

DATE: April 3, 2023

TO: Honorable Mayor and City Council

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TITLE: **Fiscal Year 2023-24 through Fiscal Year 2027-28
Capital Improvement Program**



STUDY SESSION MEMO

PURPOSE

The purpose of this Study Session is to provide the City Council with an overview of the Capital Improvement Program and obtain City Council input to guide staff in the preparation of the recommended Fiscal Year 2023-24 through Fiscal Year 2027-28 Capital Improvement Program. This is the first of two planned Study Sessions prior to the scheduled adoption of the Capital Improvement Program in June.

BACKGROUND

This report presents: (1) an overview of the Capital Improvement Program (CIP); (2) the status of active CIP projects; (3) information about CIP funding sources and financial constraints; (4) projects that are scheduled to “roll forward” from the existing CIP; and (5) emerging new and amended project needs.

CIP Overview

The CIP is a planning tool used to coordinate location, timing, and funding of capital improvements to maintain and manage City infrastructure that enhances the overall quality of life in the City. City infrastructure consists of physical structures, systems, and facilities needed to provide critical services to the community, such as sidewalks, streets, streetlights, traffic signals, utility pipe systems (stormwater, water, and wastewater), parks, trails, open space, and City buildings, including City Hall, the Center for the Performing Arts (CPA), Library, Fire stations, Police/Fire Administration Building, Community Center, Senior Center, Teen Center, Michaels at Shoreline, Adobe Building, Rengstorff House, and the Municipal Operations Center.

The five-year CIP is adopted biennially with a full plan developed in odd-numbered years and a focus only on the upcoming fiscal year in even-numbered years. In June 2023, staff will recommend the City Council appropriate funding for the Fiscal Year 2023-24 CIP and adopt the plan for the four subsequent fiscal years.

CIP projects are categorized as Non-Discretionary or Discretionary to provide some measure of consistency for funding of critical infrastructure maintenance. Non-Discretionary Projects are primarily annual and periodic infrastructure maintenance projects to preserve the City's significant investment in its infrastructure and facilities and projects required for regulatory compliance. While Council can alter funding, these projects are generally approved with few changes on a consistent cycle (annual or biannual) with inflationary adjustments. Discretionary Projects are all of those that do not fit the Non-Discretionary category.

Active CIP Projects

For the last 10 years, the strong local economy, debt proceeds available for capital projects, and legislative developments generated significant funding for capital improvement projects. By 2020, staff was managing an extraordinary number and wide variety of capital projects, which exceeded the workload capacity of staff and led to delays in delivering projects. In the spring 2021 Study Sessions for the current five-year CIP, Council supported staff's approach to limit the number of new projects added each year to help manage the workload and catch up on current projects. Table 1 below shows the trend in number of new projects since Fiscal Year 2013-14.

Table 1: Number of New Projects per Fiscal Year

| Fiscal Year | Non-Discretionary | Discretionary | Total |
|-----------------------------------|--------------------------|----------------------|--------------|
| 2013-14 | 28 | 26 | 54 |
| 2014-15 | 26 | 23 | 49 |
| 2015-16 | 28 | 36 | 64 |
| 2016-17 | 28 | 25 | 53 |
| 2017-18 | 30 | 36 | 66 |
| 2018-19 | 30 | 28 | 58 |
| 2019-20 | 32 | 35 | 67 |
| 2020-21 | 32 | 22 | 54 |
| Annual Average 2013-14 to 2020-21 | | | 58 |
| 2021-22 | 26 | 17 | 43 |
| 2022-23 | 25 | 21 | 46 |
| Annual Average since 2021 | | | 44.5 |

Table 1 reflects a 23% decrease in annual new projects for the last two years and brings the number more in line with conditions in the early 2010s, when the number of new projects each year ranged from 35 to 42. Over the last two years, staff has strived to complete and close more CIP projects than were added to reduce the overall number of active CIP projects. This has proven to be especially challenging due to the COVID-19 pandemic and a large number of engineer and project manager vacancies.

