

**DATE:** April 9, 2024  
**TO:** Honorable Mayor and City Council  
**FROM:** Nancy Doan, Senior Management Analyst  
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**VIA:** Kimbra McCarthy, City Manager  
**TITLE:** **Fiscal Year 2024-25 Capital Improvement Program**

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# STUDY SESSION MEMO

## **PURPOSE**

The purpose of this Study Session memo is to provide the City Council an overview of the Capital Improvement Program and obtain City Council input to guide staff in the preparation of the recommended Fiscal Year 2024-25 Capital Improvement Program.

## **BACKGROUND**

This Study Session memo presents:

1. An overview of the Capital Improvement Program (CIP) and second-year planning cycle;
2. The status of active CIP projects;
3. Information about CIP funding sources and financial constraints;
4. Recommendations for prioritizing CIP unrestricted funds;
5. An update to the City's Pavement Condition Index;
6. Planned projects that are scheduled to "roll forward" from the existing CIP;
7. Amended and new projects; and
8. Recommendation for the 1020 Terra Bella Avenue utilities undergrounding project.

## **CIP Overview**

Fiscal Year 2024-25 is the second year of the biennial capital improvement planning cycle. During the second year of the cycle, review is focused on the following types of projects:

1. Projects that are scheduled to “roll forward” for funding in Fiscal Year 2024-25;
2. Modifications to some “roll forward” projects;
3. Amendments to existing projects; and
4. A limited number of new projects.

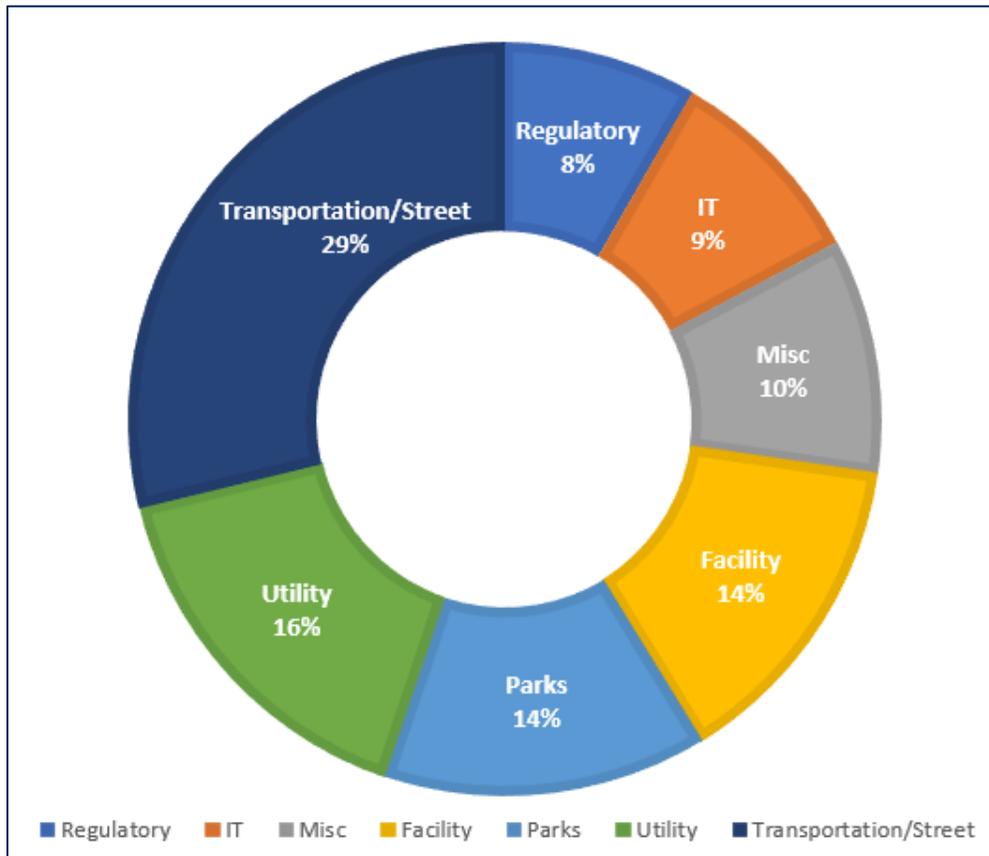
The Capital Improvement Program (CIP) is divided into Non-Discretionary and Discretionary Projects as described below:

- “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 biennial) with small, inflationary adjustments.
- “Discretionary Projects” are those projects that do not fit the nondiscretionary description and require approval of the City Council.

The number and types of projects recommended to be included in the CIP are dependent on staffing and funding resources.

## **Active Projects**

There are currently 336 active projects in the CIP, of which 141 are Non-Discretionary Projects and 195 are Discretionary Projects (Attachment 1). Figure 1 illustrates the breakdown of the active CIP projects by category.



**Figure 1: Active CIP Projects by Category**

Notably, 42 of the active CIPs involve pedestrian and bicycle improvements, and 14 involve park projects. Attachments 2 and 3 provide the status of these projects.

During the CIP development efforts over the past two years, staff reduced the recommended number of new projects to better align with staff’s capacity to deliver the projects and respond to the reduction of available CIP funding as compared to prepandemic amounts. While staffing levels have improved, staff is still catching up to the backlog of capital projects, particularly in pavement, transportation, and larger facility projects. Due to limited staffing capacity for new project delivery and reduced available CIP funding discussed later in this Study Session memo, staff recommends that the number of roll-forward and new CIP projects included in the Fiscal Year 2024-25 CIP be limited.

**CIP Funding Sources**

Depending on the project scope and location, different funding sources may be used. Table 1 lists the funding sources used to fund capital improvement projects.

