not limited to, improving access to healthcare, transportation, employment, library services, the arts, healthy food, and promoting safe driving.

Strategy
Continue active City participation in the South County Youth Task Force, Community Transformation Grant, and other youth initiatives.

Stimulating Economic Development

Goal
Refine our economic development strategies to further expand the City's tax base and improves the quality of life of Morgan Hill's residents.

Strategy
Build upon the momentum of the Tourism Alliance to promote Morgan Hill as a destination for athletics, wineries, recreation, events, restaurants, agriculture, and many other activities.

Strategy
By May 2014, the City Council will receive a housing program report that summarizes current efforts and advances policy level discussion on new programs, projects, and initiatives intended to increase services and leverage funding.

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
By April 2014, the City Council will adopt a public participation plan that will serve as the foundation and expectation for the organization in planning efforts, project design, and other decision-making processes.

Strategy
The City will increase the use of social media, digital civic engagement technologies, and open data.

Strategy
The City will implement an employee communications and engagement training plan to build organizational capacity and ensure a comprehensive understanding of the City Council's expectations.

Goal
Strengthen community through greater awareness and appreciation of community diversity.

Strategy
The City will convene a diverse group of community leaders to develop a strategy for the City to cultivate broad based community participation in decision-making, programs, activities, and events.

Strategy
The Mayor and City Council will request that advisory commissions pursue the production of an event celebrating community diversity and showcasing local talent.

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 and community organization relations at the local, regional, state, and federal levels.

Improving Organizational Effectiveness

Goal
Optimize the effectiveness of the City Council's advisory commissions.

Strategy
The Mayor and a Council Member will continue discussions with an ad-hoc committee of the Planning Commission, Parks and Recreation Commission, and Library, Culture, and Arts Commission to review roles, responsibilities, and effectiveness and make adjustments deemed appropriate by the committee and Council so that they are aligned with the Council's goals and priorities.

Financing and Advocating for Infrastructure Improvements

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

Strategy
Prior to the end of September, the City Manager will provide a comprehensive report that identifies, quantifies, and prioritizes the needs to maintain the City's existing infrastructure.

City Council's 2014 Priorities, Goals, and Strategies (continued)

Goal
Provide 100 year flood protection for the watershed of West Little Llagas Creek including Downtown Morgan Hill.

Strategy
In addition to encouraging Congress and the President to fulfill the federal promise made in 1964 to complete the Llagas flood protection project, explore alternative funding strategies to achieve project implementation.

Strategy
The City will continue to work with the Santa Clara Valley Water District and Army Corps of Engineers to expedite the acceptance of the Water District's contributed funds by the Army Corps for completion of the Limited Reevaluation Review.

ADOPTED

Morgan Hill City Council

February 5, 2014

Discretionary Reserves

The schedule below summarizes all discretionary funds projected to be available at June 30, 2014. 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 11-12	FY 12-13	FY 13-14 YE Projection	FY 14-15 Projection
General Fund	$ 7,077,628	$ 11,065,665	$ 11,622,306	$ 10,748,243
Supplemental Law Enforcement Fund	50,662	50,722	44,884	44,858
Community Centers Startup Fund	83,143	511	-	-
Employee Assistance Fund	95,705	35,887	22,544	9,045
Park Maintenance Fund	4,183,376	4,689,543	4,657,609	4,525,276
Municipal Infrastructure CIP Fund	150,000	279,205	-	-
Information Systems Fund*	118,114	13,940	109,194	92,530
Building Maintenance Fund*	1,075,592	69,123	46,405	140,340
Building Replacement Fund*	4,388,942	2,274,109	2,147,298	2,372,945
Unemployment Insurance Fund*	587,784	230,711	211,334	177,303
Workers' Compensation Fund*	932,138	738,229	999,825	940,883
Equipment Replacement Fund*	3,569,651	3,695,129	3,963,641	4,021,337
Employee Benefits Fund**	(1,083,447)	(1,049,588)	(754,499)	29,029
General Liability Insurance Fund*	522,696	684,970	523,907	572,662
Total Discretionary Reserves	**$ 21,751,984**	**$ 22,778,156**	**$ 23,594,448**	**$23,674,451**

*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

The General Fund Five-Year Forecast for Fiscal Years 14-15 through 18-19 incorporate all known expenditures throughout the forecast period including all personnel cost increases due to existing Memoranda Of Understanding with represented employees. All negotiated salary and benefit increases, including CalPERS contribution rates, are included in the forecast.

In years that are absent negotiated increases, a general 2% increase is assumed for all employee services and supply categories.

Revenue estimates are based on assumed growth for all general fund revenues, including property tax, sales tax, and transient occupancy tax.