There are currently 351 active projects in the CIP, of which 149 are Non-Discretionary Projects and 202 are Discretionary Projects. Attachment 1 provides the status of the major active CIP projects funded in Fiscal Year 2022-23 and earlier. Recognizing the high level of Council and community interest in active transportation (bicycle and pedestrian) improvements and parks projects, Attachments 2 and 3 provide more detailed project descriptions and status for these types of projects. Attachment 4 provides a map of the planned pavement projects through 2026, many of which include bicycle and pedestrian improvements.

CIP Funding Sources

The City's CIP is funded through a variety of sources. Some, such as the Water and Wastewater Funds, are enterprise funds with revenues primarily from water and sewer paid by businesses and residents. These funds must be used exclusively on water- and wastewater-related activities, respectively. There are also certain fees which generate revenue that can be used to fund projects in each fee's respective nexus study. The City also receives funding from regional, State, and Federal sources, including formula-based grants and competitive grants. Other funds, such as the CIP Reserve and Construction/Conveyance Tax (C/C Tax) Funds, are less restricted and can be used on any capital project. CIP Reserve and C/C Tax are, therefore, usually the most competitive and generally receive the most Council deliberation during the CIP development process. Table 2 provides more detail on the various CIP funding sources.

Table 2: CIP Funding Sources

| Funding | Source and Uses |
|---|--|
| UNRESTRICTED FUNDS | |
| CIP Reserve | General Fund surpluses as approved by the City Council and a portion of lease revenues. There are no restrictions on the type or location of projects to be funded. |
| Construction and Conveyance Tax | Revenues derived from construction and real property conveyance fees. Expenses are restricted to implementation of the CIP, including servicing bonds issued in connection with capital improvements; however, there are no restrictions on the type or location of projects. |
| ENTERPRISE FUNDS | |
| Water Fund | Restricted to operation and maintenance of all facilities required to supply, distribute, and meter potable and recycled water. |
| Wastewater Fund | Restricted to operation and maintenance of all facilities required to transport and process wastewater. |
| Solid Waste Management Fund | Restricted to solid waste collection, transportation, processing, and recycling services of the City and two of the City's landfill postclosure maintenance activities. |
| TRANSPORTATION FUNDS | |
| Gas Tax Fund | <p>As prescribed by State law, restricted to transportation purposes, primarily:</p> <ul style="list-style-type: none"> • Road construction; • Maintenance and repair of roads, highways, bridges and culverts; • Improvement of public transportation, trade corridors, and infrastructure promoting walking and bicycling; • Reduction of congestion on major corridors; and • Certain administrative costs. <p>This funding source has experienced a substantial reduction in the last few years and is currently around \$800,000 annually.</p> |
| Senate Bill 1 (SB 1)/ Road Maintenance and Rehabilitation Account (RMRA) | Revenue from the State derived from an increase in diesel excise and sales taxes, gasoline excise tax, the assessment of an annual transportation improvement fee based on the value of the vehicle, and an annual \$100 Zero-Emissions Vehicle fee. The use of the City's share of formula funds received from the State is primarily restricted to road infrastructure maintenance and repair. The CIP receives an average of \$2 million per year from this source. |

