



City of Morgan Hill

Legislation Text

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CITY COUNCIL STAFF REPORT **MEETING DATE: JUNE 1, 2016**

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APPROVED BY: City Manager

PUBLIC HEARING FOR THE FY 2016-17 AND 2017-18 RECOMMENDED OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGETS

RECOMMENDATION(S)

1. Open and close public hearing; and
2. Provide direction to staff.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

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

2016 Focus Areas

Planning Our Community
Developing Our Community
Enhancing Our Services
Improving Our Communication
Participating in Regional Issues

REPORT NARRATIVE:

The purpose of this public hearing is for the City Council and City Staff to have a discussion and receive public comment on the Recommended Budget. The total Recommended Budget for FY 16-17 and 17-18 is \$126.2 million and \$126.1 million, respectively. Excluding the City's FY 16-17 and 17-18 Capital Improvement Budget, the total operating budget for FY 16-17 and 17-18 is \$97.6 million and \$97.2 million, respectively. The total six year budget for capital improvements is \$107.4 million. These figures incorporate all City Council directed changes indentified at the Budget Workshop on May 20, 2016, as well as staff recommended changes and corrections to the budget, as outlined below.

Operating Budget

- ✓ Included a one-time expense of \$30,000 for the purchase and installation of Automatic External Defibrillators (AED's); offset by \$30,000 in grant revenue
- ✓ Included an ongoing expense of \$28,500 for the upgrade and annual maintenance cost of body worn cameras
- ✓ Included an ongoing expense of \$50,000 for the reclassification of the Deputy City Attorney position to an Assistant City Attorney
- ✓ Included an additional \$9,500 for funding for housing domesticated cats and dogs (two year trial)
- ✓ Included an additional expense of \$100,000 for FY 16-17 and \$145,000 for FY 17-18 for the Santa Clara Valley Water District groundwater management fee increase. The projected impact over five years is \$800,000. It is important to note that even though the Council included "passing through" this unanticipated cost increase to rate payers as part of the recent rate study, the Council indicated that it will forego this in FY 16-17 and revisit on an annual basis.
- ✓ Included an expense of \$15,000 in FY 17-18 in the Streets Maintenance budget for parcel tax payments for properties not located within the City limits and removed an ongoing expense of \$11,000 for parcel tax payments from Fund 303 Drainage Impact as the amount is budgeted in the Streets Maintenance budget. This was inadvertently not included in the recommended budget.
- ✓ Included additional revenue of \$100,000 for FY 16-17 and FY 17-18 for California High Speed Rail Authority reimbursement (Contingent on Council approval of High Speed Rail item on June 1, 2016 agenda)

Capital Improvement Program Budget

- ✓ Removed the third Fire Station from the Six Year Capital Improvement Program and may be revisited upon completion of the Public Safety Master Plan
- ✓ Removed \$250,000 in FY 16-17 for additional funding for the inclusive playground. This will be revisited at a later date and prioritized with other master plan projects.
- ✓ Included \$30,000 in FY 16-17, for the intersection and congestion analysis in Streets and Roads to be funded from Funds 309 and 346, equally
- ✓ Moved \$300,000 from FY 16-17 Recommended CIP to FY 15-16 from Project 512093 Underground Monterey Utilities (Construction). \$40,000 remains in FY 16-17 for this project for Project Implementation. Funding sources for FY 16-17 include: \$25,000 (Fund 346), \$8,000 (Fund 643), and \$7,000 (Fund 653). (Up for consideration at June 1, 2016 Council meeting under separate agenda item).

In addition, the Council also asked for follow-up on other items during its workshop discussion.

Animal Services Follow-up

During the budget workshop, Council asked staff to return with a few items related to animal services. More specifically, an update on making improvements to the City's kennels and additional information on animal's length of stay in our facility.

The City's existing animal kennels were constructed in the late 1990's and include a chain link exterior with privacy slats, metal roof and cement floor with central drainage for cleaning. The interior includes individual housing for 12 animals and has consistently had sufficient space to accommodate animals in our possession. The Police Department ensures that the animals are cared for by our Multi-Service Officers or Police Officers which includes daily cleaning of kennels and ensuring food and water. The kennel does not have a heating or cooling system; however, there is shade and privacy fencing that assists in providing the animals with the appropriate environment. As a result of the recent animal services discussions, staff will be installing a temperature gauge to monitor the temperature of the interior during periods of significant cold or heat to evaluate the need for additional systems. Once we have that information, staff can provide additional information to the Council.