General Fund Balance

Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
7,086,957	10,584,218	11,165,666	10,797,991	11,256,364	11,151,663	11,354,923
31,689,399	32,084,247	31,979,197	33,524,980	34,226,020	35,531,694	36,911,546
(28,192,138)	(31,502,800)	(32,346,872)	(33,066,606)	(34,330,722)	(35,328,434)	(36,549,106)
10,584,218	11,165,666	10,797,991	11,256,364	11,151,663	11,354,923	11,717,362
33.4%	**34.8%**	**33.8%**	**33.6%**	**32.6%**	**32.0%**	**31.7%**
3,497,261	**581,448**	**(367,675)**	**458,373**	**(104,702)**	**203,260**	**362,439**

General Fund Five-Year Projections (continued)

REVENUE DETAIL	Actual 2011-12	Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
Property Tax	3,725,074	6,117,448	4,862,289	5,240,794	5,441,529	5,642,060	5,850,517	6,087,017
VLF In-Lieu Property Tax	2,570,361	2,570,648	2,735,205	2,976,997	3,096,077	3,188,959	3,284,628	3,383,167
RDA Pass-Thru	187,695	179,549	190,000	250,151	302,047	364,522	426,669	492,169
Sales Tax	6,634,840	7,908,270	8,518,158	8,452,749	9,371,713	9,383,782	9,809,135	10,253,817
Cochrane Comm. Payments (1)	(104,380)	(255,890)	(261,008)	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)
Other Payments (2)	(154,972)	(175,443)	-	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
Transient Occupancy Tax	1,119,491	1,411,226	1,650,000	1,732,500	1,850,000	1,910,081	2,005,585	2,105,864
Franchise Fees - GF	1,505,060	1,581,510	1,656,071	1,747,565	1,824,352	1,904,661	1,988,657	2,076,517
Public Safety Sales Tax	262,893	290,059	312,317	327,933	344,329	361,546	379,623	398,604
Property Transfer Tax	269,391	366,282	400,000	428,000	457,960	480,858	504,901	530,146
Total Taxes	**16,015,453**	**19,993,659**	**20,063,032**	**20,806,689**	**22,338,007**	**22,886,469**	**23,899,716**	**24,977,301**
Business License	160,301	165,304	176,061	181,343	186,783	192,387	198,158	204,103
Other Permits	23,852	22,030	22,324	22,280	22,348	22,419	22,491	22,566
Total Licenses/Permits	**184,153**	**187,334**	**198,385**	**203,623**	**209,132**	**214,805**	**220,650**	**226,669**
Parking Enforcement	9,181	3,489	3,000	3,000	3,090	3,183	3,278	3,377
Other Fines	113,521	89,710	50,000	75,000	77,250	79,568	81,955	84,413
Total Fines/Penalties	**122,703**	**93,199**	**53,000**	**78,000**	**80,340**	**82,750**	**85,233**	**87,790**
Motor Vehicle Fee	19,911	20,631	17,074	15,000	15,000	15,000	15,000	15,000
Law Enforcement Grants	609,742	618,236	806,793	754,539	741,450	744,834	758,015	775,374
Other	330,069	219,856	204,802	41,949	43,132	43,945	44,774	45,620
Total Other Agencies	**959,721**	**858,724**	**1,028,669**	**811,488**	**799,582**	**803,779**	**817,789**	**835,993**
City Recreation Programs	4,297,452	4,743,958	4,831,765	5,039,218	5,209,474	5,251,013	5,418,798	5,587,866
CCC Rental	767,516	810,061	782,500	844,540	872,526	901,620	931,867	963,318
Gen Admin Overhd	1,644,473	1,282,745	1,062,463	1,140,020	1,179,921	1,221,218	1,263,961	1,308,199
Fire Fees	190,652	200,176	252,000	252,000	259,560	267,347	275,367	283,628
Other Charges	525,332	518,979	541,092	529,741	544,038	558,735	573,842	589,372
Total Current Services	**7,425,426**	**7,555,919**	**7,469,820**	**7,805,519**	**8,065,519**	**8,199,932**	**8,463,835**	**8,732,384**
Interest Earnings	77,798	59,199	48,953	53,214	53,480	53,747	54,016	54,286
Other Rentals	112,470	118,559	250,993	274,906	282,722	287,830	293,162	299,165
Miscellaneous	234,719	6,920,730	1,107,006	522,000	270,000	268,000	266,000	264,000
Total Other Revenue	**424,987**	**7,098,488**	**1,406,951**	**850,120**	**606,203**	**609,578**	**613,178**	**617,451**
Transfer From Park Maint	247,000	180,000	400,000	-	-	-	-	-
Transfer From Sewer/Water	616,875	666,875	680,892	683,319	685,818	688,393	691,045	693,776
Transfer From Public Safety	100,000	269,229	100,000	100,000	100,000	100,000	100,000	100,000
Transfers Rec Non GF Activities	33,000	33,000	33,000	50,000	50,000	50,000	50,000	50,000
Transfer from Gas Taxes/Sewer/Water	451,998	601,322	590,498	590,439	590,378	590,314	590,249	590,181
Transfers From Other Funds	-	142,637	60,000	-	-	-	-	-
Total Transfers In	**1,448,873**	**1,893,063**	**1,864,390**	**1,423,758**	**1,426,196**	**1,428,707**	**1,431,294**	**1,433,957**
TOTAL REVENUES	**26,581,316**	**37,680,386**	**32,084,247**	**31,979,197**	**33,524,980**	**34,226,020**	**35,531,694**	**36,911,546**