| Funding | Source and Uses |
|--|--|
| Vehicle License Fee— 2010 Measure B | <p>In November 2010, Santa Clara County voters approved a measure to increase the annual Vehicle Registration Fee (VRF) by \$10 for transportation-related projects. This fund is managed by the Santa Clara County Valley Transportation Authority (VTA), and 80% is allocated to the cities and County of Santa Clara based on city population and County road and expressway lane mileage; primary use of this funding is for road infrastructure maintenance and repair. The CIP receives an average of \$500,000 per year from this source.</p> |
| VTA Measure B 2016 Sales Tax | <p>In November 2016, Santa Clara County voters approved Measure B, a 30-year, one-half-cent Countywide sales tax to enhance transit, highways, expressways, and active transportation (bicycles, pedestrians, and complete streets):</p> <ul style="list-style-type: none"> • The City receives an annual allocation from the Local Street and Road program to be used for road infrastructure maintenance and repair with the option to use for congestion relief projects whenever the City's average Pavement Condition Index (PCI) is over 70. The CIP receives an average of \$2 million per year from this source. • The City's Transit Center (Castro) and Rengstorff Grade Separation projects will receive Measure B Grade Separation Program funding. <p>The City also was awarded some Measure B Bicycle/Pedestrian Capital project competitive grants.</p> |
| General Fund - Transportation Reserve | <p>The Transportation Reserve was initially funded with \$4 million from General Fund surplus. Based on a Council resolution adopted in 2018, 80% of the increased revenue from the business license tax (2018 Measure P) is also placed into the Transportation Reserve to be used for transportation and innovative transit solutions, including:</p> <ul style="list-style-type: none"> • Mountain View Community Shuttle; • Caltrain grade separation projects; • Bicycle and pedestrian improvements; and • New transit systems to employment centers. |

| Funding | Source and Uses |
|--|--|
| SHORELINE REGIONAL PARK COMMUNITY FUND | |
| <p>The State Legislature created the Shoreline Regional Park Community (Shoreline Community or SRPC). Tax increment derived on the difference between the frozen base year value and the current fiscal year assessed value and other revenues generated from the activities of the Shoreline Community are to be utilized to develop and support the Shoreline Community and surrounding North Bayshore Area. In addition to annual operations and maintenance expenses, the SRPC is used for the following types of capital projects to support the North Bayshore Area:</p> <ul style="list-style-type: none"> • Transportation improvements, including North Bayshore Precise Plan Priority Transportation Improvements; • Sea-level rise infrastructure improvements; • Landfill Postclosure; and • Utility (water, sewer, storm drain) improvements. | |
| DEVELOPMENT FEES AND CHARGES | |
| Impact Fees | <p>Uses are restricted to projects/improvements identified in the relevant impact fee’s nexus study:</p> <ul style="list-style-type: none"> • Shoreline Community Development Impact Fee—Sewer; • Shoreline Community Development Impact Fee—Transportation; • Shoreline Community Development Impact Fee—Water; • Citywide Transportation Impact Fee; and • East Whisman Precise Plan Impact Fee |
| Utility Capacity Charges | Used for new or upsized water and sewer utility mains to meet growing service demands Citywide. |
| Storm Drain Fund | Revenues derived from off-site drainage fees authorized by Mountain View City Code Section 28.51, which are restricted for storm drainage capital improvements. |
| Park Land Dedication Fund | Revenues derived from fees authorized by Chapter 41 of the Mountain View City code, which are restricted for park and recreation projects. |
| Community and Public Benefit Funds | A developer may be required by the City Council under certain conditions to provide community or public benefits, such as area improvements or affordable housing, as a result of their development project. A developer may pay a fee in lieu of providing these community or public benefits which will then be used by the City to provide capital improvements in the general area of the development as approved by the City Council. |

The Finance and Administrative Services Department provides the estimated revenue and/or fund balances for all funding sources available for allocation in the CIP. The Public Works Department reviews and evaluates project scope and location to determine appropriate funding

sources and presents the recommended projects with proposed funding sources to the City Council for review and approval.

DISCUSSION

The number and types of projects to be included in the CIP are dependent on staffing and funding resources. As noted in the Background section, there remains a very high number of active CIP projects and staffing limitations that affect capacity to add new projects. In addition, the cost impacts of high inflation and disrupted supply chains are creating the need to add funding to existing and planned projects, which reduce funding available for new projects.

