

## **12. CITY OF MORGAN HILL**

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### **AGENCY OVERVIEW**

The City of Morgan Hill was incorporated as a General Law city on November 10, 1906. Morgan Hill provides a range of services including: community and economic development (engineering, planning, building inspection, economic development, redevelopment, and housing); police protection (including emergency services and animal control); community services (recreation, park and field maintenance, street maintenance, stormwater, lighting and landscape maintenance, sports, aquatics, community and cultural center, recreation center, senior center, teen center, and water conservation); and engineering and utilities (wastewater operations, water operations, utility billing, and building maintenance). The City contracts for fire protection (including emergency medical); library services; street sweeping; and solid waste disposal and recycling. Regional waste water treatment and disposal is provided by a joint powers agency which includes Morgan Hill and Gilroy. City services (including wastewater, solid waste, parks and recreation, storm water drainage, law enforcement, and library) were studied in the August 2006 South Central Santa Clara County Service Review.

Water services to the City are provided through the Water Operations Division of the Engineering and Utilities Department, which is part of the Community Development Agency. Water conservation is part of the Maintenance Services Division of the Community Services Department. Water services were studied as part of the Countywide Water Service Review in June 2005.

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### **Type and Extent of Services**

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#### *Services Provided*

The Water Operations Division provides drinking water to residential, commercial, and industrial customers within the City. The Water Operations Division is responsible for water quality, supply wells, distribution and storage, pump stations, pressure regulating stations, and leak detection. Through the Community Services Department, Morgan Hill also works cooperatively with the Santa Clara Valley Water District (SCVWD) water conservation program.

The City of Morgan Hill utilizes local groundwater as its sole source of water supply.

Service Area

The City's water service area includes all water service customers within the city limits, consisting of approximately 12.9 square miles. The City also serves 296 properties outside the city limits, which comprise 2.4 percent of the total water service connections. Of the 296 out-of-agency water service connections, 199 service connections are for homes within the Holiday Lake Estates Subdivision. Holiday Lake Estates is located within the City's urban service area and as an unincorporated island less than 150 acres, is eligible for annexation without protest proceedings under Government Code Section 56375.3.

Government Code Section 56133 requiring cities to seek LAFCO approval prior to providing service extensions outside city boundaries became effective on January 1, 1994. Based on a review of City water service records, the City believes that all out-of-agency water service connections occurred between 1968 and 1989. City records do not indicate any out-of-agency water service connections after 1993 that were not approved by LAFCO.

Services to Other Agencies

The City of Morgan Hill does not provide services to other agencies.

Contracts for Water Services

The City does not contract with other agencies or water purveyors for water services.

Collaboration

The City collaborates with the SCVWD and participates in the Groundwater Basin Group, the Retailers Group, and the Conservation Group. Morgan Hill is a member of a joint powers authority with the City of Gilroy regarding the South County Regional Wastewater Authority (SCRWA).

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## Boundaries

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The Morgan Hill water service boundary is the same as the city limits, but also extends beyond the city limits to serve water and sewer customers outside the City. The present bounds encompass approximately 12.9 square miles. Morgan Hill overlies both the Llagas Groundwater Subbasin and the Coyote Valley Subarea of the Santa Clara Groundwater Subbasin.

## ACCOUNTABILITY AND GOVERNANCE

The City operates under a city council-city manager form of government with a Mayor and four Council Members elected at-large and a City Manager appointed by the City Council.

The Mayor is elected for a two-year term. Council Members are elected for four-year overlapping terms. The Mayor Pro Tempore is selected by the Council at the first meeting after the November General Election (or the second regular meeting in November) for a one-year term. Current member names, positions, and term expiration dates are shown in Figure 12-1.