**Table 1: CIP Funding Sources**

| Funding   | Source and Uses   |
|---|---|
| <b>UNRESTRICTED FUNDS</b>   |   |
| 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/<br>Conveyance Tax<br>(C/C 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.   |
| <b>ENTERPRISE FUNDS</b>   |   |
| 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<br>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.   |
| <b>TRANSPORTATION FUNDS</b>   |   |
| Gas Tax Fund  | As prescribed by state law, restricted to transportation purposes, primarily: <ul style="list-style-type: none"> <li>• Road construction;</li> <li>• Maintenance and repair of roads, highways, bridges, and culverts;</li> <li>• Improvement of public transportation, trade corridors, and infrastructure promoting walking and bicycling;</li> <li>• Reduction of congestion on major corridors; and</li> <li>• Certain administrative costs.</li> </ul> |
| Senate Bill 1 (SB 1)/<br>Road Maintenance<br>and Rehabilitation<br>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.  |

| Funding  | Source and Uses   |
|--|---|
| Vehicle License Fee—<br>2010 Measure B   | Managed by the Santa Clara County Valley Transportation Authority (VTA), 80% is allocated to the cities and County of Santa Clara based on city population and County road and expressway-lane mileage; and primary use of this funding is for road infrastructure maintenance and repair.  |
| VTA Measure B<br>2016 Sales Tax  | Provides formula and competitive grant funding for road infrastructure maintenance and repair, grade-separation projects, and bicycle/pedestrian projects.  |
| General Fund—<br>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"> <li>• Mountain View Community Shuttle;</li> <li>• Caltrain grade-separation projects;</li> <li>• Bicycle and pedestrian improvements; and</li> <li>• New transit systems to employment centers.</li> </ul> |
| <b>SHORELINE REGIONAL PARK COMMUNITY FUND</b>  |   |
| <p>The state Legislature created the Shoreline Regional Park Community. The 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"> <li>• Transportation improvements, including North Bayshore Precise Plan Priority Transportation Improvements;</li> <li>• Sea level rise infrastructure improvements;</li> <li>• Landfill postclosure; and</li> <li>• Utility (water, recycled water, sewer, storm drain) improvements.</li> </ul> |   |

| Funding                             | Source and Uses   |
|-------------------------------------|---|
| <b>DEVELOPMENT FEES AND CHARGES</b> |   |
| Impact Fees                         | Uses are restricted to projects/improvements identified in the relevant impact fee’s nexus study: <ul style="list-style-type: none"> <li>• Shoreline Community Development Impact Fee—Sewer;</li> <li>• Shoreline Community Development Impact Fee—Transportation;</li> <li>• Shoreline Community Development Impact Fee—Water; and</li> <li>• Citywide Transportation Impact Fee.</li> </ul>   |
| 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 the capacity to add new projects. In addition, the cost impacts from recent high inflation rates are creating the need to add funding to existing and planned projects, which reduce funding available for new projects. **The rise in inflation, construction, labor, and material cost increases, coupled with flattened revenues Citywide, have negatively impacted the ability to fund all projects.**

## **Financial Constraints**

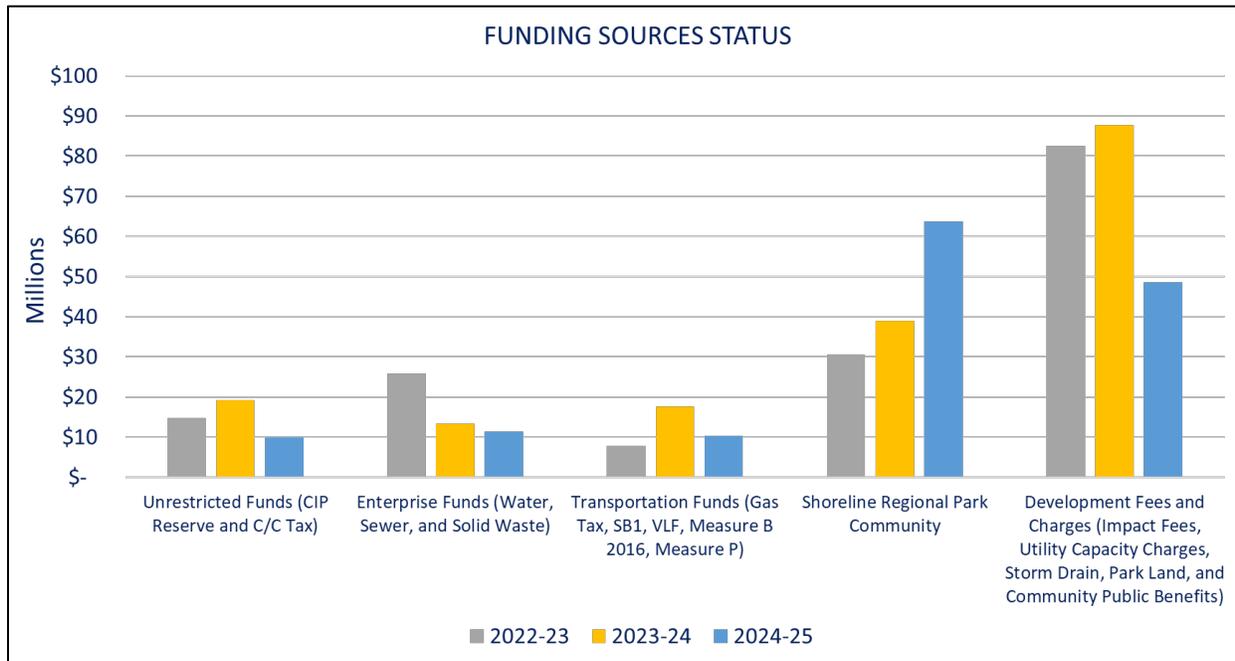
### **Inflation and Cost Rise**

The City continues to experience price inflation in labor and materials in line with regional and national inflationary trends, impacting construction projects and new bids, leading to increased costs and delays. Although reduced from the 2021 rate of 13.4%, the California Construction Cost Index (CCCI) increase was 9.3% and 9.4% in 2022 and 2023, respectively. In the last year, the City has received multiple bids on several CIP projects that have resulted in bids in line with expectations, though not for all projects. This is suggesting that competition is slowly increasing and cost-estimating is taking into account current market rates. While this is beginning to show a turn in a positive direction for the City, staff recommends continuing to adjust project budgets consistent with current cost indices.

In 2023, staff applied a 10% increase to all Discretionary and Non-Discretionary Projects for Fiscal Year 2023-24 to provide a catch-up for the inflation increases. Due to the increase in competition and some leveling of increased costs, there is a potential that the rate of increase this year could be less. Over the past year, the San Francisco Area Consumer Price Index for All Urban Consumers (CPI-U) rate increase has consistently trended downward, from 5% a year ago, to 2.4% in February 2024, the lowest rate of increase since March 2021. In an effort to not overextend limited City funding, staff is recommending applying a 4% increase to all Discretionary and Non-Discretionary Projects with construction programmed in Fiscal Year 2024-25 (Year 2 of the Five-Year CIP). 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**

With the exception of the Shoreline Regional Park Community (Shoreline Community or SRPC), most of the funding sources available for the Fiscal Year 2024-25 CIPs have declined between 15% to 48% as compared to funding in Fiscal Year 2023-24, as shown in Figure 2 and Table 2.



