CITY OF MORGAN HILL

2019 Mid-Cycle Budget Update and Engage Morgan Hill

Tonight's Overview

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- Fiscal Sustainability Lens
- Mid-Cycle Budget Update
- Sustainable Morgan Hill
- Engage Morgan Hill

Fiscal Sustainability Lens On!

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Mid-Cycle Budget Update

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Biennial Budget Process

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January
1st Year
City Council Goal Setting Workshop

February – April
Budget Development

April
Recommended Budget Made Available to the Public

May
Budget Workshop

June
Public Hearing and Budget Adoption

January
2nd Year
City Council Goal Setting Workshop

February – June
In-depth Budget Review Process
Mid-Cycle Update (Yr. 2)
Budget Adjustments, as needed

Fund Types

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Internal Service Funds
- Enterprise Funds

Citywide Revenues

CITY OF MORGAN HILL

(In Millions)

Revenues by Fund Type	Adopted FY2019-20	Proposed FY2019-20	Change
General Fund	$41.6	$43.1	$1.5
Development Services Fund	5.3	5.3	-
Enterprise Funds	39.2	39.3	0.1
All Other Funds	46.2	46.2	-
Total	**$132.3**	**$133.9**	**$1.6**

Citywide Expenditures

CITY OF MORGAN HILL

(In Millions)

Expenditures by Fund Type	Adopted FY2019-20	Proposed FY2019-20	*Change*
General Fund	$42.8	$43.4	*$0.6*
Development Services Fund	6.0	5.7	*(0.3)*
Enterprise Funds	45.4	45.6	*0.2*
All other Funds	41.3	41.6	*0.3*
Total	**$135.5**	**$136.3**	***$0.8***

Citywide Recommended Adjustments

	Revenues	Expenditures	*Change*
Change in All Funds from Adopted	$ 1.6	$ (0.8)	*$ 0.8*

Revenues

- Increase in Tax Revenues = $1.3M
- Increase in Other Revenues = $0.3M
  - Cal VIP Grant
  - TBID Reimbursement
  - Valley Water Pass-through Cost

Citywide Recommended Adjustments (Cont'd)

	Revenues	Expenditures	*Change*
Change in All Funds from Adopted	$ 1.6	$ (0.8)	*$ 0.8*

Expenditures

- Supplies & Services = $0.1M
- Capital Purchase (Fleet) = $0.5M
- Transfers = $0.2M

Citywide Recommended Adjustments (Cont'd)

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Personnel Changes

Eliminate 5.5 FTEs:

- Administrative Analyst (Community Services)
- Assistant City Manager (Administrative Services)
- Custodian (.5 FTE)
- Engineering and Utilities Director
- Human Resources Assistant (Administrative Services)
- Management Analyst (Development Services)

Citywide Recommended Adjustments (Cont'd)

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Personnel Changes

Reclassifications:

- Accountant to Senior Accountant
- Accounting Manager to Assistant to the City Manager
- Communications and Engagement Manager to Communications and Engagement Director
- Engineering and Utilities Inspector to Engineering and Utilities Technician
- Senior Planner to Principal Planner

Citywide Recommended Adjustments (Cont'd)

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Personnel Changes

- Add:
  - Part-Time Temp money to offset workload related to eliminated FTEs
- Other:
  - Assistant City Attorney – Class/Compensation study adjustment
  - IT Manager elimination / IT Director addition

General Fund (GF) Revenues

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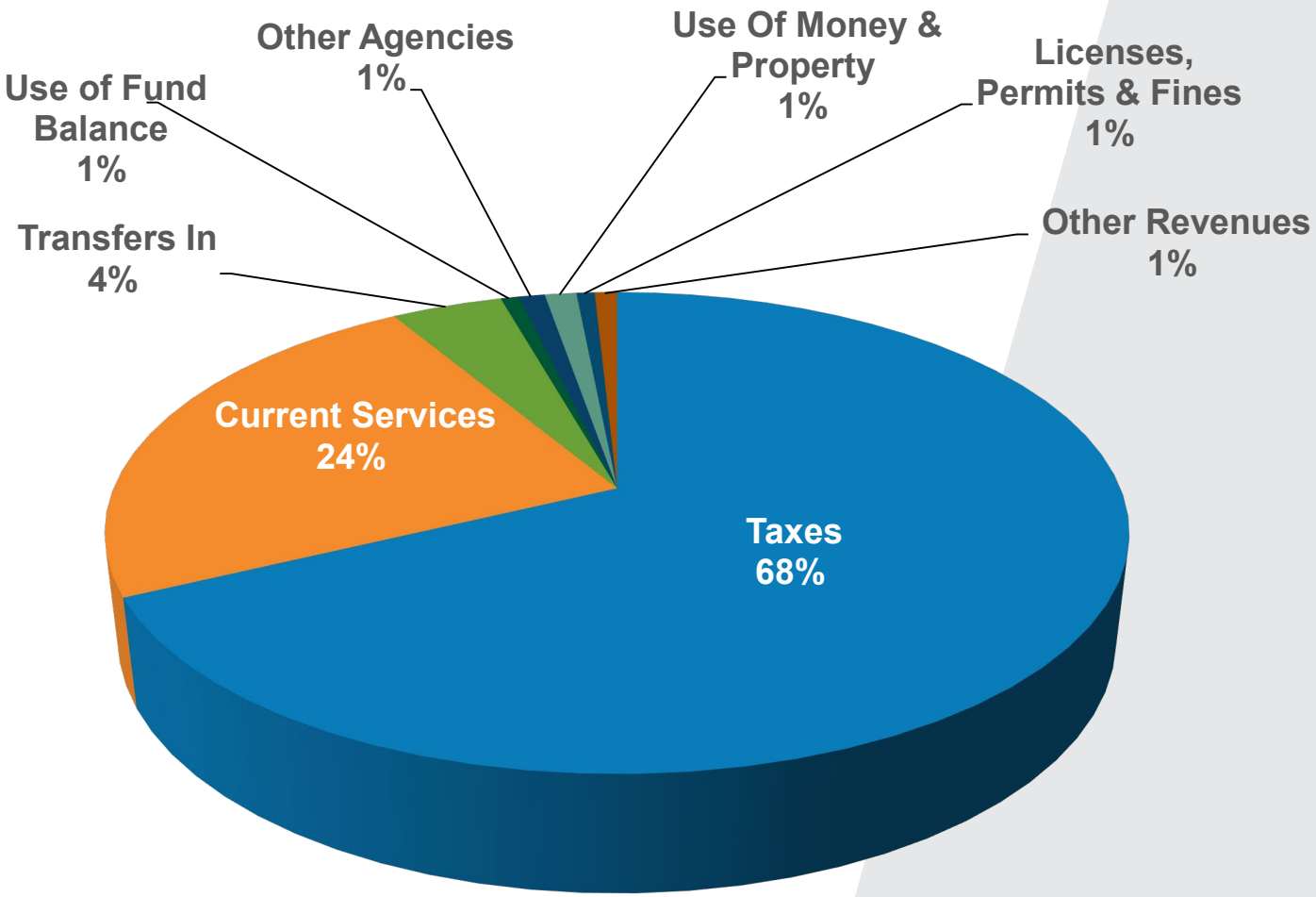
FY 2019-20 = $43.1M