**Figure 12-1: City of Morgan Hill City Council**

<b>City of Morgan Hill</b>				
<b><i>Engineering and Utilities Department Contact Information</i></b>				
<b>Contact:</b>	Mario Iglesias, Utility Systems Manager			
<b>Address:</b>	100 Edes Court, Morgan Hill, CA 95037			
<b>Telephone:</b>	408-776-7333			
<b>E-mail/Website:</b>	<a href="mailto:mario.iglesias@morganhill.ca.gov">mario.iglesias@morganhill.ca.gov</a> / <a href="http://www.morgan-hill.ca.gov">www.morgan-hill.ca.gov</a>			
<b><i>City Council</i></b>				
<b>Member Name</b>	<b>Position</b>	<b>Term Expiration</b>	<b>Manner of Selection</b>	<b>Length of Term</b>
Larry Carr	Mayor Pro Tempore	November 2012	Elected At-large	4 years
Rich Constantine	Council Member	November 2014	Elected At-large	4 years
Marilyn Librere	Council Member	November 2012	Elected At-large	4 years
Gordon Siebert	Council Member	November 2014	Elected At-large	4 years
Steve Tate	Mayor	November 2012	Elected At-large	2 years
<b><i>Meetings</i></b>				
<b>Date:</b>	First, Third and Fourth Wednesdays at 7:00 PM			
<b>Location:</b>	City Council Chambers, City Hall, 17555 Peak Avenue, Morgan Hill			
<b>Agenda Distribution:</b>	Posted on the 'Public Meeting Agendas & Minutes' page of the City website; posted on City Hall bulletin boards, and available for review at the City Clerk's Office and the Morgan Hill Public Library.			
<b>Minutes Distribution:</b>	Available on the 'Public Meeting Agendas & Minutes' page of the City website; along with agendas and reports.			

The City Council meets the first, third and fourth Wednesdays in the City Council Chambers. Agendas are posted on the City website. Complete agenda packets, including minutes and reports, are available for review on the City website.

Council meeting are broadcast live on Channel 17. Meetings are also available for viewing as searchable video on the City website.

The City of Morgan Hill does not have a water-related advisory commission or committee.

Basic information regarding water is currently on the Public Works Department webpage, along with a video on Morgan Hill's water. Detailed information regarding water supply and water distribution is not provided; however links are readily accessible to the Annual Water Quality Reports, the 2010 Urban Water Management Plan, water rates and fees, and the Perchlorate program. Information on Water Conservation is available on the Environmental Programs webpage.

A list of Engineering and Utilities Department personnel is provided, along with some e-mail addresses. Inquiries can be made by calling the telephone numbers listed on the Staff Directory page of the City website.

If a customer is dissatisfied with the City's water services, that customer may write a letter to the Utility Systems Manager of the Water Operations Division, or by contacting the Engineering and Utilities Department as indicated above. The City has an electronic 'general inquiry/request for service/comment/complaint' form, as well as a 'report a water leak' form, and a 'water waste' report form and hotline telephone number. In calendar year 2010 there were a total of five water quality-related complaints; three for odor/taste, two for color, none for turbidity, none for pressure, and none for water outages. These complaints accounted for 0.04 percent of the 12,132 customers served.

The City of Morgan Hill demonstrated full accountability and transparency in its disclosure of information and cooperation with Santa Clara LAFCO. The Engineering and Utilities Department responded to the questionnaires and cooperated with all document requests.

## **MANAGEMENT AND STAFFING**

Daily operations of the Water Operations Division are under the direction of the Utility System Manager, who reports to the Engineering Deputy Director, who reports to the Assistant City Manager for Community Development, who reports to the City Manager. Water conservation is overseen by the Program Administrator of the Environmental Services Section of the Maintenance Services Division of the Community Services Department. Water billing is under the Director of Finance. As an integrated operation, the Engineering and Utilities Department has a total of 32.41 full time equivalent (FTE) positions organized into five major functions: Water Operations; Sewer Operations; Utility Billing; Water Conservation; and Building Maintenance. A total of 14.92 FTE positions are dedicated to the Water Enterprise Fund, as detailed in Figure 10-2.