**Figure 2: Funding Sources Status**

**Table 2: Funding Sources Status**

| Funding Balances Available for the CIP                               | 2022-23      | 2023-24      | Estimated 2024-25* |
|--|--------------|--------------|--------------------|
| Unrestricted Funds (CIP Reserve and C/C Tax)                         | \$14,732,000 | \$19,173,000 | \$10,020,000       |
| Enterprise Funds (Water, Sewer, and Solid Waste)                     | \$25,735,000 | \$13,414,000 | \$11,390,000       |
| Transportation Funds (Gas Tax, SB 1, VLF, Measure B 2016, Measure P) | \$7,871,000  | \$17,650,000 | \$5,808,000        |
| SRPC   | \$30,624,000 | \$38,905,000 | \$63,646,000**     |

| Funding Balances Available for the CIP  | 2022-23      | 2023-24      | Estimated 2024-25* |
|---|--------------|--------------|--------------------|
| Development Fees and Charges (Impact Fees, Utility Capacity Charges, Storm Drain, Park Land, and Community Public Benefits) | \$82,504,000 | \$87,630,000 | \$48,611,000       |

\* Anticipated in Fiscal Year 2024-25.

\*\* Higher balance as a result of not programming the full fund balance in Fiscal Year 2023-24.

- Unrestricted Funds**—The CIP Reserve receives most of its revenue from General Fund annual surpluses, and it is unknown whether a further decrease will occur over the next few years because of economic factors. The only other source of funding for the CIP Reserve is from a portion of lease revenue. The CIP received a total of \$31.5 million in CIP Reserve over the last five years but is currently projected to receive \$13 million in the next five years. The C/C Tax funds ongoing maintenance and improvement needs for a variety of projects, such as City buildings/facilities, information technology, parks, pavement, and other transportation improvements. Revenues derived from construction and real property conveyance fees are seeing a significant decline in recent and upcoming years. The estimated available funding for Fiscal Year 2024-25 is 25% less than the previous year, and these reduced funding levels are expected to continue.
- Enterprise Funds**—These funds are generated by fees charged to residential and business customers and are used to fund utility (storm, sanitary sewer, water, and solid waste/landfill) projects. The inflation and cost increase coupled with the reduced consumption is anticipated to negatively impact the Water Fund. A Utility Rate Study and a Solid Waste Study are currently under way and will recommend future water, wastewater, and solid waste rates, starting in Fiscal Year 2024-25, to fund operating and capital project needs associated with these utilities. Following completion of the Utility Rate Study, water and wastewater capacity fees will be evaluated for adjustment, and a strategy will be developed for funding future stormwater system needs.
- Transportation Funds**—The funding received from the Vehicle License Fee, Measure B Sales Tax, and SB 1 for road infrastructure maintenance and repair is expected to remain relatively stable. These three funds combined provide an average of \$4.5 million per year, which provides most of the City’s funding for road maintenance and improvements.

- Gas Tax—The Gas Tax has experienced a significant decline in revenues due to the pandemic and new hybrid remote-work trends. Prior to Fiscal Year 2022-23, the annual allocation of the Gas Tax for road maintenance and improvements ranged from \$1.5 million to \$1.9 million. In Fiscal Year 2022-23, the City received only \$299,000. This revenue source has begun to bounce back, though not to prepandemic levels. The forecast for Fiscal Year 2024-25 is currently \$918,000.
- Shoreline Regional Park Community—At this time, this revenue source has not been affected by the economy. The balance is higher this fiscal year due to staff not programming the full fund balance in Fiscal Year 2023-24. The intent was to set aside a majority of the 2023-24 balance for several future-year CIP projects in the North Bayshore that will require funding within the next two to four years, such as the construction of the North Bayshore Recycled Water Reservoir (\$26 million).
- Developer Fees and Charges—Development activity is substantially 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.

The available funding will be used to fund the roll-forward projects, amendments to existing projects, and a limited number of new projects.

#### Completed Projects to Close

Each year, staff carefully reviews the status of all active capital projects to determine which could be closed at the end of Fiscal Year 2023-24 so that unspent balances can be returned to the appropriate funds and be made available for other capital projects. Recognizing the reduced amount in available funding sources, particularly in Unrestricted Funds, staff was proactive in identifying any eligible projects to close. This effort is resulting in approximately \$20 million of unspent funding being made available for the recommended Fiscal Year 2024-25 planned projects, amendments to existing projects, and new projects. Approximately \$6 million of the unspent funding are unrestricted funds. **Staff's recommendations explained later in this Study Session memo allocate this unspent funding into the recommended Fiscal Year 2024-25 projects.**

#### Recommendations for Prioritizing CIP Unrestricted Funds

Consistent with the City's strategy over the past three 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 reduced funding levels for the unrestricted funds (Table 2), preliminary estimates are that there may be a \$3 million to \$4 million shortfall in CIP unrestricted funds for Fiscal Year 2024-25 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.

Staff also recommends amendments to existing projects be a second priority. Some of these projects may also be without a dedicated funding source, are currently in process, and additional funding is needed for additional scope identified, cost rise, and/or the implementation phase of the project. Providing the additional unrestricted funding allows these existing active projects to continue proceeding forward. These projects are well into design and are closer to the construction phase. Delaying or deferring additional funding will result in loss of time, progress, and a higher cost to reinstate them.

To identify priority for the remaining planned roll-forward Discretionary Projects and new Discretionary Projects, staff recommends using the previously Council-supported criteria from the 2021 CIP process (Fiscal Year 2021-22 through Fiscal Year 2025-26), and reaffirmed on [April 3, 2023](#) with the Fiscal Year 2023-24 through Fiscal Year 2027-28 CIP process. The criteria are as follows:

- Public and personnel safety;
- Compliance with regulatory requirements;
- Keeping City facilities in a state of good repair;
- Local match or cost sharing to secure grants or other funding;
- Pavement rehabilitation/reconstruction and preventative maintenance as needed to maintain the City's current Pavement condition Index (PCI) rating (including the integration of bicycle and pedestrian improvements); and
- Council Strategic Priorities and work plan projects.