General Fund Five-Year Projections (continued)

EXPENDITURES:	Actual 2011-12	Actual 2012-13	Year End Projection 2013-14	Adopted 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
City Council/Clerk	405,476	498,552	651,401	959,773	877,043	1,020,036	919,012	1,071,491
City Attorney	433,107	624,820	510,874	562,820	586,151	630,018	662,493	682,245
City Manager	206,953	233,838	302,067	414,846	463,843	494,664	526,778	542,113
Recreation and Community Services	5,067,171	5,488,419	5,824,183	6,336,037	6,447,921	6,644,136	6,847,224	7,055,316
Human Resources	323,102	381,406	464,295	539,794	537,773	554,454	571,525	588,820
Finance	1,060,525	1,091,561	1,124,990	1,281,449	1,288,689	1,346,896	1,395,275	1,438,570
Environmental Programs	374,245	172,903	360,198	204,461	210,476	216,961	223,604	230,355
Street Maintenance	1,469,172	1,574,138	2,740,045	1,888,739	1,953,988	2,023,766	2,096,980	2,173,464
Congestion Management	44,669	69,642	70,290	71,787	73,904	76,170	78,496	80,698
Police	10,651,225	11,608,276	12,597,993	13,648,287	14,174,068	14,691,270	15,186,129	15,692,550
Police Debt Service	203,346	206,254	215,043	214,613	216,463	215,567	216,947	215,550
Fire	5,570,355	10,457,415	4,741,708	5,438,331	5,297,836	5,419,857	5,545,229	5,674,062
Downtown Maintenance	-	44,910	28,608	44,620	158,053	162,795	167,678	172,709
Cable TV	30,380	37,021	37,831	63,164	65,045	67,015	69,041	71,115
Park Maintenance	721,425	763,526	827,682	-	-	-	-	-
Total Department Exp	**26,561,151**	**33,252,681**	**30,497,208**	**31,668,722**	**32,351,254**	**33,563,604**	**34,506,410**	**35,689,058**
Transfer Out - 232	25,000	35,271	40,158	51,452	56,930	58,756	60,630	62,540
Transfer Out - 302	-	-	-	200,000	210,000	220,500	231,525	243,101
Transfer Out - 791	-	-	-	110,000	121,000	133,100	146,410	161,051
SVRIA	-	-	-	-	150,000	150,000	150,000	150,000
Transfer Out - 206	15,231	-	90,000	129,292	110,259	132,626	156,216	160,882
Transfer Out - 207 (Gen Plan Update)	37,517	63,000	-	35,717	36,753	37,893	39,054	40,220
Transfer Out - 740 (Building Maintenance)	-	69,499	97,757	124,013	127,733	131,565	135,512	139,577
Transfer Out - Bond/Debt	-	-	-	-	-	-	-	-
Transfer Out - 741 (Future Replacement)	-	27,677	27,677	27,677	27,677	27,677	27,677	27,677
Transfer Out - Municipal Infrastructure CIP	150,000	129,220	-	-	-	-	-	-
Transfer Out - 308	-	115,000	750,000	250,000	125,000	125,000	125,000	125,000
Total Transfers Out	**227,748**	**439,667**	**1,005,592**	**928,150**	**965,352**	**1,017,117**	**1,072,024**	**1,110,049**
TOTAL EXPENDITURES	**26,788,899**	**33,692,348**	**31,502,800**	**32,596,872**	**33,316,606**	**34,580,722**	**35,578,434**	**36,799,106**
Salary Savings (3)				**(250,000)**	**(250,000)**	**(250,000)**	**(250,000)**	**(250,000)**
TOTAL EXPENDITURES	**26,788,899**	**33,692,348**	**31,502,800**	**32,346,872**	**33,066,606**	**34,330,722**	**35,328,434**	**36,549,106**