To better understand the Police Department's animal services procedures, the following explains how we respond. Animals that are found and turned into the Police Department are promptly transported to the kennel and housed by a Department member. If no one is available, an animal may be housed temporarily in a single kennel located to the rear of the Police Department. The temporary sheltering of an animal is a seldom occurrence. Once housed, an unregistered animal is kept for a period of four days prior to being transported to the County shelter or City of San Jose if the County is full. If the animal is registered the animal is kept for 10 days for reunification prior to being transported to one of the aforementioned facilities. The timing of the process is articulated in the California Food and Agriculture Section 31108 which reads, in part... "stray dogs shall be held for owner redemption during the first three days of the holding period, not including the day of impoundment." The City of Morgan Hill and County Animal Control have followed this policy for more than the past 15 years.

One area where staff identified an opportunity to increase the number of reunifications was in the micro chipping process. Not surprisingly, animals that have a registered microchip have a much higher rate of reunification than those without. Staff recommends working with our animal license administrator, local veterinarians, and through community events to encourage animal owners to get their pets chipped and to register their information accordingly. Doing so will reduce staff time in caring for the animals and, more importantly, reunite the animal and owner in a more timely manner which is better for all involved.

Utility Billing (UB) Follow-up

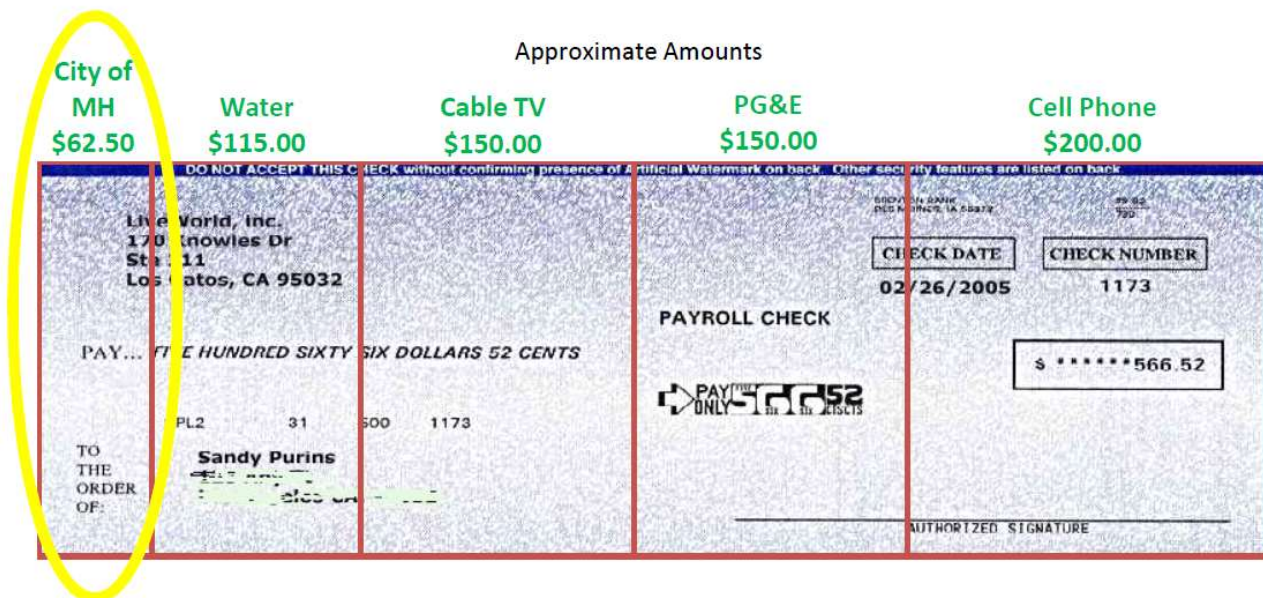
One of the first steps during the budget development process is an organizational review of personnel allocations to determine where employees spend their time to ensure the appropriate departments and funds pay their fair share. For UB, personnel allocations increased from 2.75 full-time equivalencies (FTE) in FY 15-16 to 3.29 FTE in FY 16-17 to align personnel resources with the workload demand and to increase oversight of this enterprise fund function by allocating 40 percent of the new Accounting Manager position to UB. From a financial standpoint, the recommended personnel allocations and annual increases in existing personnel salaries and benefits for UB equates to a \$125,000 increase. The additional expense for the Accounting Manager's .40 FTE, while not considered at the time of the utility rate study, can be covered within the existing rate structure. As part of the second year budget review process, personnel allocations will be re-evaluated.

Property Tax Comparison to Other Household Expenses Follow-up

The following graphic compares the annual property tax paid to the City by a Morgan Hill resident compared to other common household expenses for a \$750,000 home.