**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, prioritizing amendments to existing projects second, and using the criteria listed above to prioritize the remaining Discretionary Projects for CIP Reserve and C/C Tax funds.**

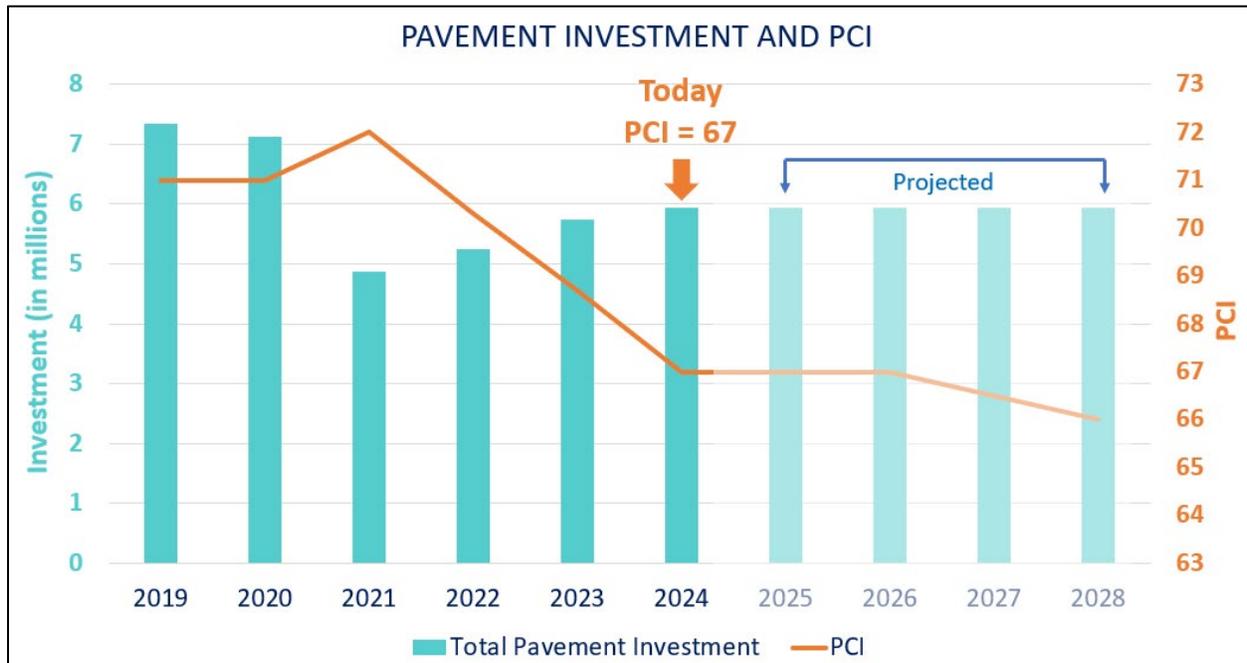
**Question No. 1: Does Council support or have any feedback on staff's recommended approach and criteria to determine which projects to prioritize for the CIP Reserve and C/C Tax Funds?****Pavement Condition Index Update**

The City's street network was recently evaluated by a third-party consultant as part of the Metropolitan Transportation Commission's Pavement Management Program (PMP) and shows the City's PCI has declined to 67. Recently completed and in-process pavement projects, such as Park Drive, Sonia Way, and the SB 1 project, were not included in this evaluation but would not have likely changed the overall PCI rating. The main factor contributing to the decline in PCI was the significant reduced staffing levels between 2020 and 2022, requiring staff to prioritize capital projects with grant funding and other critical deadlines. This created a backlog and delayed delivery of road pavement projects for two years. As a result, the City has accumulated \$34.54 million from various funding sources for paving projects.

Staff is currently addressing the backlog, and the status of projects are:

- Two projects will start construction this calendar year, valued at \$5.16 million.
- Five projects are currently in design with a combined value of \$22.12 million. These five projects in design will start construction in 2025.
- Five projects valued at \$7.26 million have not yet started, but staff expects these to start design in nine months.

As shown in Figure 3, at the current baseline funding levels of approximately \$5.8 million per year, the PCI will continue to slowly decline. While the paving projects planned for construction in 2024 and 2025 may increase PCI, staff expects it will be offset due to the delay in full implementation for almost two years as the pavement continues to degrade. To maintain PCI levels, there will be a need to increase baseline funding levels to avoid further decline. Approximately \$8 million is needed per year (an increase of \$2.2 million per year over current baseline funding) to maintain the PCI, and \$14 million per year for five years (an increase of \$8.2 million per year over current baseline funding) to increase the PCI by five points.



**Figure 3: Pavement Investment and PCI Status**

As a result, staff is recommending to prioritize and continue funding pavement projects to support the City’s pavement maintenance needs. As discussed later in this Study Session memo, staff also recommends deferring two non-pavement maintenance projects planned for Fiscal Year 2024-25 with funding sources using Gas Tax and 2016 Measure B funds and redirecting those funds to pavement projects. More information on the status of the PCI, current paving projects, and program funding needs is included in Attachment 4.

**Fiscal Year 2024-25 Projects and Existing Projects**

**Non-Discretionary/Pavement Roll Forward**

The list of 27 planned Non-Discretionary/Pavement Projects scheduled to roll forward for funding in Fiscal Year 2024-25 is shown in Table 3. These projects are essential in maintaining and preserving the City’s infrastructure and facilities and are recommended for funding. These projects include a 4% increase to account for inflation and are funded from a variety of sources, with CIP Reserve and C/C Tax Funds providing \$5.56 million of the total \$20.68 million in funding.

**Table 3: Fiscal Year 2024-25 Non-Discretionary/Pavement Roll-Forward Projects**

| <b>Project Title</b>   | <b>Funding Source</b>                                 | <b>Funding Amount</b> |
|--|---|-----------------------|
| Annual Street Maintenance (25-01)  | C/C Tax, 2016 Measure B Sales Tax, 2010 Measure B VLF | \$2,153,000           |
| Concrete Sidewalk/Curb Repairs (25-02)                                   | C/C Tax   | \$821,000             |
| SB-1 Streets Project (25-03)   | SB 1  | \$2,000,000           |
| Biennial Installation of ADA Curb Ramps (25-04)                          | C/C Tax   | \$81,000              |
| Public Services Street Section Maintenance (25-05)                       | C/C Tax and Shoreline                                 | \$578,000             |
| Water System Improvements and Recycled Water System Improvements (25-06) | Water   | \$778,000             |
| Wastewater System Improvements (25-07)                                   | Wastewater  | \$199,000             |
| Annual Water Main/Service Line Replacement (25-08)                       | Water   | \$3,200,000           |
| Annual Storm/Sanitary-Sewer Main Replacement (25-09)                     | Wastewater  | \$2,002,000           |
| Shoreline Landfill Gas, Cap, and Leachate Maintenance (25-10)            | Solid Waste   | \$506,000             |
| Shoreline Infrastructure Maintenance (25-11)                             | Shoreline   | \$184,000             |
| Facilities Maintenance Plan (25-12)                                      | CIP Reserve and Shoreline                             | \$989,000             |
| Planned and Emergency Facilities Projects (25-13)                        | CIP Reserve and Shoreline                             | \$695,000             |
| Annual New Energy Conservation Measures (25-14)                          | CIP Reserve and Shoreline                             | \$118,000             |
| Biennial ADA Improvements to City Facilities (25-15)                     | C/C Tax   | \$109,000             |
| Annual Traffic Infrastructure Maintenance/NTMP Improvements (25-16)      | C/C Tax and Shoreline                                 | \$716,000             |
| Annual Parks Renovations/Improvements (25-17)                            | C/C Tax   | \$284,000             |
| Forestry Maintenance Program and Street Tree Replanting (25-18)          | C/C Tax   | \$534,000             |
| Biennial Good Neighbor Fence Replacements (25-19)                        | C/C Tax   | \$44,000              |
| Biennial Tennis Court Resurfacing (25-20)                                | C/C Tax   | \$102,000             |
| Biennial Turf and Bunker Improvements (25-21)                            | Shoreline   | \$338,000             |
| Developer Reimbursements (25-22)   | C/C Tax, Water, Wastewater, and Storm Drain           | \$140,000             |