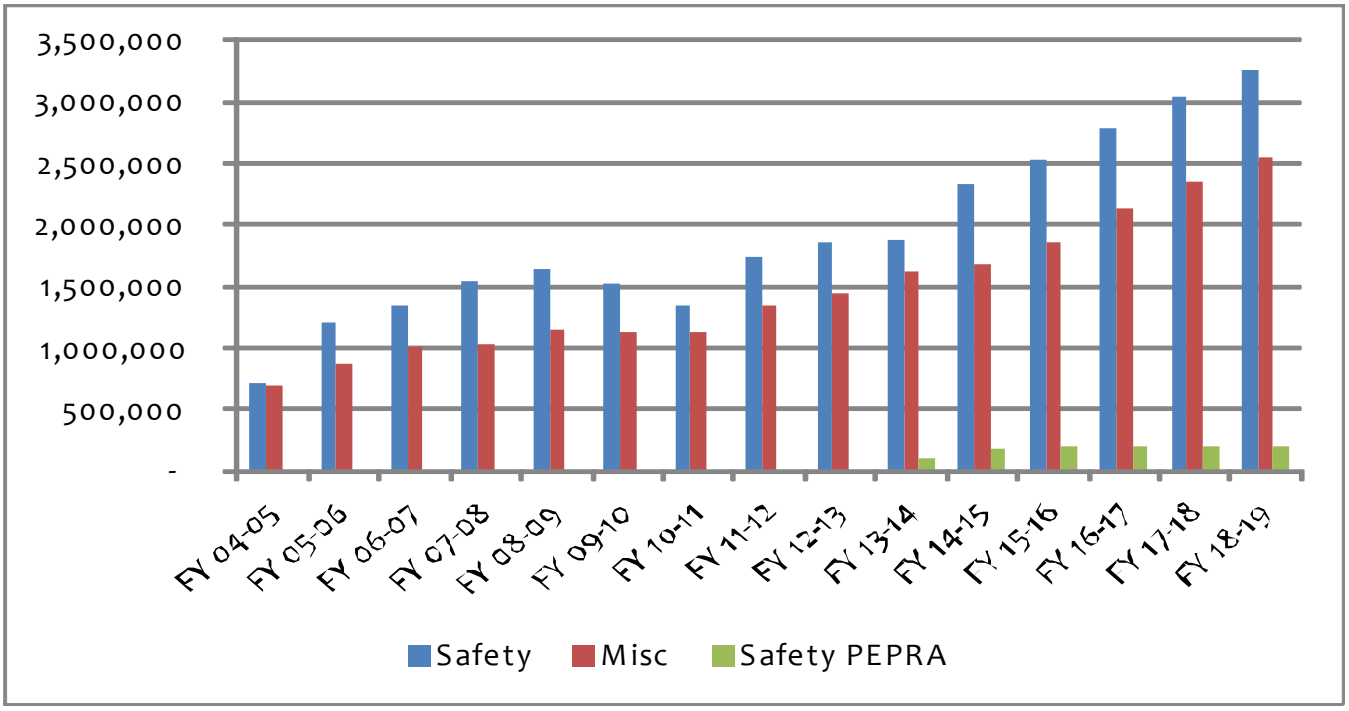
Grant Revenue

The following is a list of grant revenues the City projects to receive in the current fiscal year and those expected to be received during FY 14-15