General Fund – Property Tax

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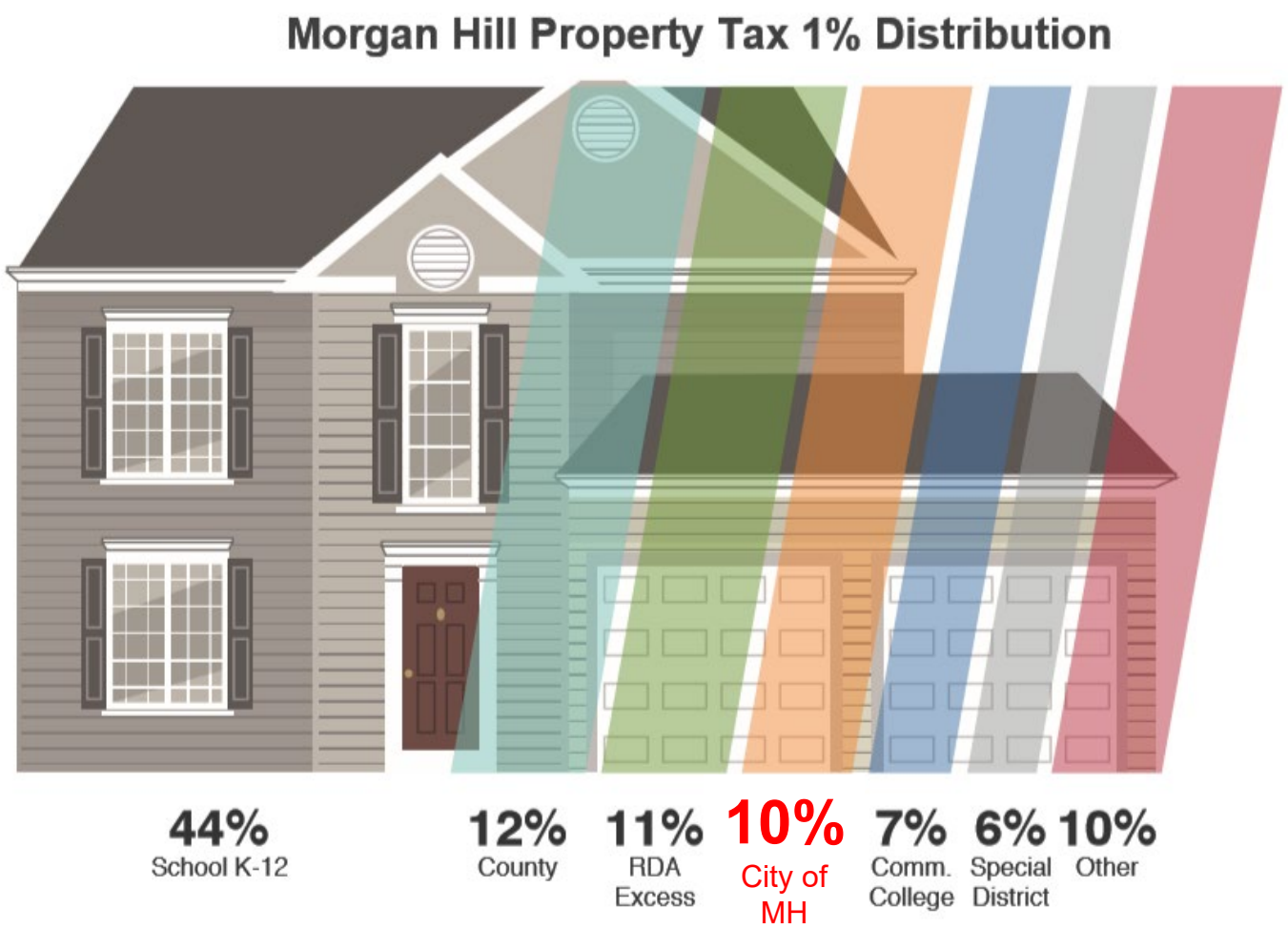
FY 2019-20 = $13.1M, 30% of GF



General Fund – Sales Tax

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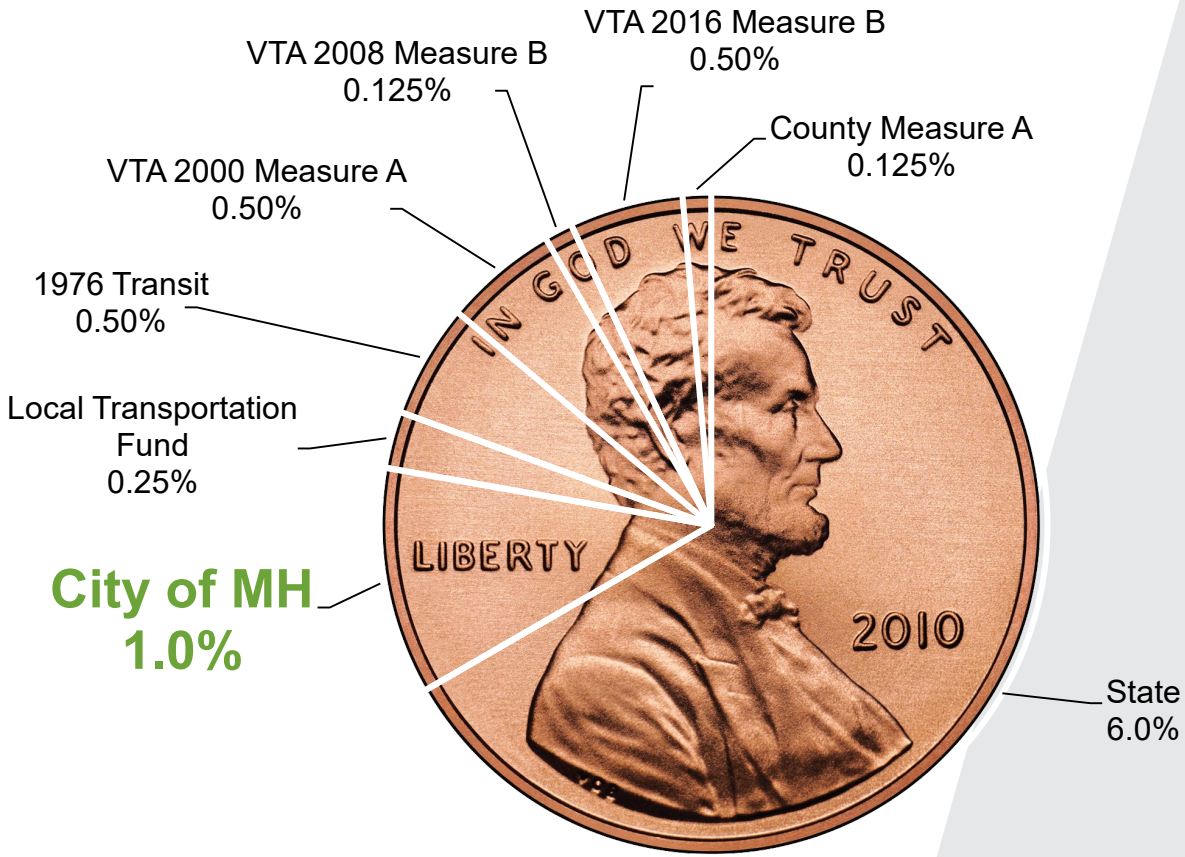
FY 2019-20 = $10.1M, 24% of GF