**Figure 10-2: Water Service Staff Allocation**

<b>Position</b>	<b>FTE</b>	<b>Position</b>	<b>FTE</b>
<u>Water Billing</u>		<u>Water Operations (Continued)</u>	
Assistant Finance Director	0.15	Utility Systems Manager	0.50
Administrative Services Director	0.125	Program Administrator	0.05
Budget Manager	0.175	Senior Civil Engineer	0.18
Account I	0.015	Associate Engineer	0.15
Accounting Assistant I/II	1.125	Assistant Engineer	0.05
		Engineering Aide I/II	0.56
<u>Water Conservation</u>		Associate Planner	0.15
Director of Recreation and Community Services	0.05	Public Works Inspector Supervisor	0.10
Program Administrator	0.20	Senior Public Works Inspector	0.04
Municipal Services Assistant	0.05	Public Works Inspector	1.00
		Electrician	0.55
<u>Water Operations</u>		Utility Systems Supervisor	1.10
Assistant City Manager for Community Development	0.05	Confidential Support Services Supervisor	0.15
City Engineer	0.20	Senior Utility Worker	1.8
Utilities Business Manager	0.50	Utility Worker I/II	5.5
Office Assistant I/II	0.40	<b>Total</b>	<b>14.92</b>

Performance evaluations of all employees are conducted annually. The probation period for new employees is six months, with evaluations at three and six months. The agency tracks the employees' workload through work orders, time card reports, and budget-related performance measures.

Efficiencies have been gained recently by utilizing scheduling software to monitor preventative maintenance, including well pumps on a quarterly basis. The meter calibration program has reduced water wastage by 200,000 gallons per month. Well water pumping occurs during off peak hours from 12:00 to 6:00 AM.

The City adopted the 2010 Urban Water Management Plan on June 1, 2011. A Water System Emergency Response Plan was prepared in February of 2004. The City updated its Water System Master Plan in January of 2002. The City also collaborated with SCVWD on the December 2007 Groundwater Conditions Report and the July 2010 South County Water Supply Planning Project.

## **POPULATION AND PROJECTED GROWTH**

The 2010 United States Census population for Morgan Hill is 37,882. The average household size is 3.04 per the United States Census.

ABAG projects that the population of Morgan Hill will increase to 47,900 by 2035, a 26.4 percent increase over the twenty-five year period.

The City's 2001 General Plan contains seven Water Resource policies and nine action items. The Plan also contains 22 policies related to Water Quality, along with 5 action items.

The City has stated that in the next five years the City anticipates submitting three annexation requests to LAFCO including: the southeast quadrant of Highway 101 and Fisher Avenue (760 acres); the South Monterey Road area (43 acres); and the northeast quadrant of Edmundson Avenue and De Witt Avenue (35 acres).

Measure E (originally approved by the voters in 1977, and extended to 2010 by Measure P, and again to 2020 by Measure C) established the Residential Development Control System (RDSCS) which allocates residential building allotments on an annual basis. A maximum of 250 dwelling units can be approved in any one year. For FY 10-11, the Council allocated 221 units; for FY 11-12 the Council allocated 213 units; for FY 12-13 the Council allocated 225 units; and for FY 13-14, the Council allocated 197 units.

## **FINANCING**

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### **Financial Adequacy**

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The Water Operations Fund (Water Fund) is an enterprise fund in which charges for services generate the necessary funds to provide the services; however, beginning in FY 09-10, the City's Water Fund expenditures have exceeded revenues. No General Fund monies are utilized by the Fund. The Water Fund is dedicated to water service including administration, engineering, operations, capital improvements, maintenance, and billings and collections. For budget purposes, capital improvements are treated separately.

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### **Revenue Sources**

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In FY 08-09, the Water Fund generated \$8.6 million, in FY 09-10 the Fund generated \$7.5 million, and in FY 10-11 the Fund was projected to generate \$7.2 million. The reductions in revenue are attributed to the lingering economic recession, cooler and wetter weather conditions, and water conservation. With continued water conservation offset by rate increases scheduled to go into effect on January 1, 2012, the Water Fund is expected to generate \$7.2 million in FY 11-12.