Financial Constraints

Inflation and Cost Rise

The City is experiencing price inflation in labor and materials in line with regional and national inflationary trends. Increased demand for infrastructure and an evolving and shrinking labor market, together with scarcity of essential materials, are having a major impact on ongoing construction projects and new bids, leading to increased costs and delays. Over the past two years, the Engineering News Record's San Francisco Construction Cost Index (ENR-CCI) increase has ranged from 4.8% to 15.1%. Staff has seen a handful of City projects that have had a lack of interested bidders and significantly higher than expected bid prices. Both of these outcomes suggest a challenging market for capital projects. In past CIPs, staff's practice was to apply a 2% inflation adjustment for roll-forward projects. Active projects would be adjusted to reflect the most recent Engineer's Estimate. This past practice, however, is insufficient for keeping current project budget estimates in line with increasing labor and materials costs.

Higher-than-average inflation continues to be a trend in the local building economy and, in response to this, staff is recommending applying a 10% increase to all Discretionary and Non-Discretionary Projects with construction planned in Fiscal Year 2023-24 (Year 1 of the CIP). This value is proposed as a midpoint of the observed inflation of ENR-CCI. Active and already funded projects needing additional funding due to cost rise will be presented to the City Council for approval of additional appropriation on a case-by-case basis.

Status of CIP Funding Sources

Staff has been giving special attention to the potential impacts of the COVID-19 pandemic and other economic factors on the CIP funding sources listed in Table 2. Listed below is a summary of the status of these funding sources:

- Unrestricted Funds—C/C Tax revenue available for CIP projects will be significantly less next fiscal year than in past years. As a result of the Midyear Budget adopted by Council on

February 28, 2023, allocations to the CIP Reserve for Fiscal Year 2022-23 are higher than previous years, helping to stabilize the CIP Reserve. The impact of these funding levels on planning the five-year CIP is discussed in detail below.

- Enterprise Funds—These funds are generated by fees charged to residential and business customers and are used to fund both Non-Discretionary and Discretionary utility projects. Pre-COVID forecasts indicated that there may be insufficient funding for major utility infrastructure replacement/rehabilitation needs. This situation has not been worsened by COVID-19 economic impacts, assuming all planned fee increases are implemented; however, the reduced revenue due to reduced consumption is anticipated to impact the Water Fund as discussed in detail below.
- Transportation Funds—The funding received from SB 1, Vehicle License Fee, and VTA Measure B for road infrastructure maintenance and repair is expected to remain relatively stable. These three funds combined provide an average of \$3.4 million per year to the CIP, which provides most of the City’s funding for road maintenance and improvements.
- Gas Tax—The gas tax, however, has experienced a significant decline in revenues due to the pandemic and new hybrid remote work trends. Between Fiscal Years 2018-19 and 2021-22, the CIP received an annual allocation of gas tax for road maintenance and improvements in the range of \$1.5 million to \$1.9 million. This was reduced to \$299,000 in Fiscal Year 2022-23. The forecast for Fiscal Year 2023-24 is currently \$869,000 for the CIP, a reduction of over \$500,000 per year received prior to COVID-19. At this time, the five-year CIP will be assuming a range of \$770,000 to \$826,000 per year for Years 2 to 5 until there is evidence that gas tax revenue has rebounded.
- Shoreline Regional Park Community—At this time, this revenue source has not been significantly affected by COVID-19 economic impacts.
- Developer Fees and Charges—Development activity is significantly reduced due to the economic downturn. One factor that may affect CIP funding is a reduction in Community and Public Benefits, which have historically provided significant funding for transportation improvements.

