

**DATE:** March 25, 2025

**TO:** Honorable Mayor and City Council

**FROM:** Nancy Doan, Senior Management Analyst  
Joy Houghton, Senior Civil Engineer  
Robert Gonzales, Principal Civil Engineer  
Edward Arango, Assistant Public Works Director/  
City Engineer  
Jennifer Ng, Public Works Director

**VIA:** Kimbra McCarthy, City Manager

**TITLE:** **Fiscal Year 2025-26 through Fiscal Year 2029-30  
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 for the preparation of the recommended Fiscal Year 2025-26 through Fiscal Year 2029-30 Capital Improvement Program. This is the first of two planned Study Sessions prior to the scheduled adoption of the Capital Improvement Program on June 24, 2025.

## **BACKGROUND**

This Study Session memo presents:

1. An overview of the Capital Improvement Program (CIP) and the five-year planning cycle;
2. A summary of active CIP projects;
3. Information about CIP funding sources;
4. Challenges with financial and staffing workload constraints;
5. Status of the City's pavement program;
6. Recommendations for prioritizing CIP unrestricted funds;
7. Planned projects that are scheduled to "roll forward" from the existing CIP; and
8. New projects Council would like staff to evaluate.

## **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, The View Teen Center, Michaels at Shoreline, Adobe Building, Rengstorff House, and the Municipal Operations Center.

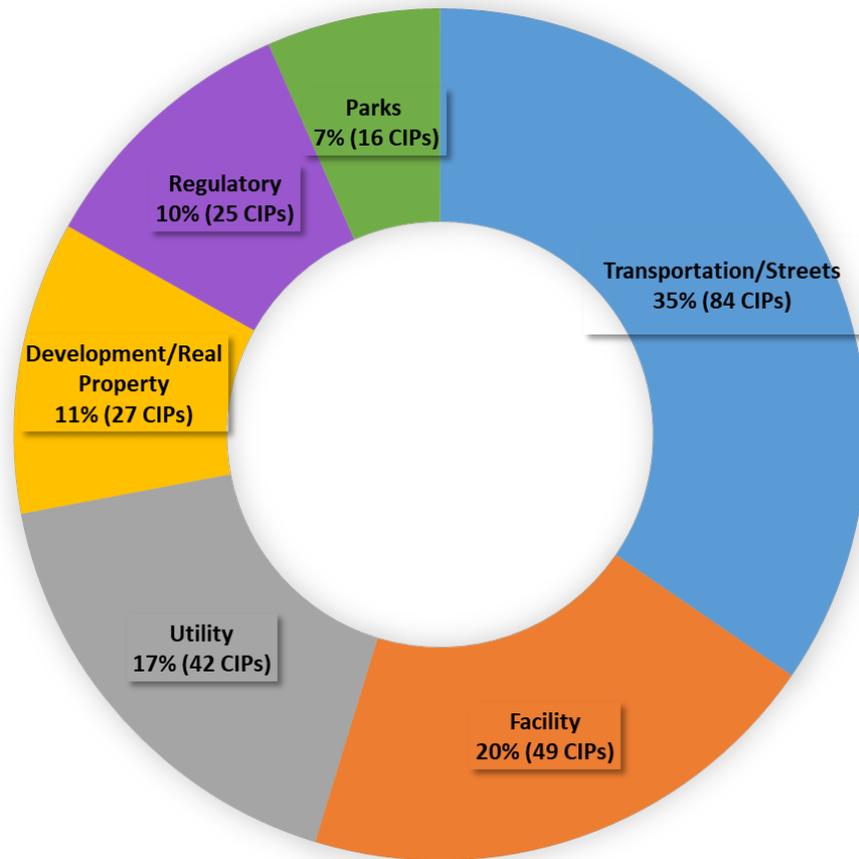
The five-year CIP is adopted biennially, with a full plan developed in odd-numbered years and a focus only on the upcoming fiscal year in even-numbered years. This year is a full plan development. In June 2025, staff will recommend the City Council appropriate funding for the Fiscal Year 2025-26 CIP 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, and are described as follows:

- **Non-Discretionary Projects.** These 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.** Projects that do not fit the Non-Discretionary Projects category are considered Discretionary Projects.