In FY 10-11, the Water Fund was projected to generate \$7.25 million in direct revenue from the following sources:

<b>Water Sales</b>	<b>\$6,015,125</b>	<b>83%</b>
<b>User Account Maintenance, Meter Installations, Inspections, and a Perchlorate Surcharge</b>	\$1,232,013	17%
<b>Total</b>	<b>\$7,247,138</b>	<b>100%</b>

As indicated above, significant revenues are derived from water sales.

### Rates

The City Council adopted new water rates on July 27, 2011 which call for a 10.0 percent increase in 2012, and a 3.5 percent increase per year for 2013, 2014, 2015, and 2016.

Monthly consumption charges are based on a tier structure to encourage water conservation. The City also charges a monthly base rate (meter charge), plus a three percent surcharge for perchlorate removal. The City also provides a 60 percent low income customer discount for the meter charge; and charges customers outside the City a 50 percent surcharge (1.5 times higher than In-City customers). The City currently has 11,827 In-City water customers and 296 Outside City water customers.

Changes in consumption charges for a single family residential service are as follows:

<b>Water Use per Month in hundred cubic feet (CCF)</b>	<b>FY 10-11 Rates</b>	<b>FY 11-12 Rates</b>
<b>Tier 1 (1 to 10 CCF)</b>	\$1.17 per CCF	\$1.287 per CCF
<b>Tier 2 (11 to 30 CCF)</b>	\$2.34 per CCF	\$2.574 per CCF
<b>Tier 3 (Over 31 CCF)</b>	\$3.51 per CCF	\$3.861 per CCF

A typical In-City residential water customer with a 5/8 inch meter will see a monthly water bill increase from \$20.06 to \$22.07, a \$2.01 increase.

### Expenditures

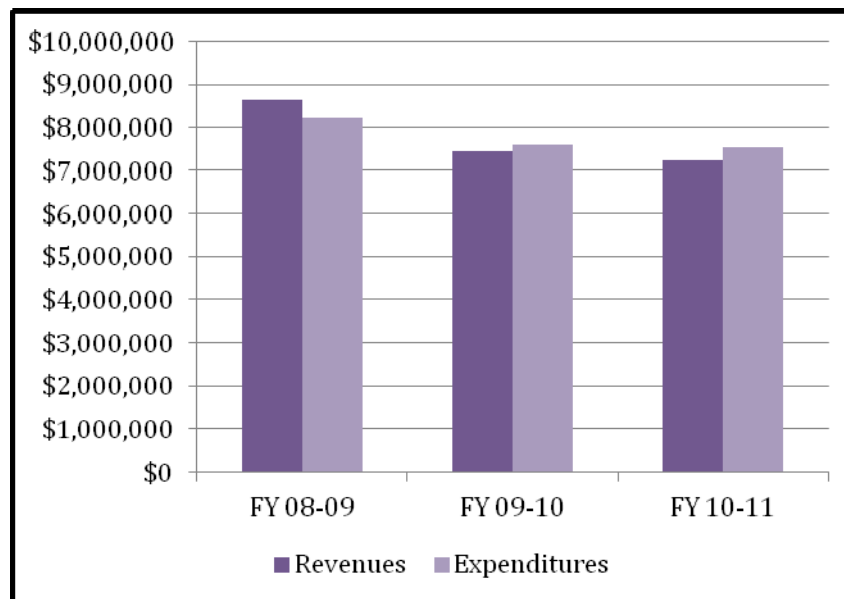
For FY 11-12, the Water Fund expenditure is expected to total \$8.56 million, which is 9.7 percent of the City total expenditure (all funds) of \$88.66 million. Depending on the amount of additional revenues generated by the rate increase scheduled to go into effect on January 1, 2012, it may be necessary to utilize the Rate Stabilization Fund to make up any shortfall, similar to FYs 09-10 and 10-11.