CIP Unrestricted Funds

CIP Reserve and C/C Tax are extremely valuable CIP funding sources because there are no restrictions on the type or location of projects. They can be used for any capital project that does not have its own dedicated funding source or to supplement when a dedicated funding source is

insufficient. These unrestricted funds have been particularly useful in funding the following types of projects:

- City buildings/facilities repairs, renovations, remodels, and expansion. With the exception of City facilities in North Bayshore, which can use SRPC funds, there is no other CIP funding source for most City facilities, which are facing growing demands due to the aging of buildings and increasing staff and public use;
- Information technology projects which have limited access to the other funding sources;
- Certain parks and pathway rehabilitation/renovation needs that do not have access to the Park Land Dedication Fund;
- Supplementing the transportation funds dedicated to road pavement rehabilitation projects to improve the City’s pavement conditions and to repair/improve other roadway infrastructure, such as traffic signals, streetlights, sidewalks, and trees/landscaping; and
- Supplementing bicycle, pedestrian, and other transportation improvements to meet sustainability goals by reducing greenhouse has (GHG) emissions and to support the City’s jobs and housing growth.

CIP Reserve—The availability of CIP Reserve funding has been running low but is higher as a result of the Midyear Budget to add \$4 million approved by Council on February 28, 2023. The CIP Reserve receives most of its revenue from General Fund annual operating balances, and it is unknown if these are at risk of decreasing over the next few years as the result of economic factors. The only other source of funding for the CIP Reserve is from a portion of lease revenue. As shown in Table 3, the CIP received a total of \$31.5 million in CIP Reserve over the last five years (including the recent Midyear Budget allocation) but is currently projected to receive \$13 million in the next five years.

**Table 3: CIP Reserve Funding Levels
(Dollars in Thousands)**

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5-Year Total |
|----------|---------|---------|---------|---------|---------|--------------|
| Budgeted | \$8,124 | \$9,705 | \$4,875 | \$1,783 | \$7,009 | \$31,496 |

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5-Year Total |
|---------|---------|---------|---------|---------|---------|--------------|
| Planned | \$4,311 | \$2,223 | \$2,391 | \$2,197 | \$1,952 | \$13,074 |

C/C Tax—The City’s forecasting of C/C Tax revenue has historically been conservative, with actual funding usually being considerably higher than forecast during good economic times. This conservative forecasting reflects the volatile nature of these funds, which can vary by more than \$5 million annually depending on economic conditions. The five-year CIP typically assumes \$6 million per year in C/C Tax for Years 2 to 5. Year 1 C/C Tax revenue, however, is based on the actual C/C Tax collected in the prior fiscal year, which frequently led to a budget of more than \$10 million for Year 1. However, based on current C/C Tax revenue received, only \$7.8 million will be available for the Fiscal Year 2023-24 CIP (Table 4).

**Table 4: Construction and Conveyance Tax Funding Levels
(Dollars in Thousands)**

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5-Year Total |
|----------|----------|----------|---------|---------|----------|--------------|
| Budgeted | \$10,824 | \$13,874 | \$7,661 | \$6,516 | \$13,165 | \$52,040 |

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5-Year Total |
|---------|---------|---------|---------|---------|---------|--------------|
| Planned | \$7,792 | \$6,000 | \$6,000 | \$6,000 | \$6,000 | \$31,792 |

There is a possibility that more CIP Reserve and/or C/C Tax will be available than forecasted in the outer years of the five-year CIP, but staff expects and plans for the first two years of the CIP (Fiscal Years 2023-24 and 2024-25) to be lean, as shown in the tables.

Water Funds (includes Capacity Charges)

The City’s Water funds have historically met the City’s ongoing needs for system rehabilitation and improvements. Recent project cost increases have reduced the water fund balance. On February 28, 2023, Council approved a contract with Bartle Wells Associates for a Utility Rate Study to provide a comprehensive cost of service evaluation with recommendations to support the City’s water, sewer, recycled water, and stormwater utility capital improvements, operation, and maintenance programs. The Study is anticipated to be complete by the end of 2023 and will inform recommended rate charges for the Fiscal Year 2024-25 budget. As shown in Table 5, the Water Fund received a total of \$45.6 million over the last five years but is currently projected to receive \$17.6 million in the next five years. The reduction in revenue is the result of reduced consumption that occurred during the drought that historically continues after the drought is over.