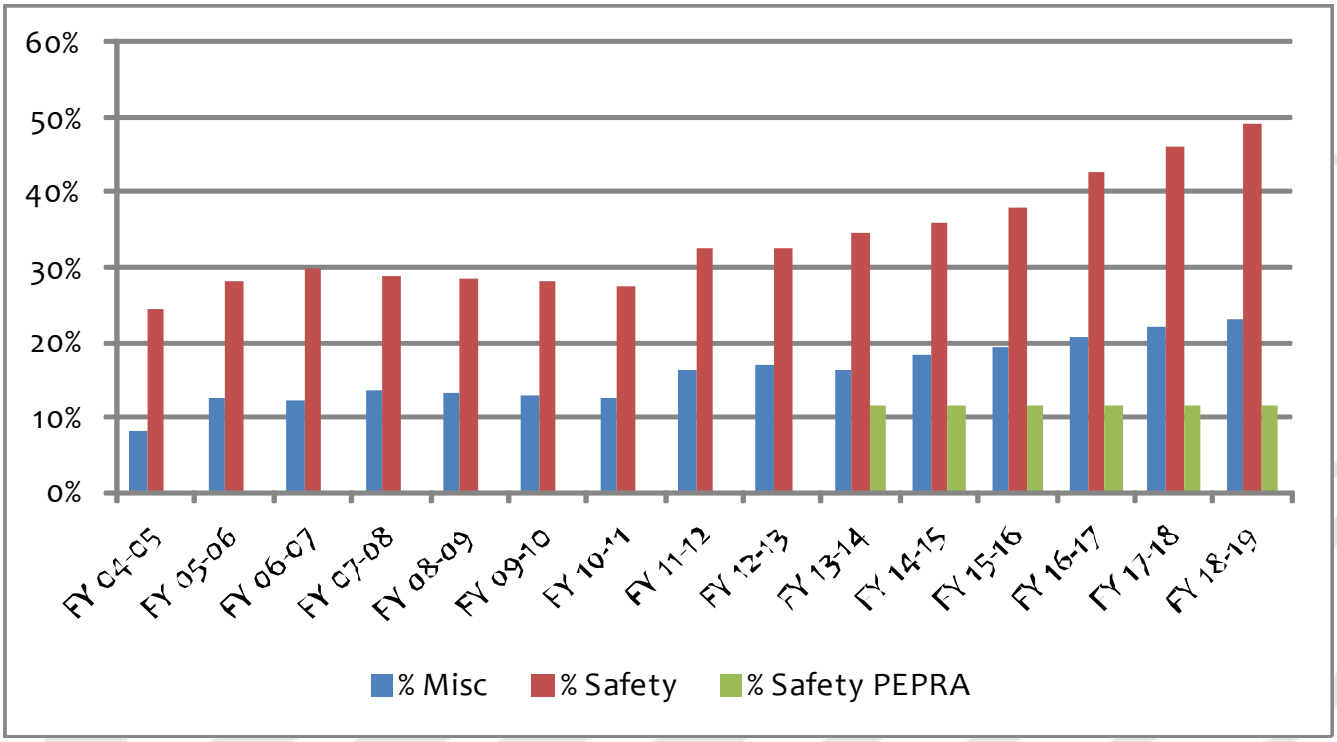
Description	FY 13-14 Projected	FY 14-15 Adopted	Fund
PAC Swim Grant	7,500	-	010 General Fund
Driving Under the Influence Checkpoint (DUI)	36,800	-	010 General Fund
Tobacco Use Prevention Grant	25,000	-	010 General Fund
Rapid Enforcement Allied Computer Team Grant (REACT)	-	90,000	010 General Fund
Homeland Security Grant	46,635	12,000	010 General Fund
Environmental-Go Green Fridays Grant	70,000	-	010 General Fund
Domestic Violence Grant	449,988	337,500	010 General Fund
Recycling (State of CA)	10,000	-	010 General Fund
Cloverleaf Grant (State of CA)	59,002	-	010 General Fund
ABAG Risk Management-Public Safety	12,300	15,000	010 General Fund
Calif Gang Reduction Intervention & Prevention (CalGRIP)	24,796	-	010 General Fund
SVRIA CAD Interface Communications Grant	72,720	-	010 General Fund
SCC Probation Grant	20,000	-	010 General Fund
Alcohol Abuse Prevention (MTAP)	3,911	-	010 General Fund
ABAG Risk Management-Programs	35,096	35,000	795 General Liability
Santa Clara Valley Water District Stormwater Quality Grant	29,440	-	232 Stormwater
Building Equity & Growth in Neighborhoods (BEGIN)	201,000	-	236 Housing Mitigation
Supplemental Law Enforcement Fund (SLEF)	100,000	100,000	205 Supplemental Law
Community Development Block Housing Community Development Grant (CDBG-HCD)	-	142,000	215 CDBG
Measure B Street Grant Funding	-	218,000	308 Street Capital
One Bay Area Street Grant (OBAG)	-	1,379,000	308 Street Capital
Transporation Development Act (TDA)	-	40,000	308 Street Capital
Transportation Fund for Clean Air (TFCA)	-	24,000	308 Street Capital
Local Roads- Valley Transportation Authority (VTA)	231,518	-	308 Street Capital
Cal Trans 101/Tenant Overpass Cost Sharing	7,500	-	308 Street Capital
CalRecycle Grant-Rubberized Asphalt Road Improvement	59,875	-	308 Street Capital
Park Impact Grant Funds	-	45,000	301 Park Impact
Total Grants	**$ 1,503,081**	**$ 2,437,500**	

Public Employees Retirement System (PERS)

PERS Historical and Projected Costs



PERS Historical and Projected Rates



Public Infrastructure Financing Summary

Policy Considerations:

With the demise of the Redevelopment Agency, the community lost a major source of funding for building public new facilities and infrastructure as well as for rehabilitating, renovating, reconstructing, or modernizing existing facilities and infrastructure. In order to address this issue, the Council adopted a "Financing and Advocating for Infrastructure Improvements" as one of its 2014 Priorities with the following strategy:

Prior to the end of September, the City Manager will provide a comprehensive report that identifies, quantifies, and prioritizes the needs to maintain the City's existing infrastructure.