## **Active CIP Projects**

There are currently **303 active projects in the CIP** (see Attachment 1), of which 243 are managed by the Public Works Department (Public Works). Figure 1 illustrates the breakdown of the active Public Works projects by category.



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

Notably, 35% of the active CIPs delivered by Public Works involve active transportation and street improvements, 20% involve facilities (approximately one-third of these are considered routine maintenance and improvements), and 7% involve park projects. Attachments 2 and 3 provide the status of the active transportation and park projects.

During the CIP development efforts over the past several years, a concentrated effort has been made to reduce the recommended new projects and close out older projects in order to align staff's capacity for project delivery and respond to the reduction of available CIP funding sources due to current financial constraints and uncertainties. While several projects have been delivered and closed and staffing levels have improved, **staff is still catching up on the backlog of major capital projects, particularly in pavement, transportation, and larger facility projects.** In particular, transportation and large facility projects tend to be more complex, require significant outreach, and are overall time-consuming of staff resources.

**In the spring 2021 Study Sessions for the five-year CIP, Council supported staff's approach to limit the number of new projects each year to help manage the workload and to catch up on the current backlog.** Table 1 shows the trend in number of new projects since Fiscal Year 2013-14.

**Table 1: Capital Improvement Program Workload—New Projects Added**

Fiscal Year	Non-Discretionary	Discretionary	Total
2013-14	28	28	56
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			<b>58</b>
2021-22	26	17	43
2022-23	25	21	46
2023-24	27	18	45
2024-25	27	11	38
Annual Average since 2021			<b>43</b>

**The number of yearly, newly added projects exceeds the amount of project completions, resulting in an ever-increasing backlog of projects.**

### **CIP Funding Sources**

The City's CIP is funded through a variety of sources. Some, such as the Water, Wastewater, and Solid Waste Funds, are enterprise funds with revenue primarily from water, sewer, and solid waste fees and charges paid by businesses and residents. These funds must be used exclusively on water-, wastewater-, and solid-waste-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. The CIP Reserve and C/C Tax are, therefore, usually the most in demand 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
<b>UNRESTRICTED FUNDS</b>	
<b>CIP Reserve</b>	General Fund operating balances 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.
<b>Construction/Conveyance Tax</b>	Revenues derived from construction and real property conveyance tax 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>	
<b>Water Fund</b>	Revenues derived through fees and service charges charged directly to the users. Restricted to operation and maintenance of all facilities required to supply, distribute, and meter potable and recycled water.
<b>Wastewater Fund</b>	Revenues derived through fees and service charges charged directly to the users. Restricted to operation and maintenance of all facilities required to transport and process wastewater.
<b>Solid Waste Management Fund</b>	Revenues derived through fees and service charges charged directly to the users. 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>	
<b>Gas Tax Fund</b>	<p>As prescribed by state law, restricted to transportation purposes, primarily:</p> <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>

Funding	Source and Uses
<b>Senate Bill 1 (SB 1)/Road Maintenance and Rehabilitation account (RMRA)</b>	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.
<b>Vehicle Registration Fee— 2010 Measure B</b>	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.
<b>VTA Measure B 2016 Sales Tax</b>	<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"> <li>• 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.</li> </ul>
<b>General Fund - Transportation Reserve</b>	<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>

Funding	Source and Uses
<b>SHORELINE REGIONAL PARK COMMUNITY FUND</b>	
<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 the 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, sewer, storm drain) improvements.</li> </ul>	
<b>DEVELOPMENT FEES AND CHARGES</b>	
<b>Impact Fees</b>	<p>Uses are restricted to projects/improvements identified in the relevant impact fee’s nexus study:</p> <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 (TIF).</li> </ul>
<b>Utility Capacity Charges</b>	<p>Used for new or upsized water and sewer utility mains to meet growing service demands Citywide.</p>
<b>Storm Drain Fund</b>	<p>Revenues derived from off-site drainage fees authorized by Mountain View City Code Section 28.51, which are restricted for storm drainage capital improvements.</p>
<b>Park Land Dedication Fund</b>	<p>Revenues derived from fees authorized by Chapter 41 of the Mountain View City Code, which are restricted for park and recreation projects.</p>
<b>Community and Public Benefit Funds</b>	<p>A developer may be required by 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.</p>