**Table 5: Water (including Capacity Charges) Funding Levels
(Dollars in Thousands)**

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5-Year Total |
|----------|---------|---------|---------|----------|----------|--------------|
| Budgeted | \$7,500 | \$4,393 | \$5,413 | \$13,475 | \$14,828 | \$45,609 |

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5-Year Total |
|---------|---------|---------|---------|---------|---------|--------------|
| Planned | \$5,616 | \$3,000 | \$3,000 | \$3,000 | \$3,000 | \$17,616 |

Five-Year CIP Project Lists

Non-Discretionary Projects

As part of the current five-year CIP development process, staff has evaluated the list of Non-Discretionary Projects (Attachment 5) and determined that they continue to play an essential role in providing for critical infrastructure maintenance. Staff may include some refinements to the Non-Discretionary Projects within existing funding levels as part of the recommended five-year CIP to be presented to Council in May 2023 at a second Study Session.

Discretionary Projects

Discretionary Projects are those that do not fit the Non-Discretionary description and require approval of the City Council. The sources of potential Discretionary Projects include City plans and studies (e.g., Precise Plans, Transportation Plans, Sea Level Rise Study, Utility Master Plans, Parks and Open Space Plans, etc.), City Council goals and priorities, project submittals from all City departments, and the unscheduled projects in the current CIP. Staff compiles the list of candidate Discretionary Projects for the upcoming five-year CIP as follows:

- Roll forward the projects planned for Years 3 to 5 in the previous five-year CIP into Years 1 to 3 in the new CIP. Attachment 6 provides the list of planned Discretionary Projects for Fiscal Years 2023-24, 2024-25, and 2025-26 from the five-year CIP adopted in 2021;
- Add new project proposals. Typically, new projects are to be considered for Years 4 and 5 of the CIP, which have no roll-forward projects. However, some projects are considered for Years 1 to 3 if requested by the project sponsor or to reflect changing City needs and Council priorities; and
- Add requests for amendments to active CIP projects, which can include both scope changes and additional funding.

Given rising construction costs and staffing capacities, staff anticipates that some roll-forward projects will need to be deferred until Years 4 and 5 of the new CIP. Any new projects added to the first three years of the CIP may require deferring some roll-forward projects into later years or moving them to the unscheduled list.

Question 1: Are there any “roll-forward” projects in the first three years of the plan (Attachment 6) that Council would like staff to evaluate for eliminating, deferring, or moving up?

Emerging New and Amended Project Needs

In reviewing the roll-forward projects, unscheduled projects (Attachment 7), projects listed in plans and studies, requests from City departments, and Council priorities, staff has identified the following major new projects and current projects requiring significant additional funding to be considered for the five-year CIP, as funding and staffing resources allow and according to Council direction:

- One Bay Area Grant (OBAG) Projects—The City has been awarded Federal grant funds for three active transportation projects: Middlefield Road Complete Streets Project, Moffett Boulevard Complete Streets Project, and El Camino Real/El Monte Avenue/Escuela Avenue Intersection Improvements. The Middlefield Road project is an active project, but the other two projects will need to be added within the grant timelines.
- Castro Pedestrian Mall—Design and construction for permanent improvements, which could also include working in cooperation with Caltrain and VTA to plan for renovating the Transit Center and Centennial Plaza.
- Grade Separation Projects—There are three active projects for grade separations across the Caltrain tracks and Central Expressway: Transit Center Grade Separation, Rengstorff Grade Separation, and Bernardo Avenue Bicycle/Pedestrian Undercrossing. Due to construction cost increases, all three will require additional City funds. Rengstorff, in particular, will require substantially more City investment.
- Stevens Creek Trail Extension (Dale/Heatherstone to Remington and Mountain View High School)—Staff will be starting the design phase for the project by this fall (Project 20-50 funded for \$600,000). The project is identified for \$4.8 million in Measure B funding as well as \$600,000 from the City of Sunnyvale for the design phase. The project could be ready for construction in two to three years. The construction cost is expected to exceed \$30 million, and staff will seek grant funding. Matching funds may be needed in the planned CIP to secure grant funds.