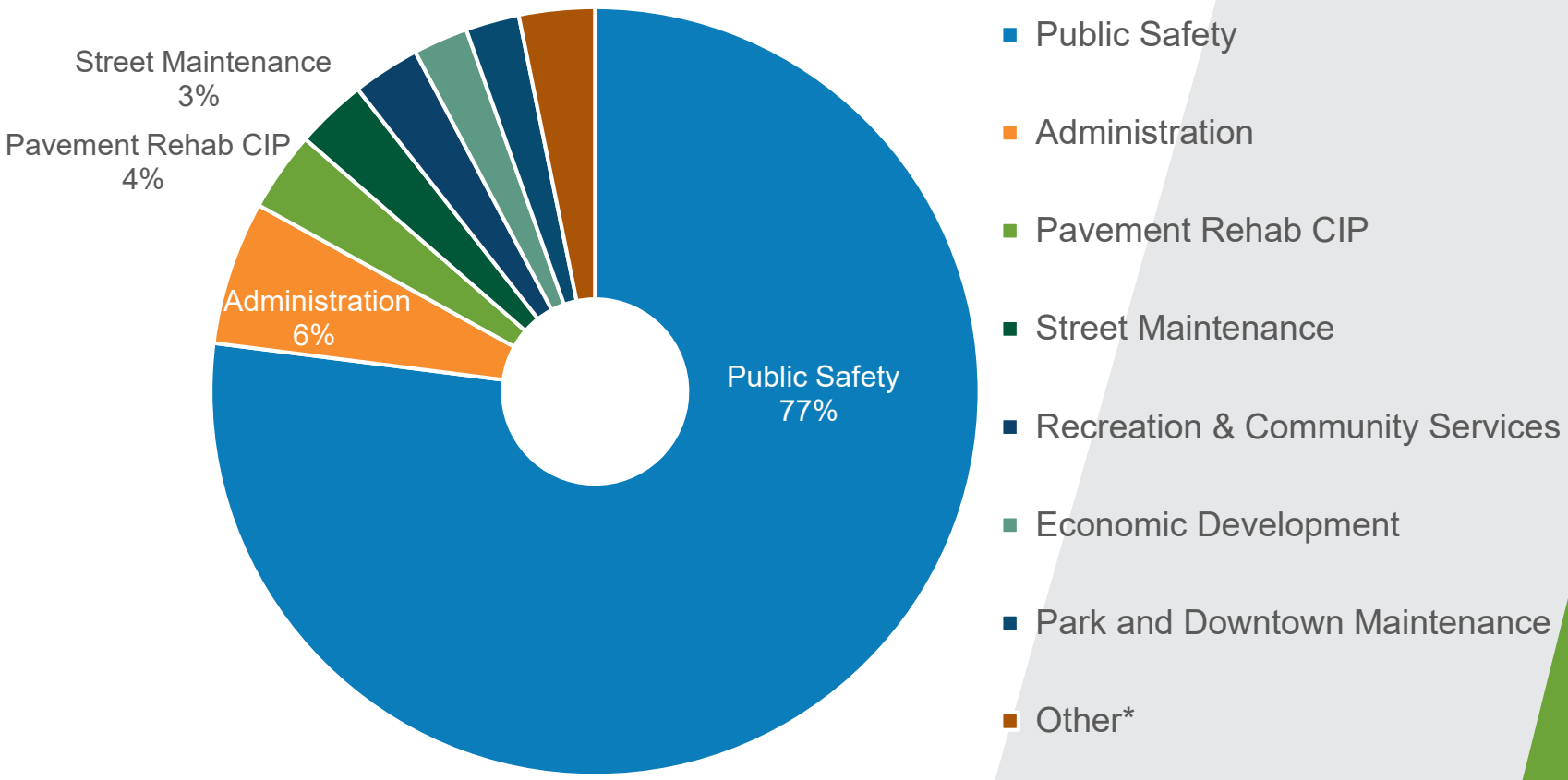
Allocation of Sales Tax Rate
(Current Sales Tax Rate 9.0%)



General Fund – Transient Occupancy Tax

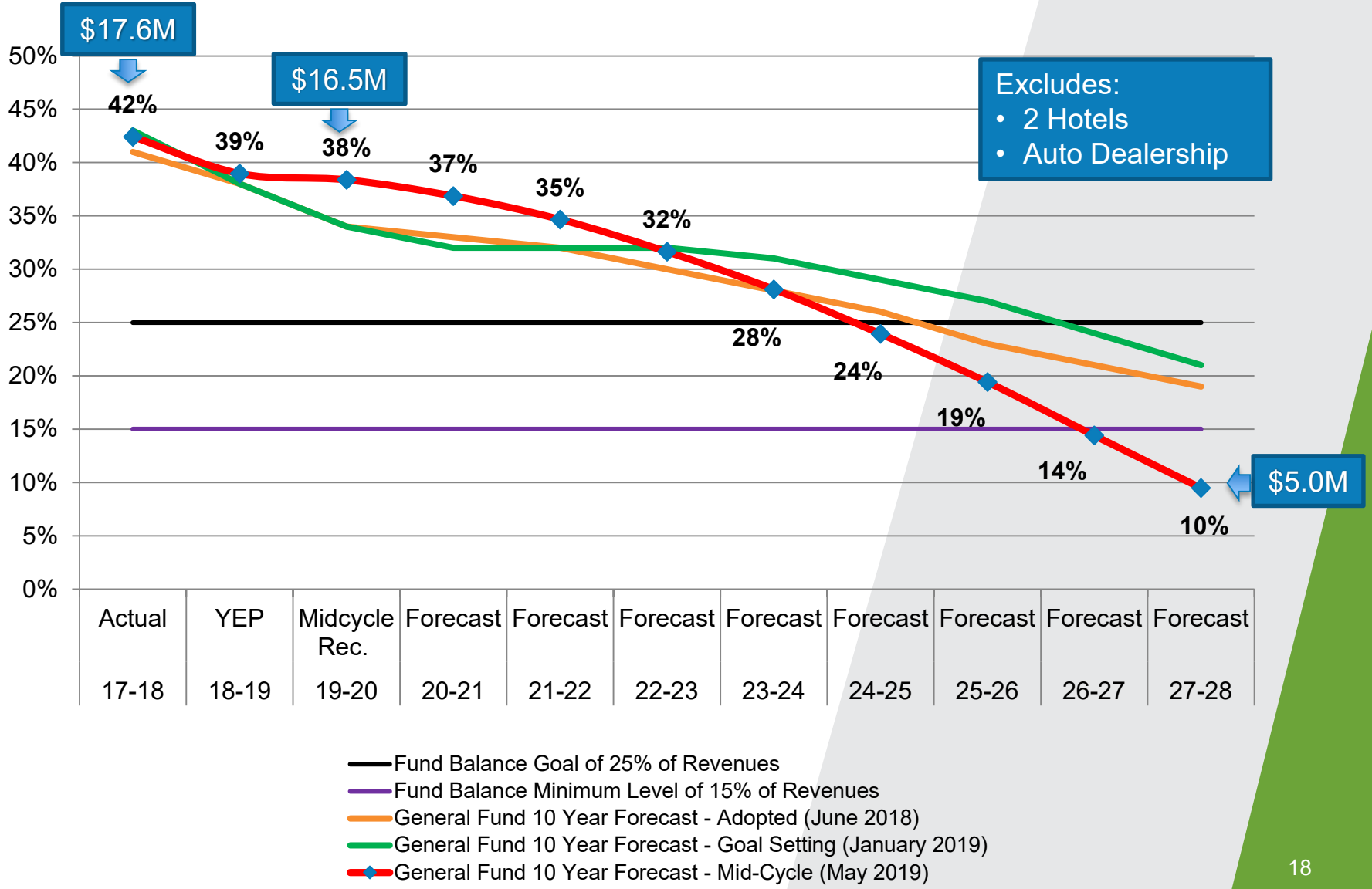
FY 2019-20 = $3.1M, 7% of GF

General Fund – Discretionary Expenditures



*Other: Environmental Programs & Services, OPEB, Code Compliance, Infrastructure and Traffic Planning, and GF support for Long Range Planning and Pedestrian Safety