| Project Title  | Funding Source                     | Funding Amount |
|--|------------------------------------|----------------|
| Maintenance Agreement for JPB/VTA Transit Center (25-23) | Other (Reimbursement)              | \$69,000       |
| North Bayshore Semiannual Traffic Counts (25-24)         | Shoreline                          | \$182,000      |
| Annual Regional Public Safety (25-25)                    | C/C Tax                            | \$180,000      |
| Annual Real Estate Technical and Legal Services (25-26)  | Property Management Reserve        | \$104,000      |
| Annual Capital Improvement Program Development (25-27)   | CIP Reserve, Water, and Wastewater | \$78,000       |

Staff recommends modifications to five of the roll-forward Non-Discretionary Projects:

Biennial Installation of ADA Curb Ramps (25-04)—Staff recommends moving the ADA curb ramp project forward to occur on odd-number years and deferring the Biennial PMP Recertification project to even-number years.

Public Services Street Section Maintenance (25-05)—The roll-forward budget for the Public Services Street Section Maintenance was shown as \$459,000 in the Five-Year CIP adopted in June 2023. Staff recommends a one-time budget increase of \$110,000 from C/C Tax to support the cost increase of street poles and streetlights. This will help the City continue its program of replacing poles on a 40-year life cycle.

Annual Storm/Sanitary-Sewer Main Replacement (25-09)—Staff recommends amending the project title to Annual Sanitary Sewer Main Replacement to reflect the scope of the project.

Shoreline Landfill Gas, Cap, and Leachate Maintenance (25-10)—The roll-forward budget for the Shoreline Landfill Gas, Cap and Leachate Maintenance was shown as \$326,000 in the Five-Year CIP adopted in June 2023. Staff recommends a one-time increase of \$180,000 from Solid Waste and Shoreline Regional Park Community to support the cost increase needed for pumps, materials, and vendor contracts as well as equipment rentals in the City's closed landfill site.

Facilities Maintenance Plan (25-12)—The roll-forward budget for the Facilities Maintenance Plan was shown as \$872,000 in the Five-Year CIP adopted in June 2023. Staff recommends an increase of \$100,000 from the CIP Reserve and creating a subproject every five years for maintenance of the Child-Care Center.

There is sufficient funding for Non-Discretionary Projects, including the recommended modifications for five projects.

*Amendments to Existing Projects*

There are various active CIP projects with recommended changes in the project scope or funding. These amendments to existing projects are recommended for funding to continue ongoing work and progress towards construction and implementation. The recommended amendments are listed in Table 4 and further description of the IT Projects can be found in Attachment 5.

**Table 4: Fiscal Year 2024-25 Amendments to Existing Projects**

| <b>Project</b>   | <b>Amendment</b>   | <b>Justification</b>   |
|--|--|--|
| IT Computer Projects—Permit Tracking (11-18)                           | Increase funding by \$300,000. (C/C Tax, Water, Wastewater)  | Additional funding for professional services   |
| IT Computer Projects (15-18)   | Increase funding by \$100,000 (CIP Reserve, Water, Wastewater)   | Integration of Customer Relationship Management system with Work Order Management System |
| IT Computer Projects (17-18)   | Increase funding by \$100,000. (CIP Reserve, Water, Wastewater)  | Add Zoom Web Conferencing System in City conference rooms                                |
| Shoreline Boulevard Bus Lane (18-43)                                   | Increase funding by \$5,000,000 (Water, Water—NBS Wastewater)  | Increase costs   |
| Upgrades to the Irrigation Pump Station, Phase 1, Construction (19-43) | Add planned construction funding of \$2,160,000 to design phase, add construction and amend title (SRPC)                             | Efficiency and to accurately reflect number of projects                                  |
| Cross Culvert Removal and Storm Drain Extensions (19-49)               | Combining with 24-30 funds of \$710,000 (Wastewater)   | Efficiency of one project providing same scope   |
| Water/Sewer Replacement at 101, Construction (20-41)                   | Funding sources (Wastewater, Sewer-NBS)  | Swapping of funds  |
| Calderon Bike Lane, Mercy to ECR (20-47)                               | Increase funding by \$21,000 (2016 Measure B)  | Administrative funding cleanup   |
| IT Infrastructure and Telecommuting Support (21-33)                    | Increase funding by \$100,000 (CIP Reserve, Water, Wastewater, SRPC)   | Add capacity due to new hires  |
| El Monte Avenue Improvements, Design and Construction (21-38)          | Add OBAG grant funds of \$2,400,000 and add City funds (\$1,500,000) for scope from 22-29 (2016 Measure B, ECR Public Benefit, OBAG) | Transfer grant funds and additional City funds to fund scope                             |