- **New Parks Projects**—There are several new park locations that the City has acquired or will be dedicated to the City by development projects (see Table 6). The average new park takes two to three years to design and construct. Staff plans to have capacity to have up to four new parks in design and construction at one time in addition to smaller park renovation projects. The timing for the parks listed in Table 6 will be based upon when the land has been dedicated/acquired, funding availability, and Council priority.

Table 6: Future New Parks Projects

| Park Location | Status |
|--|---|
| Showers Drive/California Street (adjacent to Los Altos School District school site) | Planned roll-forward project for Fiscal Year 2024-25. |
| 555 West Middlefield Road | Anticipated developer-dedicated park. |
| 711 Calderon Avenue | In escrow for City purchase pending property owner moving historic house. |
| 900/917 San Rafael Avenue | Recently purchased by City. |
| 538 Thompson Avenue | Recently purchased by City. |
| Maude Park (Middlefield Park Master Plan) | Anticipated developer-dedicated park. |
| Gateway Park (Middlefield Park Master Plan) | Anticipated developer-dedicated park. |
| North Bayshore Precise Plan (four to five new public parks) | Proposed as part of Google Master Plan. |

- **Fire Station No. 3 Replacement**—In addition to a new Public Safety Building, Fire Station No. 3 needs to be reconstructed and expanded. The roll-forward CIP includes a replacement programming study for \$250,000 to be initiated in the next year; however, funding for design and construction will be needed within the planned five-year CIP to continue the project after the programming study is completed.
- **City Facilities**—The roll-forward CIP projects include several major maintenance, rehabilitation, and renovation needs for City facilities; however, staff has received many additional requests from various departments due to the aging buildings and increases in staffing levels. Of particular concern are the major maintenance and rehabilitation needs, including new roofs and HVAC systems for the Whisman Sports Center and Mountain View Sports Pavilion. Staff is evaluating the facilities needs in terms of urgency and may need to recommend additional facility projects as part of the planned CIP.

In addition to the projects listed above, staff will include projects to advance the North Bayshore Priority Transportation Improvements, Sea Level Rise program, Recycled Water System

Expansion, and major utility projects in the recommended five-year CIP to be considered by Council at the Study Session scheduled for May 9, 2023.

Question 2: Are there any projects on the unscheduled project list (Attachment 7), projects listed above, or new projects not currently listed that Council would like staff to evaluate for adding to the planned CIP?

Underground Utilities at 1020 Terra Bella Avenue

At the City Council meeting on March 14, 2023, Council directed staff to bring back options for including a project in the CIP to fund undergrounding utilities along the Terra Bella Avenue frontage for the 1020 Terra Bella Avenue affordable housing project. The cost for this project is anticipated to be around \$1 million.

On June 30, 2020, Council approved a new mixed-use development at 1001 North Shoreline Boulevard and directed staff to consider allocating the project's community benefit funds to various active transportation improvements in the Terra Bella area. The developer has paid \$1.04 million in community benefits to date and is expected to provide an additional \$260,000 when they are ready for their next building permit. Staff recommends redirecting the 1001 North Shoreline Boulevard project's community benefit funds for undergrounding the utilities and allocating other active transportation funding sources (e.g., General Fund—Transportation Reserve) to the Terra Bella Avenue bikeway study, design, and construction.

Staff will incorporate these funding allocation recommendations into the list of recommended capital projects to be reviewed by Council at a Study Session in May 2023. No additional direction from Council about this project is required at the March 28 Study Session.