General Fund Balance: Mid-Cycle



Development Services Fund (206)

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Divisions Included:

- **Planning**
- **Engineering**
- **Building**

Development Services Fund (cont'd)

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Unrecoverable Expenses:

- Planning: $514K/year – Public counter, general information, strategic initiatives, and special projects
- Engineering: $194K/year – Flood and storm water programs, public counter, general information, and special projects
- Building: $117K/year – Public counter, general information, and code compliance

Development Services Fund (cont'd)

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Mid-Cycle Recommended Adjustments:

- Staffing Revisions
- Eliminate 1 FTE (Management Analyst)
- User Fee update in FY 2020-21

Development Services Fund (cont'd)

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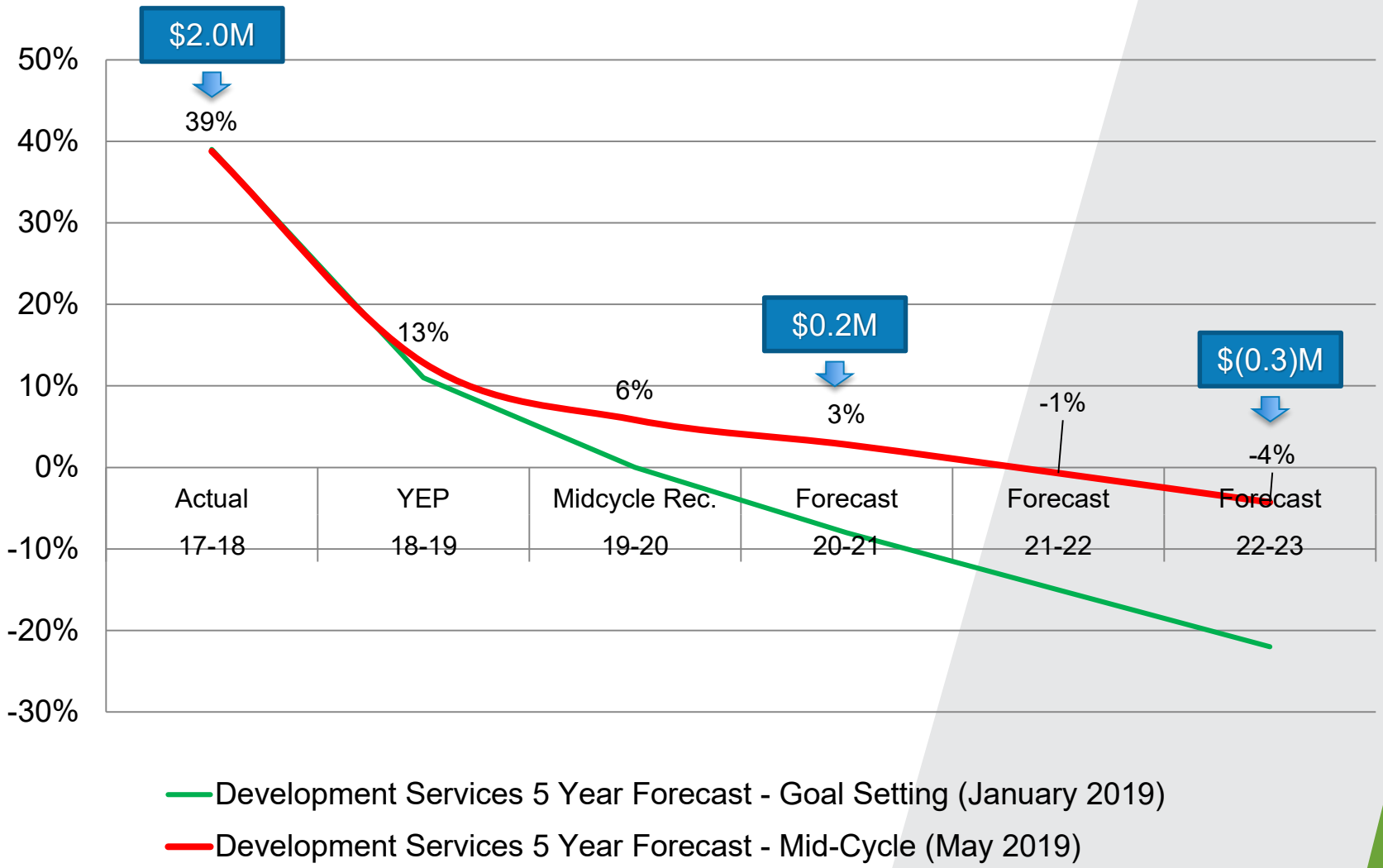
Other considerations:

- Housing impacts by legislations
  - SB 50 – Transit-housing Senate Bill - Delayed
  - SB 330 – Housing Crisis Act of 2019

Development Services Fund (cont'd)



Enterprise Funds

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- Water – FY2019-20 Pass-through cost from Valley Water
  - Additional $0.14 per Hundred Cubic Foot
  - Average increase per single family residence = $1.96/month
- Wastewater – Updated with 2019 Rate Study model

Sustainable Morgan Hill

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SUSTAINABLE MORGAN HILL

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

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

City Council Ongoing Priorities

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

2019-2020 Strategic Priorities

- Agricultural Preservation
- Cannabis Policy
- Community Engagement and Messaging
- Economic Development
- Financial Stewardship
- High Speed Rail
- Homelessness
- Housing
- Infrastructure
- Telecommunications
- Traffic/Transportation

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Fiscal Sustainability = Sustainable Morgan Hill

Continuing to be Strategic, with Limited Resources!