In FY 08-09, the Water Fund spent a total of \$8.24 million, in FY 09-10, the Fund spent \$7.60 million, and in FY 10-11, the Fund was projected to spend \$7.54 million. Revenues

and Expenditures of the Fund for the past three fiscal years are shown in Figure 12-3. Primary expenses in FY 10-11 were as follows:

<b>Salaries and Benefits</b>	<b>\$2,006,443</b>	<b>26.6%</b>
<b>Materials and Supplies</b>	3,833,276	50.9%
<b>Capital Outlay</b>	315,445	4.2%
<b>Interfund Charges/Allocations</b>	387,054	5.1%
<b>Transfer to General Fund</b>	457,155	6.1%
<b>Debt Service</b>	538,266	7.1%
<b>Total</b>	<b>\$7,537,639</b>	<b>100%</b>

Figure 12-3: Expenditures and Revenues (FYs 08-09, 09-10, and 10-11)



### Capital Outlays

A total of seven water-related capital improvement projects (CIPs) are scheduled over the five-year planning period (2012-2016), only one of which is funded for FY 11-12. This is the Main Avenue Water Main Replacement project at an estimated cost of \$925,000 in FY 11-12 and \$250,000 in FY 13-14.

Other projects over the remaining four-year CIP period include: new well property acquisition (\$250,000); new water mains (\$745,000); booster pump rehabilitation (\$675,000); water well rehabilitation (\$545,000); water tank re-coating (\$310,000); and updating the water master plan (\$55,000) for a total of \$3,755,000.



Long-term Debt

The Water Operations Fund has three debt instruments as follows:

- ❖ 2003 Water Facilities Bond      Matures in 2017, annual payment of \$148,388, outstanding principal of \$769,169;
- ❖ 1999 Water Certificates of Participation      Matures in 2021, annual payment of \$383,453, outstanding principal of \$2,980,000; and
- ❖ 2004 Water Bond      Matures in 2034, annual payment of \$351,125, outstanding principal of \$7,740,000.

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Reserves


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The City of Morgan Hill tracks fund balances at the end of each Fiscal Year for specific funds. As of July 1, 2011, the following balances were available:

- ❖ Water Operations Fund      \$224,089;
- ❖ Water Rate Stabilization Fund      \$1,523,783; and
- ❖ Water System Replacement Fund      \$743,500.

The Water Operations fund balance can be considered to be the Water Operations Reserve and would be sufficient to fund water operations for 0.4 months.

## WATER SUPPLY

The City of Morgan Hill relies on groundwater extracted from the Llagas Sub-Basin and has no connections to other systems or sources of supply. The City of Morgan Hill shares this groundwater resource with the other water providers in the South County. It pumps its water from the Llagas Subbasin and the Coyote Valley subarea of the Santa Clara Valley Subbasin. These two subbasins are each part of different basins in Santa Clara County. The City operates 17 municipal wells on the valley floor with a current pumping capacity of 18,054 acre feet. The City adds disinfectant to the water at the wellhead prior to distribution. Groundwater recharge is performed by SCVWD, and the City pays a groundwater production service charge to cover its share of those costs. The City's water supplies are shown in Figure 12-4. The City plans to construct an additional well that will give a total pumping capacity of 18,422 acre feet per year, as shown in the additional supply capacity starting in 2015.

**Figure 12-4: City of Morgan Hill Water Supplies Current and Projected Capacities (AFY)**

Water Supply Sources	2010	2015	2020	2025	2030
<b>Wholesale Water</b>	0	0	0	0	0
<b>Supplier - Produced Groundwater - Coyote Valley</b>	2,476	2,476	2,476	2,476	2,476
<b>Supplier - Produced Groundwater - Llagas</b>	15,578	15,946	15,946	15,946	15,946
<b>Total Supplies</b>	18,054	18,422	18,422	18,422	18,422

Source: Adapted from City of Morgan Hill, 2010 Urban Water Management, Table 4.1.1, page 4-2.

The 2003 Bulletin 118 update did not identify the Santa Clara Valley Basin as being in a condition of overdraft. Furthermore, reports on the water quality and level released by the Santa Clara Valley Water District as recently as January 2011, do not suggest that the basin is in a condition of overdraft. Groundwater levels are not expected to drop based on the precautions taken by the City of Morgan Hill, as well as the Santa Clara Valley Water District. However, it should be noted that the groundwater level in the both the Llagas Subbasin and the Coyote Valley subarea have been recorded to be strongly dependent on the annual rainfall. Groundwater levels drop sharply and recover quickly during dry and wet periods. Precautions taken by the City and SCVWD to manage groundwater levels include constant groundwater level monitoring, groundwater quality monitoring, and water conservation efforts throughout the District.