| Project  | Amendment  | Justification  |
|--|--|--|
| City Buildings Workspace Study and Modifications (21-50)                           | Increase funding by \$1,010,000 (C/C Tax)  | City Hall office remodeling  |
| Shoreline Sea Level Rise Study Update (21-54)                                      | Increase funding by \$250,000 (SRPC)   | Add funds for levee repair   |
| Annual Street Maintenance (22-01)  | Add funding of \$30,000 from closed CIP 10-28 (C/C Tax)  | Increase funding from similar scope project for ongoing street maintenance |
| Concrete Sidewalk and Curb Repairs (22-02)   | Combining with 23-02 funds of \$717,000 (C/C Tax)  | Efficiency of one project providing same scope                             |
| Biennial Intersection Traffic Signal System—Major Replacement and Upgrades (22-15) | Funding sources—appropriating developer funds (C/C Tax, Dev. Fund)   | Swapping of funds  |
| El Camino Real Bike/Ped Improvements, Construction (22-29)                         | Transfer OBAG grant funding of \$2,400,000 to El Monte Corridor Improvements (21-38) (OBAG)                                  | Grant funding to be utilized for 21-38                                     |
| MOC Confined Space/Trench, Design and Construction (22-33)                         | Add planned construction funding of \$500,000 to design phase, add construction, and amend title (C/C Tax, Water Wastewater) | Efficiency and to accurately reflect number of projects                    |
| City Hall, HVAC GHG Offset, Phase II (22-34)                                       | Increase funding by \$125,000 for Phase II (CIP Reserve)   | Fully funding tree planting per previous Council direction*                |
| Middlefield and Moffett Sewer Replacement (22-42)                                  | Add planned construction funding of \$9,690,000, add construction, and amend title (Wastewater, Sewer Capacity)              | Efficiency and to accurately reflect number of projects                    |
| SB-1 Streets Project (23-03)   | Combining with 22-03 funds of \$3,080,000. (CIP Reserve, C/C Tax, SB-1)  | Efficiency of one project providing same scope                             |
| Shoreline PVC Landfill Gas Header Replacement, Construction                        | Add planned construction funding of \$2,010,000 to design phase, add construction, and amend title (SRPC)                    | Efficiency and to accurately reflect number of projects                    |
| SRPC Water Control Improvements, Construction (23-44)                              | Add planned construction funding of \$2,000,000, add construction, and amend title (SRPC)                                    | Efficiency and to accurately reflect number of projects                    |

| Project   | Amendment   | Justification   |
|---|---|---|
| Annual Street Maintenance (24-01)                         | Combining with 23-01 funds of \$2,406,000 (C/C Tax, Gas Tax, 2016 Measure B, VLF, Other)                                | Efficiency of one project providing same scope          |
| SB-1 Streets Project (24-03)                              | Transfer OBAG grant funding of \$3,500,000 to Moffett Boulevard Complete Streets (25-03) (OBAG)                         | Grant funding to be utilized for 24-03                  |
| Civic Center Phase III (24-33)                            | Increase funding by \$91,000. (CIP Reserve)   | Added project scope                                     |
| Generator Project, Planning and Implementation (24-34)    | Add planned implementation funding of \$1,000,000 to planning phase, add implementation, and amend title. (CIP Reserve) | Efficiency and to accurately reflect number of projects |
| Creek Assessment and Erosion Repair, Construction (24-43) | Add construction funding of \$1,500,000, add construction to design phase, and amend title (CIP Reserve)                | Efficiency and to accurately reflect number of projects |

\* The original Council-authorized amount for Phase II was \$175,000. Staff inadvertently added only \$50,000 for Phase II during the Fiscal Year 2023-24 CIP planning cycle.

There is sufficient funding for the recommended amendments to existing projects.

### Discretionary Projects

There were 24 new Discretionary Projects scheduled to roll forward in Fiscal Year 2024-25. As part of reviewing and evaluating these projects, staff recommends the following modifications:

- Adjusting budgets based on currently anticipated needs;
- Adding the planned construction funding to the existing project's design phase CIP as an amendment rather than creating a new CIP project for the construction phase. This will result in fewer ongoing CIP active projects, more accurately reflect the actual number of projects, and provide flexibility to use remaining design funds towards construction; and
- Deferring several projects due to prioritizing pavement funding, lack of available funding and staff resources, project schedule changes, and/or previous direction from Council.

These modifications are detailed below.

**Adding Planned Construction Funding to Existing Projects:**

Generator Project, Implementation—Delete the proposed new CIP project for the implementation phase and use the roll-forward budget of \$1,000,000 to amend Generator Project, Planning, Project 24-34, Phase I to increase funding and include implementation in the project title and scope.

MOC-Confined Space/Trench, Construction—Delete the proposed new CIP project for the construction phase to amend the MOC-Confined Space/Trench Design, Project 22-33, to increase funding by \$500,000 and include construction in the project title and scope.

Middlefield and Moffett Sewer Replacement, Construction—Delete the proposed new CIP project for the construction phase and use the roll-forward budget of \$9,690,000 to amend Middlefield and Moffett Sewer Replacement, Design, Project 22-42, to increase funding and include construction in the project title and scope.

Upgrades to the Irrigation Pump Station, Phase 1, Construction—Delete the proposed new CIP project for the construction phase and use the roll-forward budget of \$2,160,000 to amend the Upgrades to the Irrigation Pump Station, Phase 1, Project 19-43, to increase funding and include construction in the project title and scope.

Shoreline PVC Landfill Gas Header Replacement, Construction—Delete the proposed new CIP project for the construction phase and use the roll-forward budget of \$2,010,000 to amend the Shoreline PVC Landfill Gas Header Replacement, Project 23-41, to increase funding and include construction in the project title and scope.

**Recommended Project Deferrals:**

Due to project managers being fully committed with ongoing projects, existing project backlog still remaining, lack of unrestricted funding, and recent City Council direction, staff recommends deferring 14 projects that were scheduled to roll forward in Fiscal Year 2024-25 as summarized in Table 5 below.

**Table 5: Fiscal Year 2024-25 Projects Recommended for Deferral**

| <b>Project</b>   | <b>Planned Funding</b> | <b>Justification</b>                       |
|--|------------------------|--|
| Active Transportation Improvements   | \$1,000,000            | Lack of unrestricted funding               |
| Evelyn Avenue Bikeway (Franklin Street to Bernardo Avenue), Study and Design   | \$2,000,000            | Lack of unrestricted funding               |
| Middlefield Road Sidewalk Across SR-85, Feasibility Study and Preliminary Design   | \$500,000              | Lack of unrestricted funding               |
| El Camino Real/Castro Protected Intersection and Castro Bikeway Improvements (Yosemite/High School), Design and Construction | \$3,871,000            | Staff resources not available              |
| Rengstorff Avenue Adaptive Signal System   | \$3,110,000            | Staff resources not available              |
| Citywide Traffic Signal and Traffic Center Operations, Planning and Design   | \$1,000,000            | Lack of unrestricted funding               |
| El Camino Real Median Landscaping Project  | \$195,000              | Waiting on Caltrans work to be completed   |
| Callahan Field (Crittenden) Lighting Upgrade   | \$470,000              | Staff resources not available              |
| Rengstorff House Restoration, Interior and Outdoor, Construction   | \$6,000,000            | Project phase not ready to move forward    |
| 711 Calderon Park, Design and Construction   | \$2,000,000            | Lack of park land and unrestricted funding |
| CPA Roof Repair and Replacement  | \$1,800,000            | No current issues with the roof            |
| Shoreline Area Irrigation Main Improvements, Construction (Phase 1)  | \$4,060,000            | Project phase not ready to move forward    |

These projects will be moved into a future fiscal year as part of the next five-year CIP planning process in 2025.