*Measure G*

On November 5, 2024, Mountain View voters overwhelmingly passed Measure G (Real Property Conveyance Tax Measure), with over 72% voting in favor of creating an additional tier to the existing property transfer tax for transactions over \$6 million. The new tax passed is Fifteen Dollars (\$15) for each One Thousand Dollars (\$1,000) of the total sales price. On [December 10, 2024](#), the City Council certified the election results and per the ordinance, Measure G became effective 10 days later, on December 20, 2024. Based on historical revenue trends, the average estimated additional annual revenue generated by Measure G is expected to be approximately \$9.5 million.

On [September 10, 2024](#), Council adopted a resolution establishing programmatic goals and spending priorities for the revenue generated by Measure G as listed in Table 3.

**Table 3: Measure G Spending Priorities**

Spending Priorities—2024 Property Transfer Tax, Measure G*	
35%–40%	Public Safety Facilities
30%–35%	Parks and Open Space
20%–25%	Affordable Housing
5%–15%	Other General Government Services (Road maintenance, small business support, homelessness prevention, active transportation, biodiversity, workforce development)

---

\*Also includes a windfall provision for revenue amounts above \$12 million.

*Process*

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 proposed 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 as well as a significant number of complex, high-visibility projects. Available staffing

resources also limit the ability to add and deliver new projects. In addition, the cost impacts of material and labor costs are creating the need to add funding to existing and planned projects, which reduces available funding for new projects. The rise in construction, labor, and material cost increases, coupled with flat or slow-growing revenues Citywide, have negatively impacted the ability to fund all projects.

## **Financial Constraints**

### **Inflation and Cost Rise**

Overall, the national economy has started the 2025 calendar year in a good position, maintaining momentum from 2024. Consumer spending continues to be the driving force behind the solid economic growth the nation has been experiencing. However, the nation is facing significant potential challenges, volatility, and uncertainties. Inflation still remains a concern, with consumer prices remaining elevated.

With the new significant tariffs imposed on goods imported from Canada, China, and Mexico, consumers could see further increased pressure on prices of certain goods in the near future. Even if tariffs are delayed or reduced, upward pressure on prices of imported goods are expected. Any projects that are already under construction, and for which the contractors have ordered or received goods, will likely not see increases. However, for projects under construction where materials have not been ordered, staff is bracing for contractors possibly submitting change orders for escalation in material costs for projects under way, or, for projects not yet bid, cost increases on bid day to hedge uncertainty with respect to tariffs. Staff is not clear to what extent new tariffs on steel and aluminum will have on project costs, but the expectation is that these will directly affect higher material costs for utility, traffic, and building projects, and may strain supply chains.

While inflation has come down a great deal over the past 2-1/2 years, the Federal Reserve's target rate of 2% has still not been reached. Additionally, California is anticipated to experience upward pressure on construction costs in the near term with several major events that will generate construction demand anticipated for the Bay Area and for the state, including the 2026 Super Bowl, the 2026 World Cup, and the 2028 Los Angeles Olympics. The large amount of construction activity being experienced in the local Bay Area has made it difficult to accurately estimate project costs as labor for specialty trades is in high demand and short supply.

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. Although reduced from the 2023 rate of 9.4%, the California Construction Cost Index (CCCI) increase was 2.3% in 2024. 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

suggests that competition is slowly increasing and cost-estimating is taking into account current market rates. Staff recommends continuing to adjust project budgets to account for inflation.

Historically, staff applied a 2% increase to all Discretionary and Non-Discretionary Projects for the Year 1 projects in the CIP. In 2023 and 2024, staff applied a 10% and 4% increase, respectively, to all Year 1 Discretionary and Non-Discretionary Projects for Fiscal Years 2023-24 and 2024-25 to provide a catch-up for inflation increases. Over the past year, the San Francisco Area Consumer Price Index for All Urban Consumers (CPI-U) rate increase has decreased from 3.8% a year ago to 2.4% in December 2024. **With the uncertainty of the materials market, staff is recommending applying a 4% increase to all Discretionary and Non-Discretionary Projects with construction programmed in Fiscal Year 2025-26.** Active and already funded projects needing additional funding due to cost increases will be presented to the City Council for approval of additional appropriation on a case-by-case basis. **Years 2 through 5 of the CIP are considered planning years and, as such, the Discretionary Projects that are not in the construction phase do not receive inflationary increases.** As a result, when those projects move into Year 1, funding is typically increased as project needs are refined and may include inflationary adjustments.