Recommendations for Prioritizing Use of CIP Unrestricted Funds

Consistent with the City's strategy over the past two years, staff recommends that the Non-Discretionary Projects with no or insufficient dedicated funding sources continue to be funded first from available CIP Reserve and C/C tax funds. These projects are essential in providing for critical infrastructure rehabilitation, maintaining current Citywide service levels, and supporting municipal operations.

Based on the planned funding levels for the unrestricted funds (Tables 3 and 4), preliminary estimates are that there may be a \$2 million to \$3 million shortfall in CIP unrestricted funds for Fiscal Year 2023-24 to fund all of the potential roll-forward Discretionary Projects, active project amendments for rising construction costs, and potential new projects that will need unrestricted funds. For this reason, some projects may need to be deferred to the next fiscal year. Staff recommends using the following criteria from the 2021 CIP process plus one additional criterion

as noted below to determine which roll-forward and new projects will receive priority for the unrestricted CIP revenues:

- Public and personnel safety;
- Compliance with regulatory requirements;
- Keeping City facilities in a state of good repair (new criterion);
- Local match or cost-sharing to secure grants or other funding;
- Pavement rehabilitation/reconstruction and preventive maintenance as needed to maintain the City's PCI rating (including incorporating bicycle and pedestrian improvements where feasible);
- City Council Strategic Priorities and Work Plan Projects; and
- Projects that benefit and/or do not burden communities of color and/or low-income residents.

In summary, staff recommends an approach of maximizing the availability of the unrestricted CIP Reserve and C/C Tax funds for projects with no dedicated funding sources, funding the Non-Discretionary Projects off the top, and using the criteria listed above to prioritize the remaining Discretionary Projects for CIP Reserve and C/C Tax funds.

Question 3: Does Council support staff's recommended approach and criteria to determine which projects to prioritize for the CIP Reserve and C/C Tax funds?

RECOMMENDATION

Staff seeks Council input regarding the following to guide staff in determining the projects to include in the Proposed Fiscal Year 2023-24 through 2027-28 CIP:

Question 1: Are there any "roll-forward" projects in the first three years of the plan (Attachment 6) that Council would like staff to evaluate for eliminating, deferring, or moving up?

Question 2: Are there any projects on the unscheduled project list (Attachment 7), projects listed above, or new projects not currently listed that Council would like staff to evaluate for adding to the planned CIP?

Question 3: Does Council support staff's recommended approach and criteria to determine which projects to prioritize for the CIP Reserve and C/C Tax funds?

NEXT STEPS

Based on direction provided by Council at the Study Session, staff will develop the recommended list of capital projects for the Fiscal Year 2023-24 through Fiscal Year 2027-28 CIP.

Staff will present the list of recommended transportation capital projects to the Bicycle/Pedestrian Advisory Committee in April 2023 and the recommended Park Land Fund projects to the Parks and Recreation Commission in April 2023 for review and input.

Staff will return to the City Council at a Study Session in May 2023 with the list of recommended capital projects and any further questions staff has to finalize the CIP for City Council adoption in June 2023.

PUBLIC NOTICING

Agenda posting, email to neighborhood associations, and posts on social media and the City's website.

ND-JH-RG-EA-DSC/LL/6/CAM
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- Attachments:
1. Status of Active Capital improvement Program Projects
 2. Active CIP Projects with Bicycle and Pedestrian Improvements
 3. Active CIP Park Projects
 4. Active and Planned Pavement Projects through 2026
 5. Recommended Fiscal Year 2023-24 and Planned Fiscal Year 2024-25 Through 2027-28 Non-Discretionary Projects
 6. Planned Fiscal Year 2023-24 through Fiscal Year 2025-26 Discretionary Projects
 7. Unscheduled Proposed Projects from CIP Adopted in 2021

cc: PWD, APWD—Arango, APWD—Au, APWD—Skinner, PCE—Gonzales, ACE—Houghton, SMA—Doan, SMA—Goedicke