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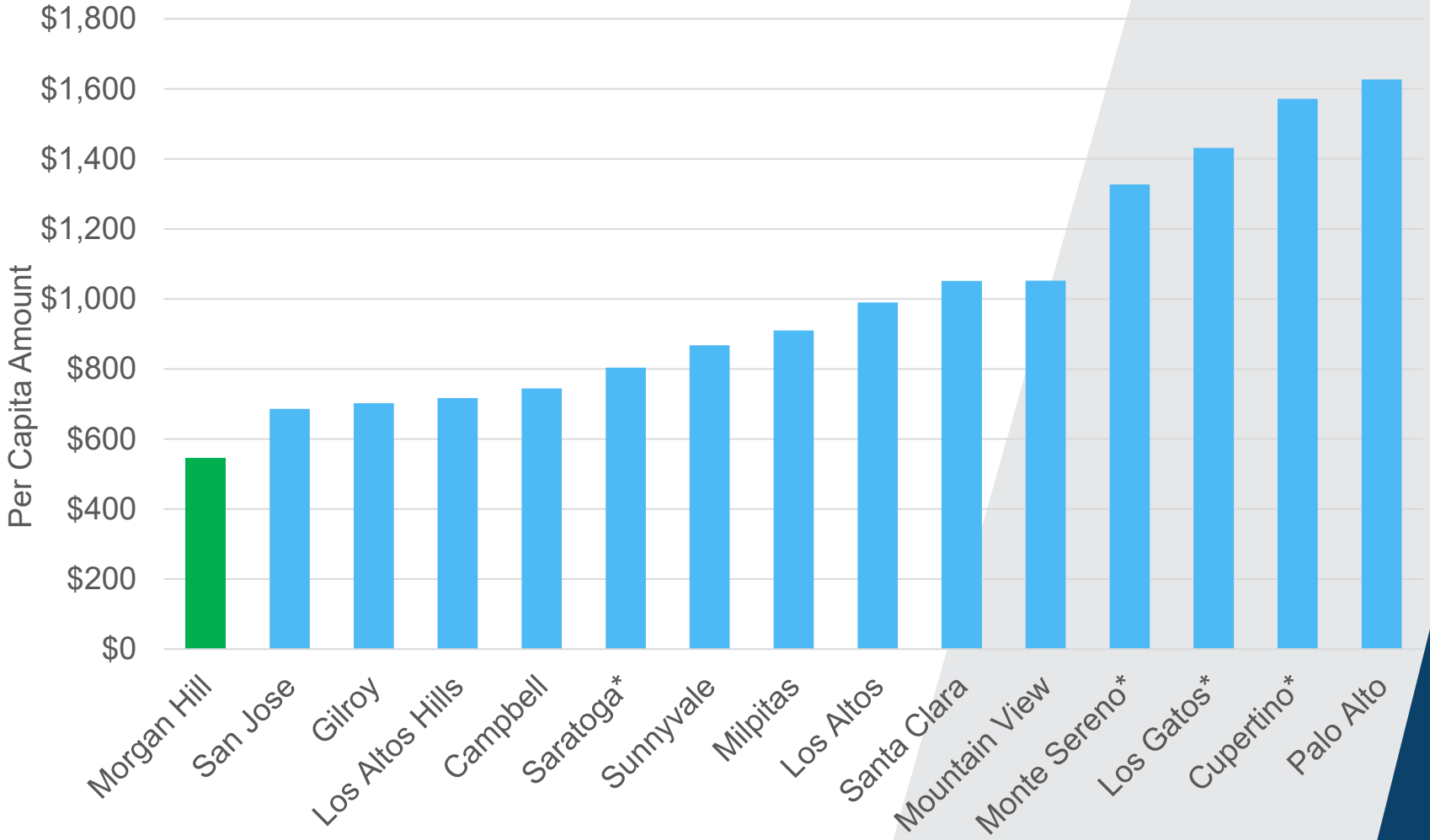
General Fund Major Tax Revenue Comparison – Per Capita



*Includes property tax revenues for Santa Clara County Central Fire District

How Are We Being Strategic?

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- Partnerships
- Grants
- Economic Development
- Employee Pension Cost Sharing

How Are We Being Strategic? (Cont'd)

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- Establishment of Pension and OPEB Trust
- Ongoing evaluation of staffing levels and organizational structure
- Citywide staffing levels per capita lower today than 10 years ago

Partnerships

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CENTENNIAL RECREATION CENTER

CITY OF MORGAN HILL · TOGETHER WITH THE YMCA

CALIFORNIA DEPARTMENT OF FORESTRY & FIRE PROTECTION

CAL FIRE

SINCE 1885

CITY OF gilroy CALIFORNIA

A community with a spice for life

HouseKeys

Unlock Opportunity

Grants Awarded (recent fiscal years)

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- Police - $1.6M
  - Domestic Violence
  - Mobile Command Vehicle
  - State Tobacco Grant
- Fire - $0.7M
  - SVRIA Equipment
  - Fire Station Equipment
  - Chest Compression Devices
- Community Services - $7.4M
  - Housing Related Parks Grants
  - Magical Bridge Playground
  - Urban Greening

Grants Awarded Cont'd
(recent fiscal years)

CITY OF MORGAN HILL

- Engineering and Utilities - $2.4M
  - One Bay Area Grant (OBAG)
  - Metropolitan Transportation Commission (MTC)
  - Transportation Fund for Clean Air (TFCA)

Did you know?

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Tax revenue from new businesses helps our community.