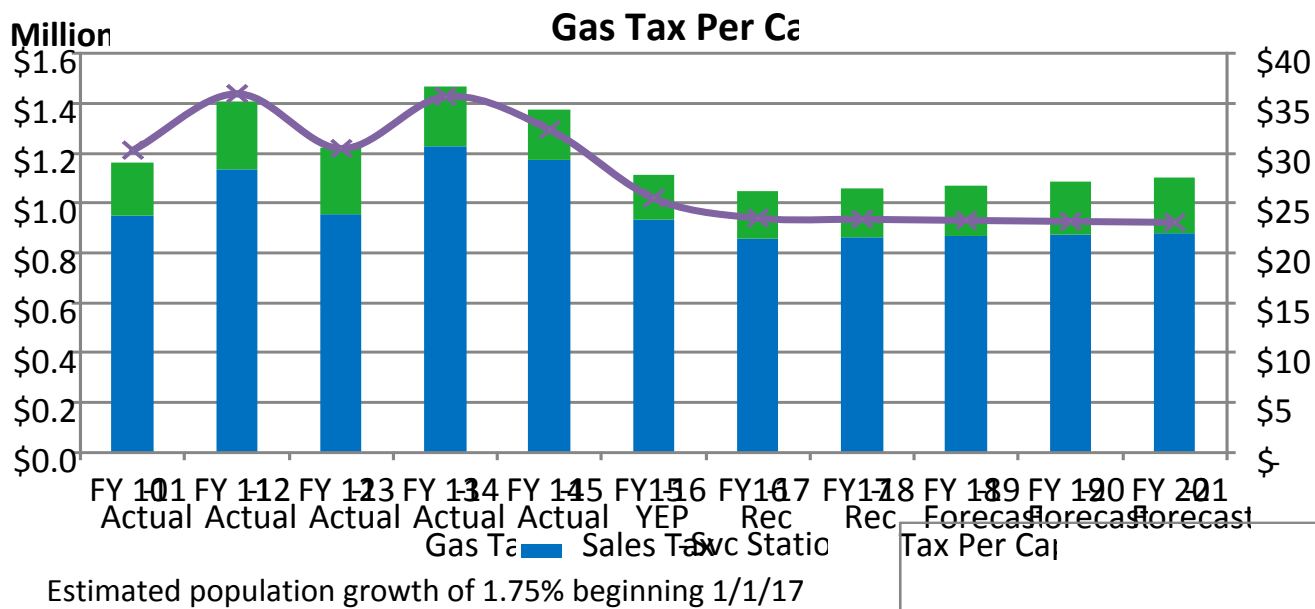
Annual property tax on \$750,000 home = \$7,500 per year or \$625 per month

City of Morgan Hill share = 10% of \$7,500 = \$750 per year or \$62.50 per month



Gas Tax Revenue Follow-up

Historically Morgan Hill received an average of \$1.1 million in gas tax revenue distributed from the State mostly based on population. Additionally, the City received approximately \$200,000 from gas related sales tax. The chart below illustrates Morgan Hill's actual gas tax revenue FY 10-11 through FY 14-15 and projected gas tax revenue from FY 15-16 through FY 20-21 as well as on a per capita basis.



Successor Agency Negative Fund Balance

Majority of the negative fund balance is accounting loss attributable to loan receivable write-off and loss on sale of fixed assets. The accounting loss does not have any financial impact to City funds. Approximately \$300,000 loss is attributable to administrative expenses that were not covered by the ROPS administrative allowance, though necessary to complete the State mandated RDA dissolution process. Final reconciliation of the Successor Agency Fund will be completed in June 2018 after acceptance of the last and final ROPS that will then only include annual bond payments and related service fees through 2033. Once this is complete in 2018, staff will complete an analysis of the Fund and make a recommendation to Council on how to account for the difference.

COMMUNITY ENGAGEMENT: Involve

The City Manager's FY 2016-17 and 2017-18 Recommended Operating Budget and Capital Improvement Program Budget was distributed to the Council and made available to the public on Friday, April 29, 2016. On Wednesday, May 4, 2016, the Recommended Budget was presented to the City Council at a regular meeting. The City Council hosted its Budget Workshop on Friday, May 20, 2016.

The City Council set June 1, 2016 for the Public Hearing for the City's Recommended Budget. Council consideration and adoption of the FY 2016-17 and 2017-18 Recommended Operating Budget and Capital Improvement Program Budget is scheduled for June 15, 2016. The budget document is available on the City's website, as well as City Hall, and the Morgan Hill Public Library.

ALTERNATIVE ACTIONS:

Since this is a hearing to receive public comment, no alternative actions are recommended at this time.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council held its annual goal setting workshop in January establishing the priorities for the development of the recommended operating and capital budgets.

FISCAL AND RESOURCE IMPACT:

The Public Hearing has no direct fiscal or resource impact. However, the discussion and feedback from this hearing may have an impact on the recommended budget which is scheduled to be adopted by City Council on June 15, 2016.

CEQA (California Environmental Quality Act):

Not a Project

LINKS/ATTACHMENTS:

[2016-17 & 2017-18 Recommended Operating and CIP Budget <https://cld.bz/iA2M2ho>](https://cld.bz/iA2M2ho)