#### Status of CIP Funding Sources

Staff has been tracking the funding sources and, over the past three years, most funding sources have declined or remained flat. Figure 2 and Table 4 outline the five major funding sources that the CIP relies on.

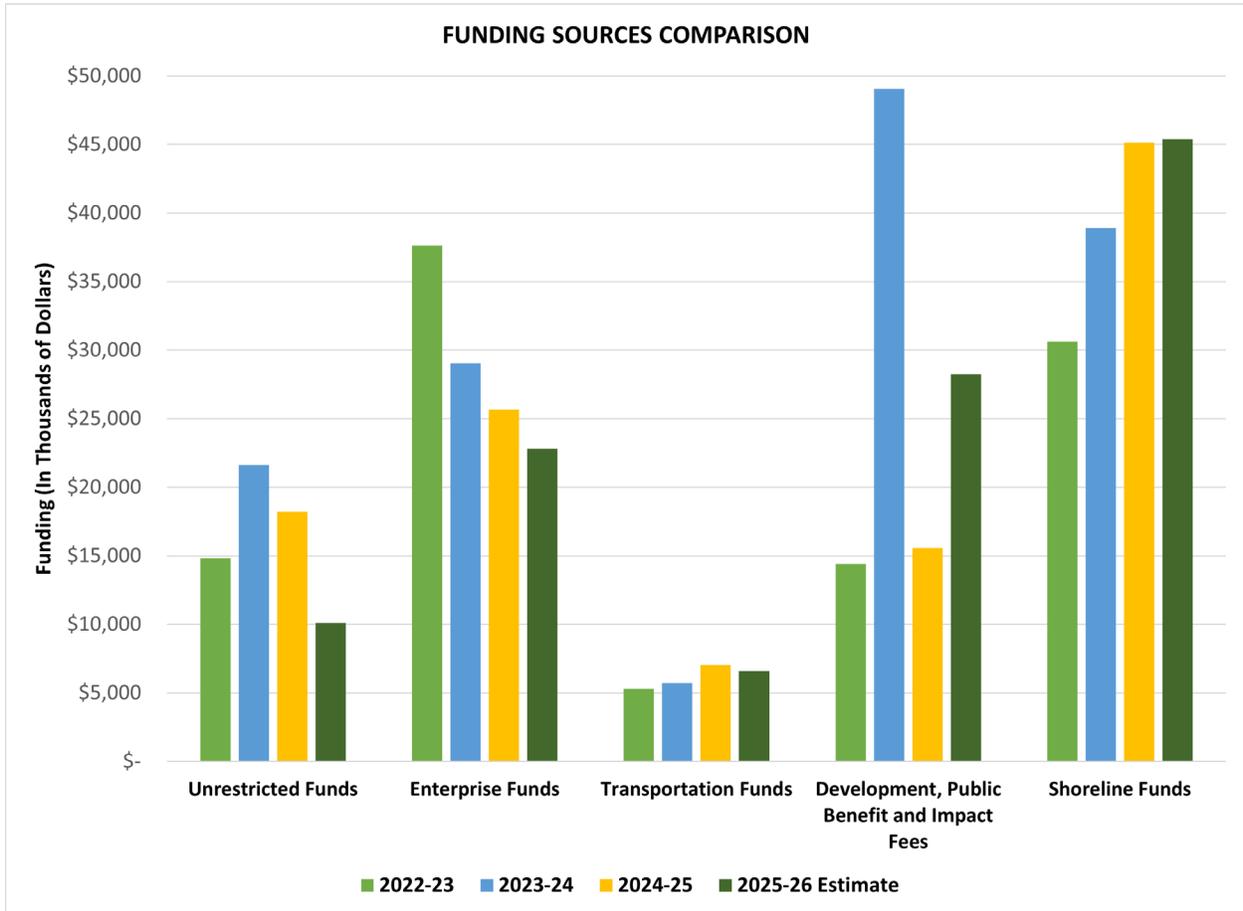


Figure 2: Funding Sources Status

**Table 4: Funding Sources Status**

(in thousands of dollars)				
Funding Balances Available for the CIP as of July 1	2022-23	2023-24	2024-25	Estimated 2025-26
<b>Unrestricted Funds (CIP Reserve and C/C Tax</b>	\$ 14,732	\$19,173	\$18,216	\$10,123
<b>Enterprise Funds (Water, Sewer, and Solid Waste), includes Capacity Charges</b>	\$37,639	\$29,034	\$25,689	\$22,825
<b>Transportation Funds (Gas Tax, SB 1, VRF, Measure B 2016)*</b>	\$ 5,318	\$ 5,738	\$ 7,041	\$ 6,581
<b>Development, Public Benefits and Impact Fees</b>	\$14,393	\$49,053	\$15,568	\$28,249
<b>Shoreline Regional Park Community</b>	\$30,624	\$38,905	\$45,146	\$45,374**

\* Does not include Measure P, programmed for the community shuttle and grade separation projects.

\*\* Estimates do not include newly approved and/or increased SRPC Reserve Funds.

- Unrestricted Funds**—The unrestricted funds are highly affected by the City’s economy. In the past, these funds have relied on one-time increases, helping to stabilize the CIP Reserve and fund necessary projects. While specific projects within the CIP will benefit from the Measure G funds, the CIP as a whole will likely not benefit from these funds during this CIP adoption. **The estimated available funding of unrestricted funds in Fiscal Year 2025-26 is expected to be over 40% less than the previous year.** Factors, such as closing active projects to release available unrestricted funding, will positively impact this estimate. Staff will be evaluating to what extent this will be possible this year. 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 utility (storm, sanitary sewer, water, and solid waste/landfill) projects. The inflation and cost increase, coupled with reduced water consumption, is anticipated to negatively impact the Water Fund. The City completed a Water and Wastewater Rate Study in June 2024, which was used to establish a five-year schedule of water and sewer rates to fund water and sewer operations and infrastructure projects. An updated Water and Wastewater Capacity Fee study is nearing completion and