Consistent with the Sustainable Budget Principles, it is appropriate to identify community infrastructure needs over the next generation, and develop a matching financing strategy. It is anticipated that some needs cannot be met without a new revenue source approved by the voters. Without a new revenue source, the community should expect continuing deterioration in the quality and usability of the City's infrastructure.

Background:

First it is important to distinguish two kinds of infrastructure needs: 1) those needed to accommodate new growth without adversely impacting the existing community; and 2) those needed to meet the demand by the existing community.

Morgan Hill has an extensive system of "development impact fees" which are authorized by State law to be charged to new development in order to mitigate the impacts of new growth on the existing community. Only the impacts of new growth can be charged to new growth. For example, impact fees are in place to raise revenue to build road segments needed to keep new traffic from deteriorating service level standards, to add parks to meet standards of acreage per population, and to add wastewater treatment capacity to accommodate the additional wastewater flow and load generated by growth. Currently, the City is in the process of updating its Traffic Impact Fee and is in the earlier stages of potentially reconstituting a Community Center Impact Fee. Both of these are intended to ensure that the proper level of funding is being generated by development to address the community's future needs in these respective areas due to population growth.

In addition, new development is "conditioned" to provide onsite infrastructure (new streets, and utilities for example) and nearby offsite infrastructure (such as connecting to an existing water line) as part of the development approval process, including Residential Development Control System (RDCS) development agreements, subdivision maps, and Title 12 of the MH Municipal Code.

Public Infrastructure Financing Summary (continued)

public facility and infrastructure needs of the "existing community" are paid for with a variety of sources, but, in general, are underfunded. Examples of funding sources for improving or constructing such capital projects include:

- Federal and state grants (especially for transportation related projects)
- State levied gas tax
- Utility revenues received from customers
- Voluntary RDCS fees paid by developers to gain points in the competition for allotments
- Allocations from annual operating budgets to pay for the rehabilitation or replacement of major building systems and equipment for specified facilities (paid as internal service charges to the Building Replacement Fund)
- One-time allocation of a portion of General Fund reserves if available
- Assessment Districts that impose annual charges for special infrastructure projects that have defined benefits to a limited number of properties

Other communities have additional financing sources not available in Morgan Hill or not used in the last 40 years:

- Community Facilities Districts that impose additional taxes on property owners in specified areas for specified improvements (note: the City is in the process of creating a small CFD to address a new maintenance obligation created by a new housing development)
- Voter approved special taxes (including parcel taxes, utility user taxes or other taxes devoted to infrastructure)
- Voter approved property taxes to secure a General Obligation bond
- Voter approved local sales tax

There are several mechanisms available to borrow funds and pay for an element of infrastructure over time, but a "financing strategy" still requires a commitment to pay the annual debt service. Some forms of financing require a pledge of specific revenues, and others (at greater borrowing costs) mortgage the facility itself and require a "budgetary pledge" to annually budget and pay the amount needed to service the debt. It is important to understand that the Redevelopment Agency annual tax increment is no longer available to pledge for any purpose.

Public Infrastructure Financing Summary (continued)

Following is a summary of the City's existing public infrastructure:

Public Facilities:

Civic Center Campus

Included on the City's civic center campus is the "old" City Hall which houses the Council Chamber, the City Hall/Development Services Center (CH/DSC), and Library. The Council Chamber building is currently unoccupied and is only utilized for City Council, commission, or other public meetings. In 2014, the City invested approximately $2 million to construct a state-of-the-art Chamber, new meeting room space, upgraded restrooms, and a new lobby area. The project was funded with multiple funding sources that could only be used for public facility related investments. None of the funds were allocated from the General Fund.

The current CH/DSC building was originally built with the proceeds of General Obligation Bonds in 1976 following voter approval. It 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 facility also contributes annually to the Building Replacement Fund which accumulates funds for replacement or modernization of major building systems, but not the building itself. The Public Facilities Impact Fund collects revenues 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.

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 bond issue also helped finance the DSC rehabilitation.) 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 and exterior maintenance expenses. Currently, the city collects impact fees for future expansion needs as a result of population growth. Other cities have financed their library construction or expansion through voter approved General Obligation bonds. A Library Impact Fund collects revenues 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.

Community and Cultural Center

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. These contributions will need to continue to be made in the future. There is no identified source of funding for expansion, reconstruction or relocation of the CCC.

Aquatics Center

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 in an amount equivalent to the annual depreciation of the major building and facility systems. These contributions will need to continue to be made in the future. There is no identified source of funding for expansion, reconstruction or relocation of the AC.

Centennial Recreation Center

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 Project Area and specifically included in the Redevelopment Plan. 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. These contributions will need to continue to be made in the future.

Outdoor Sports Center

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.