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### Recycled Water

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Wastewater from Morgan Hill and Gilroy is treated to a tertiary level at the South County Regional Wastewater Authority (SCRWA) facility in southeast Gilroy. SCVWD owns the distribution system. Recycled water is distributed to ten irrigation customers in the Gilroy area with a combined usage of 700 acre feet per year. At this point, there are no recycled water distribution lines to serve Morgan Hill.

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## Emergency Preparedness

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### Water Supply Hazards

The Water Operations Division is on call 24/7 and is prepared to respond to any leaks or breaks in a timely manner, and is able to be on site within 30-minutes of dispatch.

### Emergency Water Supply

An emergency backup water supply is provided by above-ground water storage tanks, with an effective capacity of 10.23 million gallons (MG). This storage capacity can provide 20 hours of emergency water under a maximum daily demand scenario.

### Interties and Back-up Supply

Morgan Hill does not have interties to any other water purveyor in the area.

## WATER DEMAND

The City of Morgan Hill water system currently serves approximately 37,950 people within its service area. In the recent past, the population of Morgan Hill increased dramatically, with growth rates between 1975 and 1980 approaching 15 percent per year. However, population growth in Morgan Hill has since been controlled by the “Residential Development Control System” (RDSCS) that limits the number of residential building allotments in any given year. Due to the RDSCS, the City’s population is expected to grow at a more modest rate through the UWMP’s planning horizon.

Usage of water per capita per day has shown significant fluctuation during the last fifteen years. Consumption has ranged from a low 155 gallons per capita per day (gpcd) in 1991 at the height of a drought to a maximum of 265 gpcd in 1987. The average use per day during the period from 2000 through 2010 was 194 gallons per person.

In 2010, the City used 6,778 acre feet of water from the Llagas and Coyote Valley Subbasins as measured at metered locations throughout the City. The City of Morgan Hill projected water demands to 2030 are set out in Figure 12-5 below. The City anticipates a dip in demand in 2020 and then continued growth in demand through 2030.

**Figure 12-5: Total Water Demands- Projected (AFY)**

<b>Water Demand</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>
<b>Total Water Deliveries and Projected</b>	7,240	6,778	8,340	7,922	8,365	8,908
<b>Sales to Other Agencies</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>Additional Uses/Demands and Losses</b>	656	555	683	648	685	729
<b>Total Use/Demands</b>	7,896	7,333	9,023	8,571	9,049	9,637

Source: Adapted from City of Morgan Hill, 2010 Urban Water Management, Table 3.2.9, pages 3-13.

The City has anticipated solely using groundwater to provide water for its customers. Although the supplies are great enough to be met for the next three years in the event of a drought, continuing to pump such quantities from the basins outweighs the water replenished by rainfall and groundwater recharge. This could potentially result in overdraft conditions of the basins. In this event, the City would have to reduce demand by implementing water conservation measures to prevent overdraft. Implementation of such measures would be determined by monitoring the groundwater recharge and groundwater levels. The City would also work closely with the Santa Clara Valley Water District to ensure that the basins are not over pumped, resulting in overdraft conditions.

## **WATER INFRASTRUCTURE AND FACILITIES**

The Morgan Hill water system is a comprehensive water supply, storage and delivery system. The system consists of 23 pressure zones. A total of 17 wells located throughout the City are capable of producing a current Summer volume of 15.7million gallons per day (MGD), with a pump capacity of 10,903 gallons per minute (gpm). A new well was placed into service in 2010. There is one standby well with high levels of nitrate that can be utilized for emergency purposes.

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### **Water Treatment Facilities**

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Morgan Hill does not have any water treatment facilities. Groundwater is lightly chlorinated for water quality purposes.