1 Hotel

=

1.5 Police Officers

1 Dealership

=

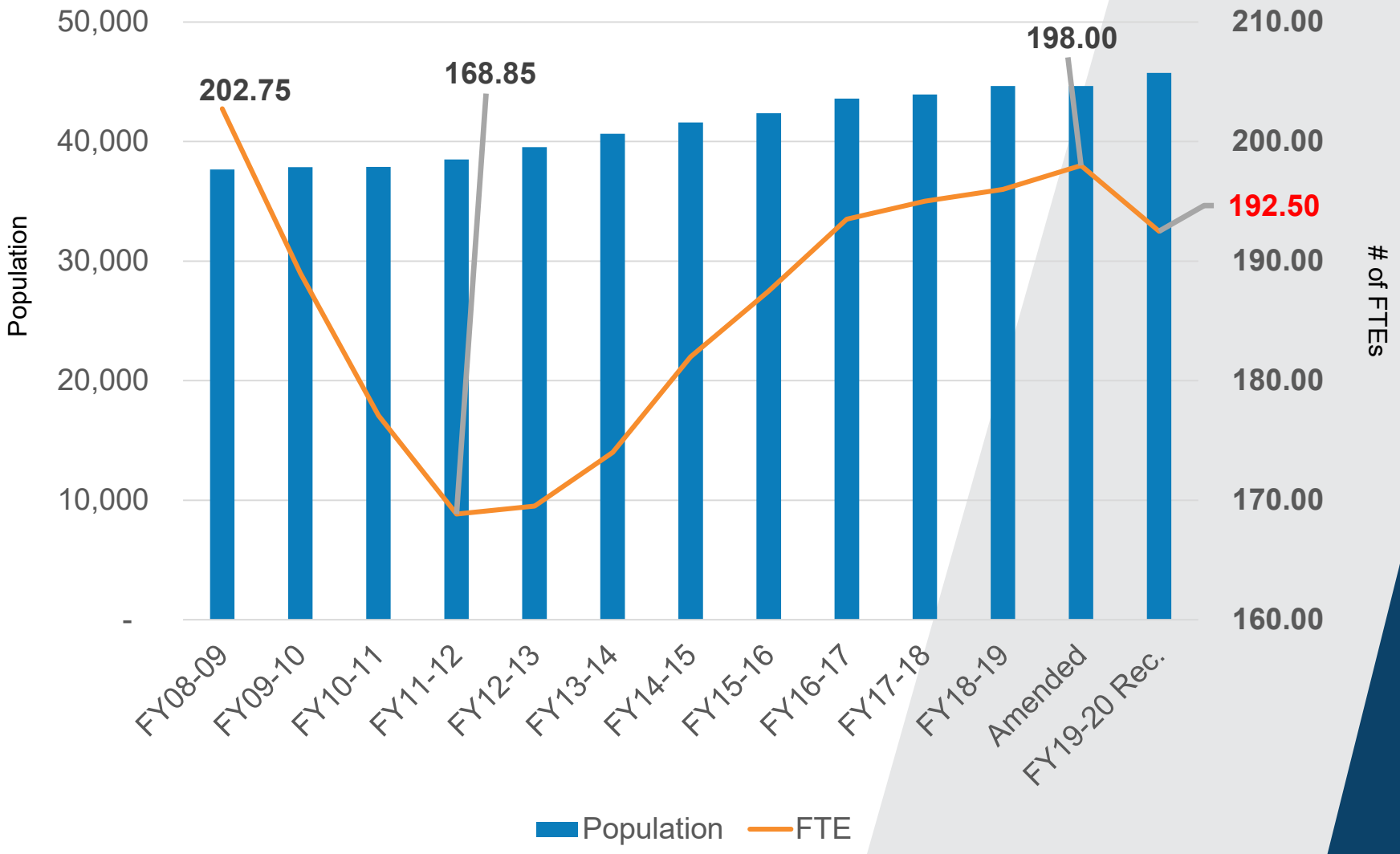
2.5 Police Officers

1 Costco

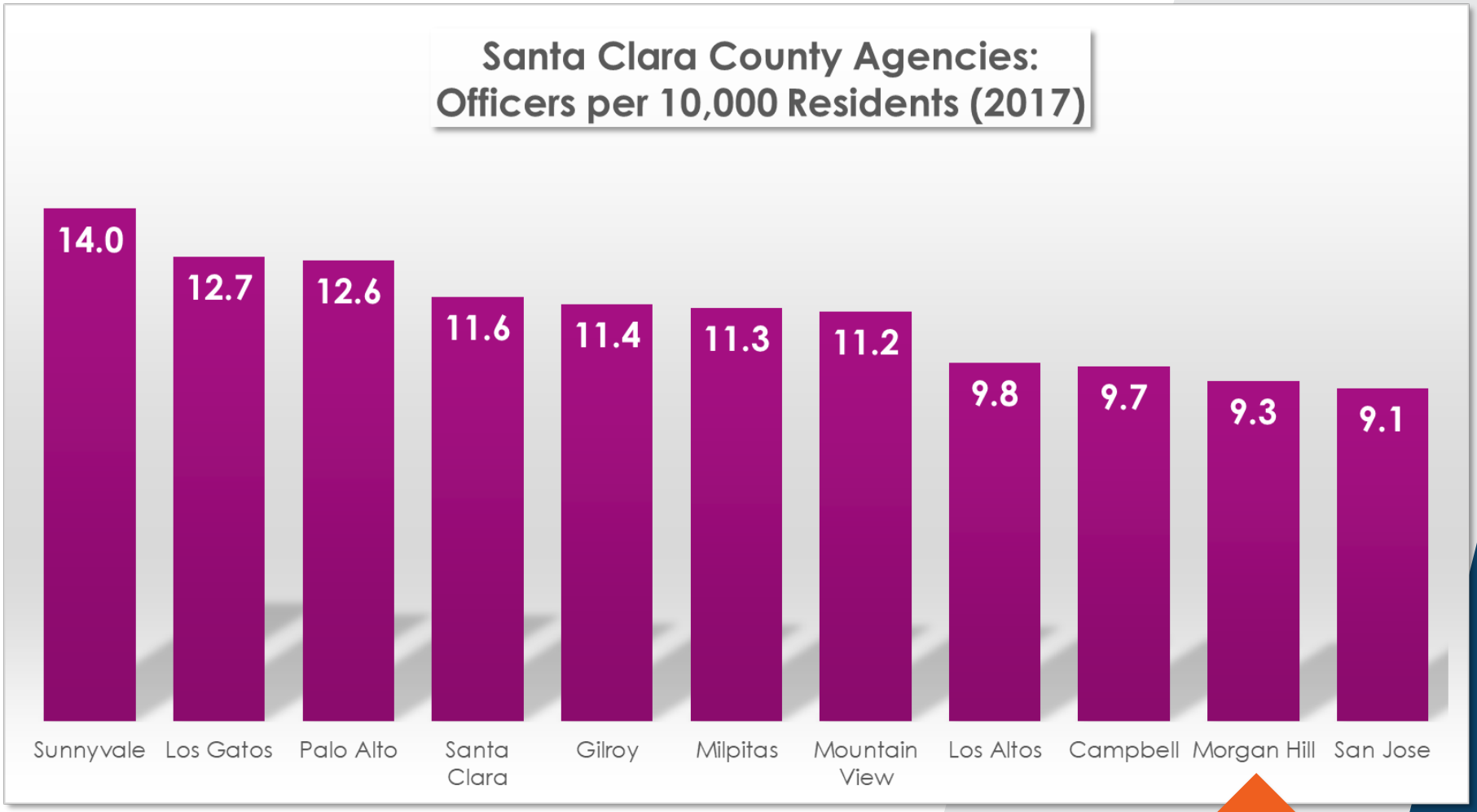
=

4.5 Police Officers

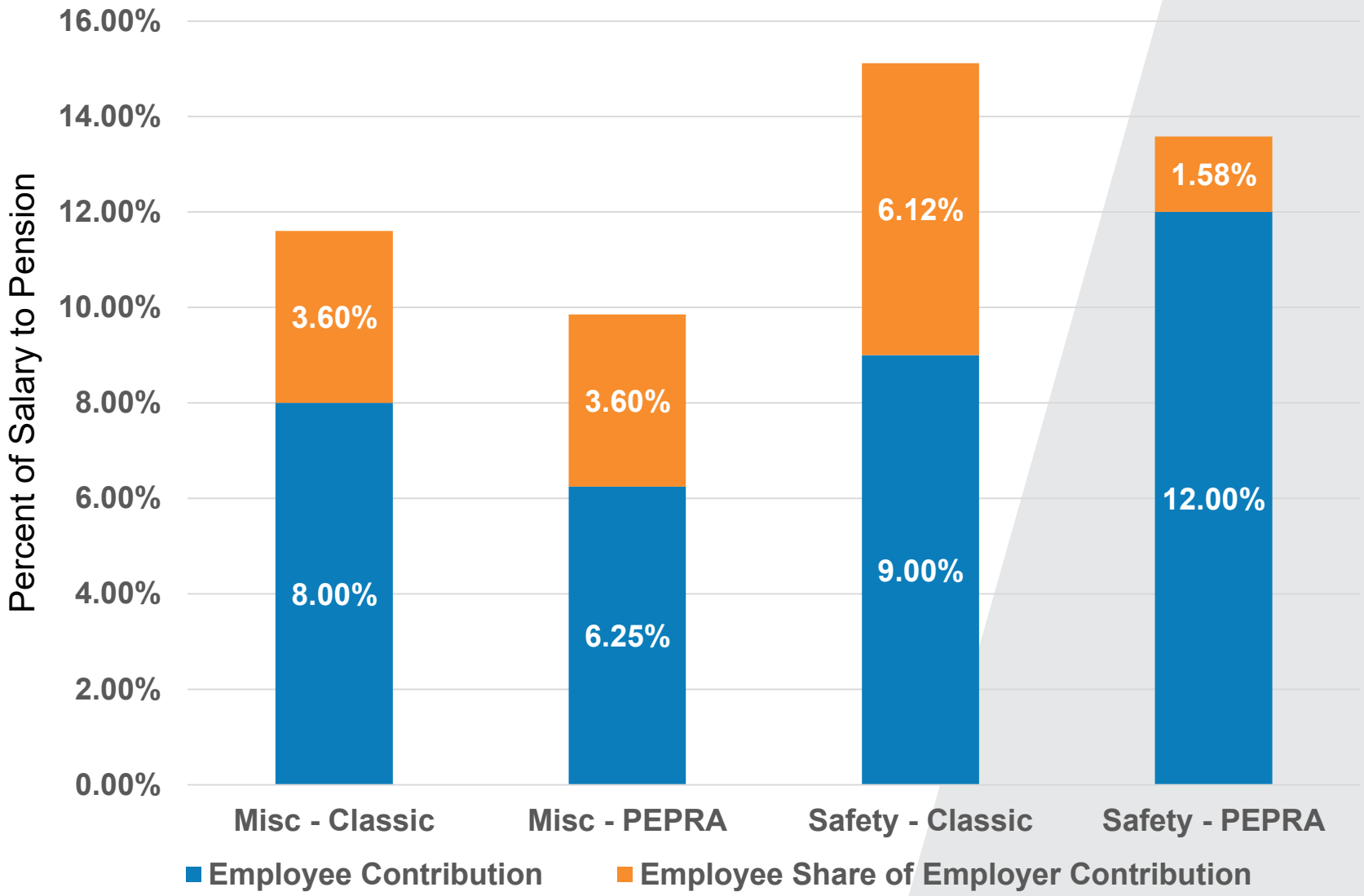
Personnel vs. Population



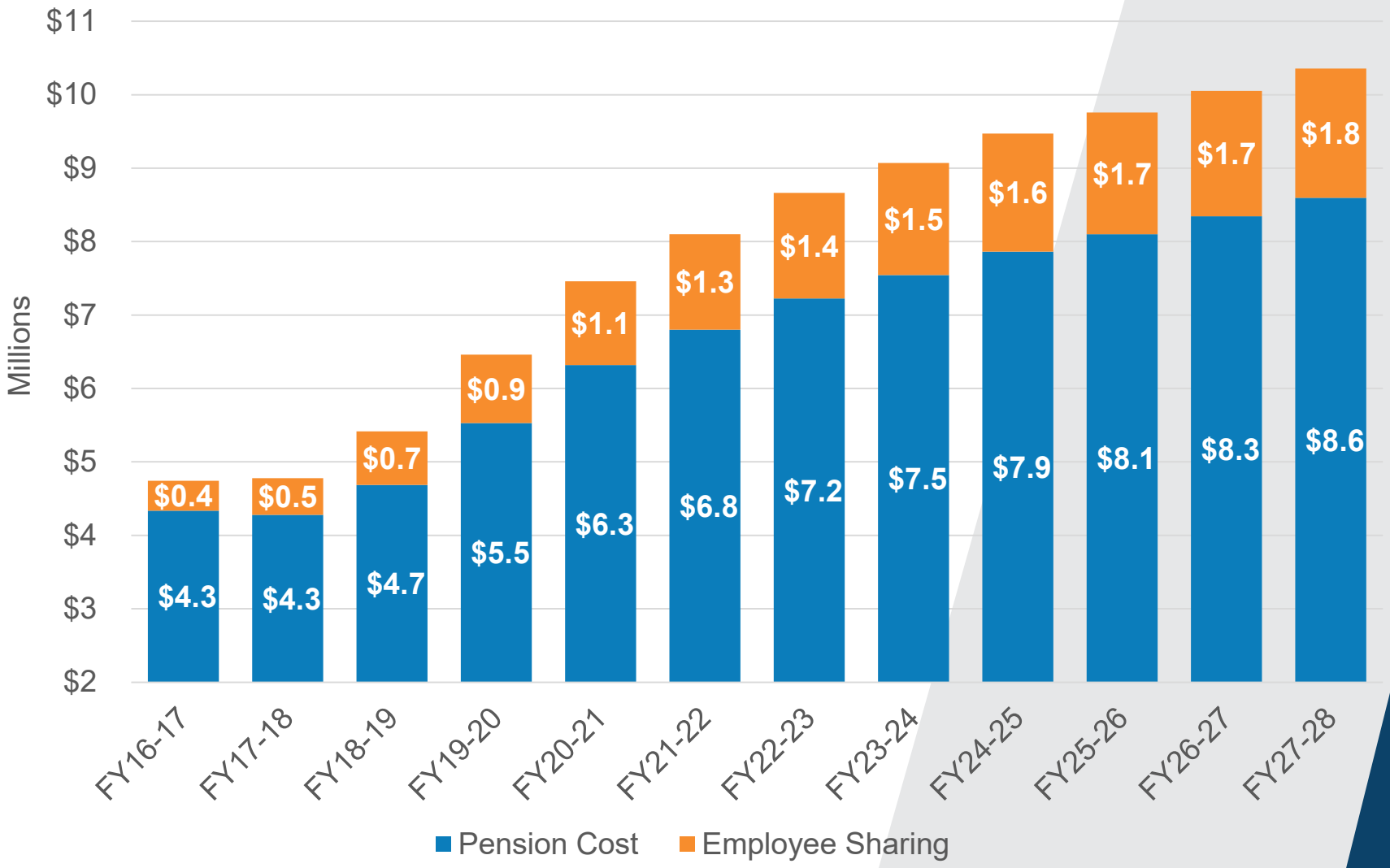
Police Officers Per Capita



Employee Cost Sharing



Employee Cost Sharing (Cont'd)



How Did We Get Here?

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- State impacts on local control and funding
  - (Example: Redevelopment Agency and Housing)
- Decrease in funds from our growth control system -Residential Development Control System (RDCS)
- Deferred maintenance through economic downturn
- Rising pension costs

Unfunded General Fund Needs

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Total Annual Unfunded General Fund Needs = **$7.0M**

- Police $1.3M
- Fire $2.3M
- Building Maintenance $0.2M
- Pavement Rehabilitation $2.3M
- Street Maintenance $0.2M
- Park Maintenance $0.7M

Unfunded General Fund Needs (Cont'd)

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Other General Fund Considerations:

- Development Services Fund Support
- Regional Housing Need Allocation (RHNA) and housing impacts by potential legislations (Impact Fee Cap, and elimination of growth control system)
- Long Range Planning

Unfunded Liabilities

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Total Unfunded Liabilities = $49M

- Pension: Public Employees Retirement System (PERS)
- Other Postemployment Benefits (OPEB)

General Fund Share = 67% or $33M

Unfunded Liabilities (Cont'd)

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Current Funded Status

- Misc. Plan – 73.10%
- Safety Plan – 69.90%

Healthy Status = 80.00%

Gap to Healthy Status = $20M

- General Fund Share = 67% or $13M

AGENCY NAME	SAFETY PLAN	MISC. PLAN
Morgan Hill	**69.90%**	**73.10%**
Santa Clara (City)	66.00%	62.00%
Palo Alto	63.50%	66.30%
Cupertino	N/A	68.10%
Sunnyvale	67.60%	69.80%
Milpitas	64.50%	70.10%
Mountain View	68.90%	70.70%
Santa Clara (County)	68.40%	70.90%
Gilroy	68.20%	71.10%
Campbell	68.90%	73.70%
Saratoga	N/A	83.10%

CalPERS Funded Status for Public Agencies is at 69.5% as of 2016-17.

General Fund Balance
(With Public Safety Master Plan)