Public Infrastructure Financing Summary (continued)

Unlike for other public facilities, the City operating budget does NOT include annual contributions to the Building Replacement Fund. At some point, it will be necessary to replace the artificial fields. The operating agreement with MHYSA calls for the parties to develop a financing plan for major capital expenditures, but there is currently no identified City funding source to meet those costs nor has MHYSA contributed any funds to date.

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 annual debt service costs were paid from the operating funds of the utilities (sewer and water) and the annual budgets of the streets and parks operations.

The facility is now debt free. The operating departments contribute to the Building Replacement Fund. The School District leases 3.1 acres north of Edes Court, which could be available for expansion of the City's facilities. However, the current Community Park Master Plan calls for expansion of the park if the Corporation Yard can be relocated to another part of town.

One option for the City to acquire and develop an alternate site for City operations could be financed through a portion of the Public Facilities Impact Fund (shared with City Hall and the DSC) and potentially with a bond issue which the utilities could include the costs in their rate base. Another option would be for the City to continue its partnership with the Morgan Hill Unified School District to jointly acquire and develop a new site. This option may also include the same funding strategy as mentioned above. The propor-

tionate costs for streets and parks operations would become an annual additional cost for the City's discretionary budget.

Water and Sewer System

The capital needs of the utilities are identified in Master Plans that are updated to reflect changing technology and demand. Typically, the Master Plans are revised immediately following the adoption of major changes in the General Plan. Both Master Plans are scheduled to be updated in FY 14-15 as part of the City's current General Plan Update process. Development Impact fees pay for the costs of increasing utility capacity to meet the demands of new growth. The costs of rehabilitation and modernization of pumps, pipes, reservoirs and other utility infrastructure are borne by utility rate payers.

The water and wastewater rate increases adopted by the City Council in 2011 enable the enterprise funds to make significant infrastructure investments; however, the rate study also assumed that the City would need to issue debt in order to fund those projects.The study conducted analysis to ensure that capital investment costs are proportionally shared between current and future users, and thus, the issuance of debt ensures that current customers do not finance infrastructure that will also benefit future users.

In April 2014, the City issued $13 million in revenue bonds for significant infrastructure investments over the next five years.The sewer fund anticipates an investment of over $45.5 million during the next five years. e expansion of the.The rate study also assumed an expansion of the South County Regional Wastewater Plant to begin in FY 14, but recent flow projections support a revised timeline of FY 18 for construction so that it is completed by FY 20.The study estimates that approximately $36 million in revenue bonds will be required to fund sewer infrastructure expansion and improvements.

Parks and Trails

The General Plan and Parks, Facilities, and Recreation Programming Master Plan (adopted in 2001) calls for extensive development of new and improvements to existing public parks. The capital costs of land acquisition and park development needed to accommodate community growth are paid from Development Impact fees, while operations are an expense of the General Fund and paid for from discretionary revenues. Currently, the City anticipates spending $11 million over the next five years to acquire new park land and make some improvements to existing parks. Future development and operating funds have yet to be identified. Thus, the City is in a "land banking" mode and development will need to wait until funding sources are identified.

Public Infrastructure Financing Summary (continued)

From an operations and maintenance perspective for the City's existing park system, there is no identified source of funding for major capital improvements or replacement of existing equipment. Unlike the City's public facilities, the City does not include annual appropriations to a separate replacement fund. Thus, the majority of improvements are on a "pay as you go" basis which limits the City's ability to strategically plan and fund ongoing improvements. From time to time State and federal grants have been available to pay for such projects, but the current prospects for such outside funding are dim.