Staff recommends the 2016 Measure B supplemental funds identified for Active Transportation Improvements and the Gas Tax supplemental funds identified for Evelyn Avenue Bikeway, in the combined amount of \$1.5 million, be reserved and redirected toward existing paving projects.

Two additional projects were scheduled to roll forward and are also being deferred:

- Transit Center Grade Separation, Additional Construction (\$33 million)
- Rengstorff Grade Separation, Construction (\$105 million)

These were originally intended to be placeholders as both have significant funding needs dependent on grants and other potential future sources. At the [January 23, 2024](#) Council Study Session, Council directed staff to prioritize the staff-recommended Rengstorff Grade Separation project, including utilizing the planned Measure B funding for the Castro Street Grade Separation toward the Rengstorff Avenue Grade Separation. Caltrain will be starting the final design phase for the Rengstorff Grade Separation project this year, and the construction phase is expected to begin in 2026. These two allocations for construction funding are recommended to be deferred as they are not yet needed and the funding is not available for programming.

Staff did evaluate reprioritizing existing active projects to identify an option of having a few of the staff-recommended deferred projects shown in Table 5 remain. The best candidate projects are those that are using unrestricted funds and have just started design or are not yet started. After evaluation, staff determined that due to the category of projects predominately falling within the criteria for prioritizing CIP unrestricted funds previously mentioned, the active projects have warranted needs, and staff does not recommend defunding one or more projects to fund a new Discretionary project. **Should Council wish to have a project move forward, a currently active project with similar funding would need to be put on hold to free up both unrestricted funds and staff resources.** The projects evaluated are shown in Table 6.

**Table 6: Active Projects Using Unrestricted Funds**

| Project Year | Project Title   | Category | FUNDING SOURCES                | UNRESTRICTED AMOUNT (thousands) |
|--------------|---|----------|--------------------------------|---------------------------------|
| 2023-24      | Street Reconstruction Project (24-28)   | Pavement | CIP Reserve and 2016 Measure B | \$120                           |
|              | Fire Station No. 3, Feasibility Study and Preliminary Design (24-31)                    | Facility | CIP Reserve                    | \$1,000                         |
|              | Firefighter Personal Protective Equipment Storage at Fire Stations, 1, 3, and 4 (24-32) | Safety   | CIP Reserve                    | \$1,250                         |
|              | Security Badge System, Phase II and III (24-35)   | Facility | CIP Reserve                    | \$120                           |

| Project Year | Project Title  | Category                  | FUNDING SOURCES           | UNRESTRICTED AMOUNT (thousands) |
|--------------|--|---------------------------|---------------------------|---------------------------------|
| 2022-23      | Hope Street and Villa Street Traffic Signal Installation (23-29) | Cost Share with Developer | C/C Tax                   | \$1,070                         |
|              | Fire Bay Door Evaluation and Replacement (23-32)                 | Maintenance               | CIP Reserve               | \$470                           |
|              | Adobe Building—Patio Tiles Replacement (23-34)                   | Safety                    | CIP Reserve and C/C Tax   | \$700                           |
|              | Citywide Benchmark Program (23-38)                               | Maintenance               | C/C Tax                   | \$190                           |
| 2021-22      | MOC Confined Space/Trench, Design (22-33)                        | Safety                    | C/C Tax, Water, and WW    | \$126                           |
|              | SCT Bridge Over Central/Evelyn Replace Deck and Paint (22-35)    | Facility                  | CIP Reserve and Park Land | \$1,212                         |

North Bayshore Discretionary Transportation Projects

This section is separated from the others to clearly outline transportation project changes to the Shoreline Regional Park Community Fund. As previously mentioned, current development activity has significantly slowed, including in the North Bayshore Area with changed traffic conditions in and out of North Bayshore. This has prompted staff to reconsider the timing of three projects. Staff is recommending closure of two existing projects and deferral of one new project as follows:

- Close: Landings Frontage Road (Landings to Permanente Creek), Project 22-28.

This project funded 50% of the Landings frontage road construction, consistent with the condition of approval for the development project, and is no longer needed at this time. As North Bayshore employers continue to support remote work policies and more flexible commute schedules, they are reconsidering office space needs. As a result, the largest employer, Google, is not planning any new office development at this time and is terminating the Google Landings office development.

- Close and add to Unscheduled Proposed Projects: Landings Frontage Road Connections (Rengstorff Avenue to Plymouth Street), Design, Project 23-28.

As a result of Google terminating its Landings office development, this project is recommended to be closed and deferred to a later date. Staff will continue to monitor developments in the North Bayshore and reprioritize this project as the need arises.

- Defer: Shoreline Boulevard Cycle Track and Bus Lane Extension from Plymouth Street to Charleston Road (Planned Fiscal Year 2024-25 CIP).

This project is the next phase of the Shoreline Boulevard Interim Bus Lane and Utility Improvements project that would extend the transit lane from Plymouth Street to Charleston Road. Staff is not ready to move this project forward until the Shoreline Interim Bus Lane and Utility Improvements and the Plymouth/Space Park Realignment projects are complete. Staff recommends deferring this project to a later year.

**Recommended Roll Forward Discretionary Projects:**

As a result of the recommended modifications and deferrals listed above, staff recommends four CIP Discretionary Projects to roll forward to Fiscal Year 2024-25 as shown in Table 7. These projects address priority pavement maintenance needs, safety improvements, and initiating a study update for the Shoreline Landfill Master Plan.

**Table 7: Fiscal Year 2024-25 Discretionary Roll-Forward Projects**

| Project Title   | Funding Source                       | Funding Amount |
|---|--------------------------------------|----------------|
| Street Reconstruction   | C/C Tax and 2016 Measure B Sales Tax | \$1,000,000    |
| 2024-25 City Bridges and Culverts Structural Inspection and Repairs | C/C Tax and Shoreline                | \$371,000      |
| Cross Culvert Removal and Storm Drain Extensions                    | Storm Drain and Gas Tax              | \$707,000      |
| Shoreline Landfill Master Plan Study Update                         | Shoreline                            | \$720,000      |

**New Discretionary Projects**

During the roll-forward year of the CIP funding cycle, new projects are generally limited to projects that have more immediate needs and should not wait until the next five-year CIP

planning process. In reviewing the new project requests, staff recommends that Council support the new projects listed in Table 8 as part of the Fiscal Year 2024-25 CIP based on immediate needs, available funding and staff resources, and the criteria previously supported by Council. These projects would be funded with the typical funding sources available for CIPs.