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### **Water Storage Facilities**

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The City has 13 active storage tanks with a combined storage capacity of 10.23 MG. There are three large tanks with a capacity of 7.0 MG, and nine smaller tanks with a combined capacity of 3.23 MG.

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## Conveyance and Distribution Facilities

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The water distribution system is composed of approximately 165 miles of distribution lines. The distribution system also consists of 10 booster stations each with at least two pumps, 120 pressure reducing valves, 1,796 fire hydrants, 2,109 backflow prevention devices, and 12,132 water service connections. The system also includes an automated Supervisory Control and Data Acquisition (SCADA) System that controls distribution of water throughout the system.

The City reported that in calendar year 2010 there were 10 main line breaks or leaks, and 127 service connection breaks or leaks. The City did not issue any 'boil water' orders or report any water outages.

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## Infrastructure Needs & Capital Improvement Program

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The current capital improvement program identifies seven capital improvement projects scheduled over the five-year planning period. Particular focus is being placed on water mains and booster pumps. Refer to the Financing Section for details.

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## Shared Facilities

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The City does not share any facilities with any other agencies or organizations.

# WATER QUALITY

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## Source Water

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Overall groundwater quality in Santa Clara County is very good and water quality objectives are achieved in most wells. Public water supply wells throughout the County deliver high quality water to consumers, almost always without need for treatment. The most significant exceptions are nitrate and perchlorate, which have impacted groundwater quality predominately in South County. In the future, new and more stringent drinking water quality standards could also affect the amount of groundwater pumped from the basin.

According to the California Department of Public Health (CDPH) Drinking Water Source Assessment which evaluates the vulnerability of water sources to contamination, the City's municipal wells are vulnerable to the following activities associated with contaminants detected in the water supply: irrigated crops; animal feeding operations; and low density septic systems. The City reports that wells are tested monthly to monitor the presence of these contaminants.

The City continues to test for perchlorate (salts derived from perchloric acid) resulting from a perchlorate plume originating at the Olin Site in Morgan Hill. The City has tested for

perchlorate since February of 2003. For 2010, perchlorate testing by the City indicated that the maximum contaminant level (MCL) of 6 parts per billion (ppb) had not been exceeded.

The City also has well sites with detected levels of hexavalent chromium. While there is no current drinking water standard for hexavalent chromium, the City may be required to implement additional treatment facilities in the future.

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## Treated Water

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Quality of treated water can be evaluated according to several measures. For the purposes of this report, the following indicators are used: the number of violations as reported by the EPA since 2000, the number of days in full compliance with Primary Drinking Water Regulations in 2010, and any deficiencies identified by DPH as prioritized health concerns.

The City of Morgan Hill does not treat water derived from the City's municipal wells. Groundwater is lightly chlorinated for water quality purposes.

According to the federal Environmental Protection Agency (EPA) through its Safe Drinking Water Information System (SDWIS), the City of Morgan Hill did not have any health based violations or monitoring and reporting violations during the 2000-2010 period.

The City's 2010 Water Quality Report indicates that the City's potable water supply from groundwater sources met all state and federal drinking water health standards. In order to insure that water quality standards are met, drinking water samples are collected weekly throughout the City and analyzed for a variety of regulated and unregulated contaminants. Samples are tested by the City's certified laboratory and an independent laboratory using the latest testing procedures and equipment. Of the parameters tested, none were found to be higher than CDPH allows.

The CDPH Annual Water System Sanitary Survey was conducted in June and July 2011, with the following items identified for follow-up action (with status in parentheses):

- ❖ Provide engineering report for current demand and capacity of the water system (report being prepared by Akel Engineering for completion in November 2011);
- ❖ Complete the cross-connection control program by taking steps to resolve delinquent assembly tests (City will test delinquent assemblies and charge customers beginning in November 2011);
- ❖ Reduce the number of Disinfection By-product samples taken (in progress); and

- ❖ Provide Bacti tests for all water main breaks that require the water pressure in the water main to be reduced to less than five pounds per square inch (this has been implemented).

The survey also identified minor deficiencies at five storage tanks. These deficiencies have been remedied by the City.