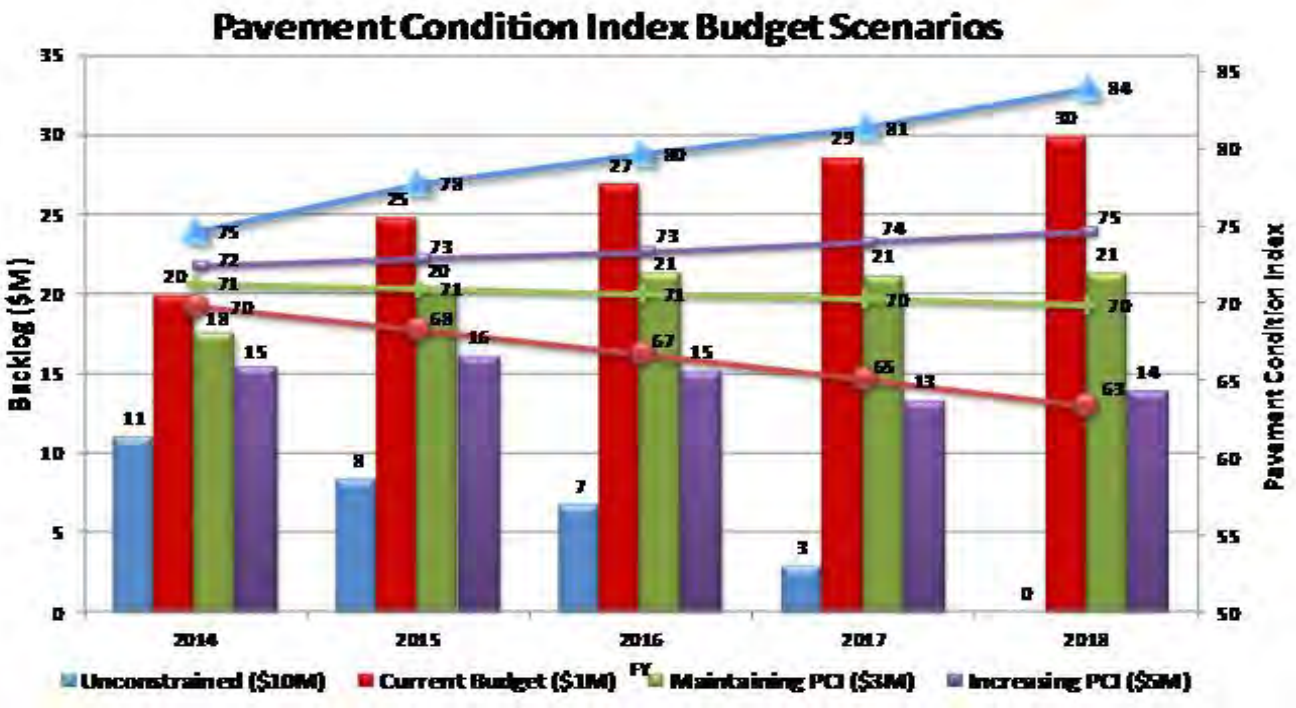
Streets

In the past, the costs to build new streets or add capacity to existing roads have been borne by a combination of investment by the RDA, grants, or Development Impact fees. Examples of RDA investment include the construction of Butterfield Boulevard and freeway interchange improvements at Dunne and Tennant. Grant projects included Congestion Management Agency grants for Depot Street and Third Street Promenade; federal stimulus funding for E. Dunne overlay; and VTA Local Program Reserve for extension of Butterfield South. Development impact fees are used for defined projects that add traffic carrying capacity to accommodate new growth. New local roads and improvement to adjacent streets are also constructed by new development as part of their conditions of approval.

Streets and roads have a "life cycle" that significantly deteriorates if preventive maintenance measures are not taken early in the life cycle. The 2014 Pavement Management Program (PMP) report was recently completed to address the City's current and future Pavement Condition Index (PCI) and project backlog (in dollars) for various funding scenarios. The PMP indicates that there is a need for $3 million annually to keep the City's streets in their current condition. Currently, the City can only invest $1 million (on average) annually due to limited funding sources as the City's share of State Gas Tax money does not provide sufficient funds for street resurfacing and other street infrastructure (street lights and signals, storm drain maintenance, minor street repair and maintenance).

The figure below illustrates the change in PCI and deferred maintenance backlog costs over time for the different budget scenarios. With the Current Budget Level scenario of $1.16 million a year, the PCI will decrease from 70 to 65 at the end of the five year period and deferred maintenance backlog will increase to $27.9 million. To maintain the current PCI of 70, the City needs to increase its budget level to $3.05 million a year which will maintain deferred maintenance backlog at $21.3 million. With $5.18 million a year funding, the City can increase the current PCI by 5 points from 70 to 75 by the end of 2018 and decrease deferred maintenance backlog to $13.9 million. Finally, the Unconstrained Budget scenario is the ideal strategy to increase the network PCI to 84 and decrease Deferred Maintenance to $0. However, an annual budget of $9.6 million is not realistic considering the current revenue sources.

Public Infrastructure Financing Summary (continued)



Policy Alternatives:

Moving forward, the City Council, staff, and Morgan Hill community will need to collaborate on strategies to ensure funding is available to maintain its existing infrastructure. It will also be important that funding for new or expanded public facilities is available in order to provide the same level of service to a growing community. Some options that may need to be discussed include, but are not limited to:

- Identify new voter approved revenues citywide for maintaining existing infrastructure that is currently underfunded
- Identify new voter approved revenues in those neighborhoods willing to tax themselves through assessment districts
- Identify new development related funding sources in areas that the City does not currently collect impact fees
- Work with regional and State transportation partners to increase the State levied gas tax

Absent of new funding sources, there is a high probability that the City's existing infrastructure will significantly deteriorate. If this were to occur and then the community wished to repair/renovate its infrastructure, the cost will be much greater as it has been shown that it is less expensive to properly maintain infrastructure on an ongoing basis than it is to pay for repairs to dilapidated buildings, roads, and equipment.

PROCEED WITH CANDY