**Table 8: Fiscal Year 2024-25 New Discretionary Projects**

| Project Title  | Funding Source            | Funding Amount |
|--|---------------------------|----------------|
| <p><b>Park Impact Fees Nexus Study</b><br/>This project will conduct a nexus study of Parks and Recreation Development Impact fees as outlined in the City’s 2023-2031 Housing Element, Program 1.8 Park Land Ordinance Update.</p>  | CIP Reserve               | \$120,000      |
| <p><b>Shoreline Coastal Habitat Restoration, Planning and Design</b><br/>This project will restore tidal marsh and wetland habitats at Mountain View Slough and at the lower reach of Permanente Creek.</p>  | Shoreline                 | \$1,200,000    |
| <p><b>Watershed Management On-Call</b><br/>This project will provide engineering support on various tasks related to watershed management, including storm drain system condition assessment, site-specific preliminary study, and other engineering and design support as needed.</p> | Storm Drain and Shoreline | \$250,000      |
| <p><b>Monta Loma Playground Renovations, Construction</b><br/>This project is for renovations to the public playground at Monta Loma Elementary school.</p>  | CIP Reserve               | \$330,000      |
| <p><b>Eagle Park Pool Improvements</b><br/>This project will improve the Eagle Park Pool, including deck replacement, replastering of the pool, removal of the 3M diving board, relocation of the 1M diving board, and installation of new pool lights.</p>                            | Park Land                 | \$1,800,000    |

**Question No. 2: Does Council support or have modifications to staff’s recommendations for the Fiscal Year 2024-25 CIP project recommendations, including the Roll-Forward, modified Non-Discretionary Projects, amendments to existing projects, modified Discretionary Projects, and new projects?**

## **Equity Lens**

Staff reviewed the new Discretionary Projects and project amendments recommended in the Fiscal Year 2024-25 CIP in terms of benefit and/or burden to communities of color and/or low-income residents. Staff did not identify any CIP projects that would burden communities of color and/or low-income residents.

Many projects were considered neutral in terms of burden or benefit and are prioritized based on preventive maintenance, replacing infrastructure at end of useful life or at risk of failure, regulatory requirements, and safety. Examples of these projects include street reconstruction, water and sewer main replacement/utility improvements, bridge structural inspections/repairs, and park and facilities improvements.

## **Underground Utilities at 1020 Terra Bella Avenue**

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, currently anticipated to be in approximately 18 months.

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 the overhead utilities along the Terra Bella Avenue frontage for the 1020 Terra Bella Avenue affordable housing project. The rough order of magnitude cost for this project was anticipated to be around \$1 million. As part of the adopted Fiscal Year 2023-24 through Fiscal Year 2027-28 CIP on [June 27, 2023](#), Council approved redirecting the 1001 North Shoreline Boulevard project's community benefit funds for undergrounding the utilities at 1020 Terra Bella Avenue (Underground Utilities at 1020 Terra Bella, Project 24-38).

Staff has been actively working with the developer (Alta Housing) on a funding agreement for Alta Housing to deliver the undergrounding of utilities as part of the development project. This allows the underground work to be coordinated with their project and take place as a part of their street frontage improvements for efficiency and to minimize disruption. As part of this effort, staff expects to return to Council this spring for authorization to enter into a funding agreement with Alta Housing for the City to fund the undergrounding of utilities design and construction. Staff recently received an updated cost estimate of \$2.7 million. This is still preliminary as the design effort has not started that would provide a more accurate cost estimate, specifically for construction. A majority of the costs (\$2.2 million) are for the construction phase of the project. The design phase of the project would start once a funding agreement is executed, and design is expected to be complete by summer 2025. There is

sufficient funding in the project for design, however, funding of approximately \$1.7 million, or more, will be needed in summer 2025 for Alta Housing to contract for the work and for the City to fully fund the project. There is no dedicated funding source for this project, and the additional \$1.7 million would have to come from unrestricted funds.

Due to the decline in unrestricted funding revenues, expected projection of these revenues to remain low, and continued demand for other projects without dedicated funding sources, including pavement improvement projects, staff recommends closing the Underground Utilities at 1020 Terra Bella, Project 24-38, and redirecting the community benefit funds back to active transportation improvements in the Terra Bella area.

As an alternative to closing the project, Council can direct staff to defer the project until additional funding for construction can be identified as a midyear project update or part of the next CIP planning process in 2025. The City may have to then design and construct the project separate from the Alta Housing project. This would result in the loss of efficiency of the developer delivering the project while constructing other improvements along their frontage, including additional delay costs, and the general disruption caused by construction activities for the future 1020 Terra Bella residents and Terra Bella neighborhood.

**Question No. 3: Does Council support staff's recommendation to close Underground Utilities at 1020 Terra Bella, Project 24-38, and redirect the community benefit funds to active transportation improvements in the Terra Bella area?**

### **RECOMMENDATION**

Staff seeks Council input regarding the following to allow staff to finalize the Recommended Fiscal Year 2024-25 CIP.

Question No. 1: Does Council support or have any feedback on staff's recommended approach and criteria to determine which projects to prioritize for the CIP Reserve and C/C Tax Funds?

Question No. 2: Does Council support or have modifications to staff's recommendations for the Fiscal Year 2024-25 CIP project recommendations, including the Roll-Forward, modified Non-Discretionary Projects, amendments to existing projects, modified Discretionary Projects, and new projects?

Question No. 3: Does Council support staff's recommendation to close Underground Utilities at 1020 Terra Bella, Project 24-38, and redirect the community benefit funds to active transportation improvements in the Terra Bella area?

**NEXT STEPS**

Based on the direction provided by Council at this Study Session, staff will develop and present the recommended Fiscal Year 2024-25 CIP to the City Council for adoption on June 25, 2024.

**PUBLIC NOTICING**

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

ND-JH-RG-EA-DSC

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- Attachments:
1. Active CIP Projects
  2. Pavement and/or Pedestrian and Bicycle Improvements
  3. Park Projects
  4. City Pavement Condition Report
  5. IT Memo

cc: PWD(A), APWD(A)—Byrer, APWD—Au, SMA—Doan, SMA—Goedicke, PCE—Gonzales, SCE—Houghton