## CITY OF MORGAN HILL SERVICE REVIEW DETERMINATIONS

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### Growth and Population Projections

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- ❖ The current 2010 population of Morgan Hill is 37,882.
- ❖ ABAG estimates that Morgan Hill will grow by 25 percent over the next 25 years to an estimated population of 47,900.

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### Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

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- ❖ Groundwater supplies are adequate to meet projected needs into the future; however in the event of a drought, the City would have to reduce demand by implementing water conservation measures to prevent overdraft.
- ❖ The City has anticipated solely using groundwater to provide water for its customers. If continued pumping of planned quantities from the basins outweighs the water replenished by rainfall and groundwater recharge, overdraft conditions of the basins may occur. In this event, the City would have to reduce demand by implementing water conservation measures to prevent overdraft.
- ❖ The Morgan Hill water supply and distribution system has sufficient capacity to serve all water customers within its service area.
- ❖ An emergency backup water supply is provided by above-ground water storage tanks, with an effective capacity of 10.23 million gallons. This storage capacity can provide approximately 20 hours of emergency water under a maximum daily demand scenario.
- ❖ The City provides high quality water based on city compliance with drinking water regulations. The City did not have any health based violations during the 2000-2010 period.
- ❖ The City plans to construct an additional well that will increase total pumping capacity by 388 acre feet per year (AFY) to 18,442 AFY starting in 2015. This pumping capacity will then be sufficient to serve the community until 2035.
- ❖ The City continues to test for perchlorate (salts derived from perchloric acid) resulting from a perchlorate plume originating at the Olin Site in Morgan Hill. The City has tested for perchlorate since February of 2003. For 2010, perchlorate



testing by the City indicated that the maximum contaminant level (MCL) of 6 parts per billion (ppb) had not been exceeded.

- ❖ The City also has well sites with detected levels of hexavalent chromium. While there is no current drinking water standard for hexavalent chromium, the City may be required to implement additional treatment facilities in the future.
- ❖ City management methods appear to generally meet accepted best management practices. The City prepares a budget before the beginning of each fiscal year, has a detailed Capital Improvement Program, conducts periodic financial audits, maintains relatively current transparent financial records, regularly evaluates rates and fees, tracks employee and department workload, and has established a process to address complaints.

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### Financial Ability of Agency to Provide Services

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- ❖ As an Enterprise Fund, the Morgan Hill water system has had higher expenditures than revenues over the past two fiscal years, as a result of lower water sales revenue.
- ❖ The City Council adopted new water rates on July 27, 2011 which call for a 10.0 percent increase in 2012, and a 3.5 percent increase year for 2013, 2014, 2015, and 2016. These annual increases are intended to allow the City to generate sufficient revenues to maintain the Water Operations Fund with a positive balance.
- ❖ The City has a capital improvement program that is designed to maintain the water system. These include well, tank and booster pump upgrades.

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### Status and Opportunities for Shared Facilities

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- ❖ The City water system is a stand-alone enterprise, without any connections or interties to any other water system.
- ❖ The City collaborates with the Santa Clara Valley Water District on groundwater issues, and is a member of a joint powers authority with the City of Gilroy on the South County Regional Wastewater Authority.
- ❖ The City does not receive any recycled water from the South County Regional Wastewater Authority.
- ❖ The City has not identified further opportunities for facility sharing.

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## Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

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- ❖ Accountability is best ensured when contested elections are held for governing body seats, constituent outreach is conducted to promote accountability and ensure that constituents are informed and not disenfranchised, and public agency operations and management are transparent to the public. The City demonstrated accountability with respect to all of these factors.
- ❖ The City does not have a water-related advisory commission or committee.
- ❖ Efficiencies have been gained recently by utilizing scheduling software to monitor preventative maintenance, including well pumps on a quarterly basis. The meter calibration program has reduced water wastage by 200,000 gallons per month. Well water pumping occurs during off peak hours from 12:00 to 6:00 AM.
- ❖ It is recommended that the City initiate annexation of the Holiday Lakes Estates Subdivision which is an unincorporated island located within the City's urban service area. This area currently receives city water service.