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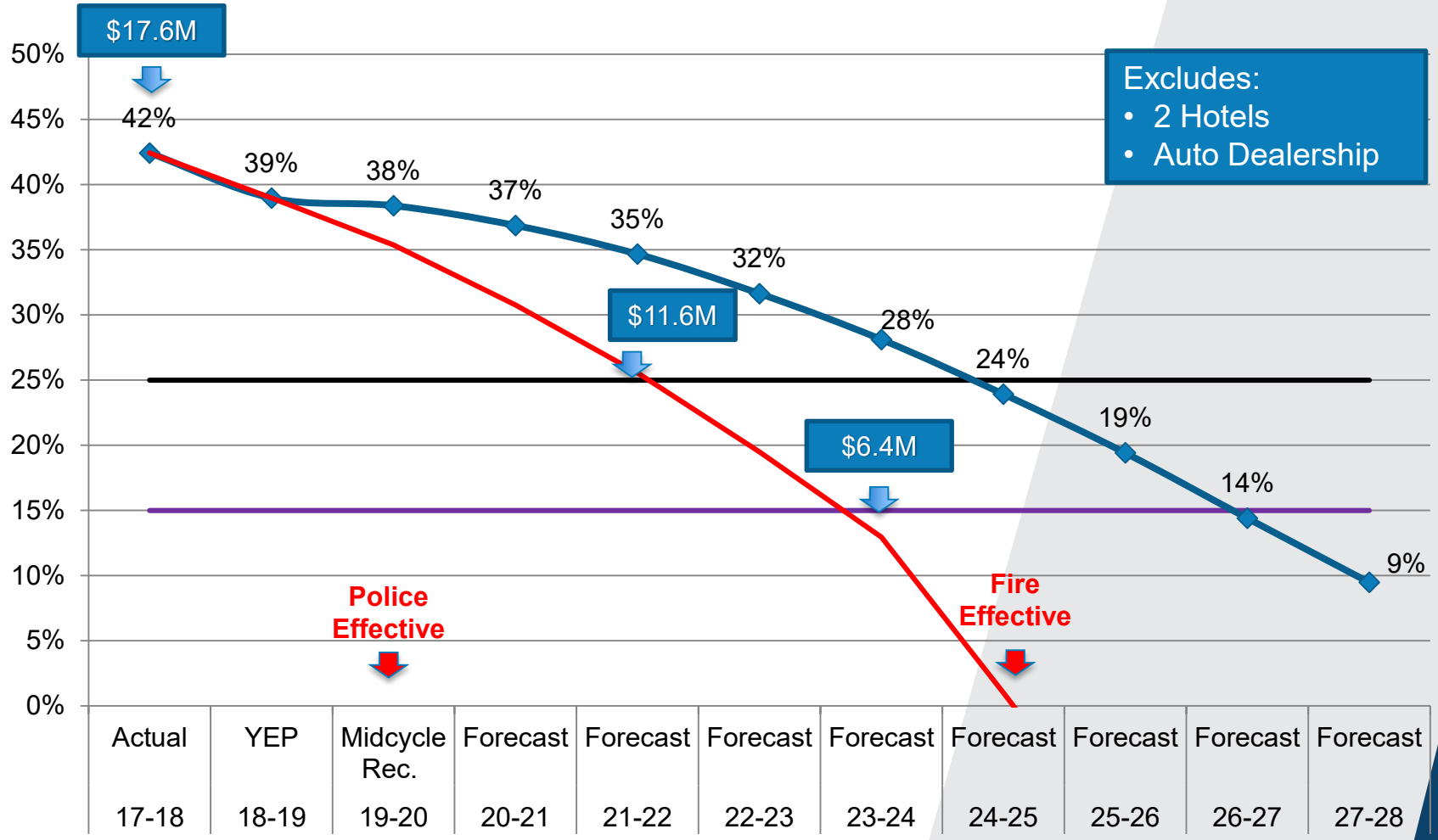

Fund Balance Goal of 25% of Revenues
Fund Balance Minimum Level of 15% of Revenues
General Fund 10 Year Forecast - Mid-Cycle (May 2019)
General Fund 10 Year Forecast - with Additional PD and Fire

General Fund Balance

(With Public Safety Master Plan and Development Services Support)

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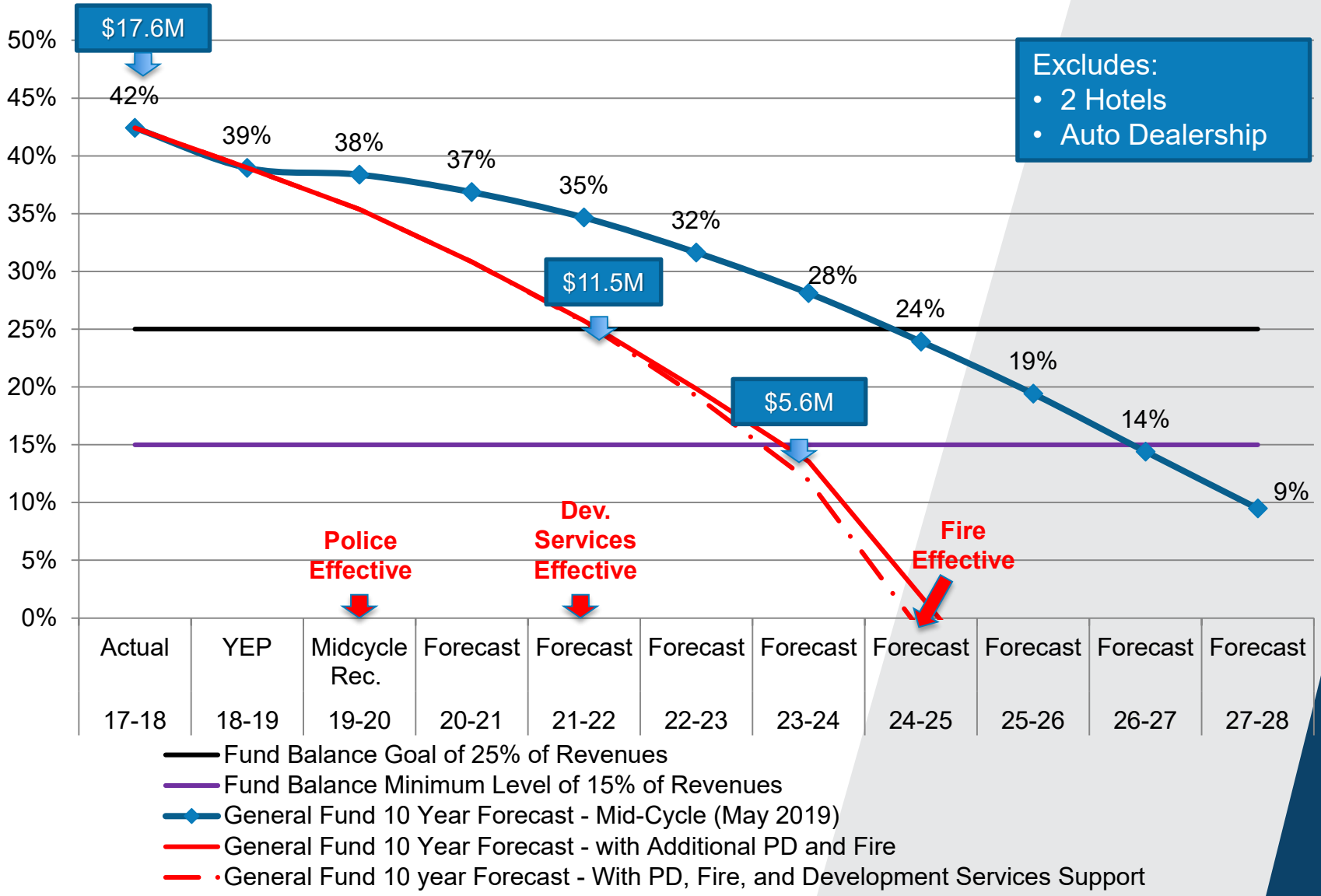

Addressing Challenges Ahead…

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- We need your help
- Be a part of the conversation
- Every decision through the fiscal sustainability lens

Engage Morgan Hill

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What is *Engage Morgan Hill*?

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Community conversation about services, funding and priorities

June – December 2019 Focus

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- Educate/engage with community regarding City services and associated cost
- Educate/engage regarding the City budget/finances
- Listen to the community
- Build trust within the community

Engagement Topics

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- Budget Basics
- Public Safety
- Infrastructure Replacement/Maintenance
- Economic Development
- State Housing Legislation
- Traffic/Congestion
- Pensions

January 2020 – June 2020 Focus

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- Deep dive into City finances/budget
- Community recommendations on service priorities
- Community recommendations for future fiscal sustainability
- Budget development and adoption

Opportunities to Engage?

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- Community Advisory Group
  - Forming now
- Participate in community presentations, meetings, coffees
- New Online Engagement Tool (Polco)
- Social media, Nextdoor, City email

Join the Conversation

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- EngageMorganHill.org
- EngageMorganHill@morganhill.ca.gov
- Subscribe – http://bit.ly/MorganHillEngage

Questions?

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