will inform water and sewer capacity fees for Fiscal Year 2025-26, which will support utility projects. Evaluation of options for a new storm water fee is scheduled by the end of the calendar year to fund upcoming stormwater infrastructure projects.

- Transportation Funds—The funding received from the Vehicle Registration Fee, Measure B Sales Tax, and SB 1 for road infrastructure maintenance and repair is expected to remain relatively stable as compared from last year. These three funds combined provide an average of \$5 million per year, which provides most of the City’s funding for road maintenance and improvements.
- Gas Tax—The Gas Tax has been volatile and experienced a significant decline in revenues due to the pandemic, new hybrid remote-work trends, and rise in purchases of electric vehicles. However, recently, this revenue source has begun to bounce back. The forecast for Fiscal Year 2025-26 is currently \$1.5 million (4.2% higher than 2024-25).
- Shoreline Regional Park Community—At this time, this revenue source has not been affected by the economy. Although the balance appears high again this fiscal year, staff is setting aside a majority of the balance for several future year CIP projects in the North Bayshore Area that will require funding within the next two to four years, such as the construction of the North Bayshore Recycled Water Reservoir, estimated at \$22 million and partial funding for the Rengstorff Avenue Grade Separation Project, estimated at \$25 million.
- Developer Fees and Charges—Development activity continues to be substantially reduced due to the economic downturn; as a result, fee revenue from sources, including TIF, are substantially reduced as well as a reduction in Community and Public Benefits, which have historically provided significant funding for transportation improvements.

The projected available funding will be used to fund nondiscretionary roll-forward projects and amendments to existing projects. **At this time, it is not clear if new projects that rely significantly on unrestricted funds will be able to be funded in Year 1 of the proposed five-year CIP due to a large number of active projects to be amended to increase funding.**

### **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 Shoreline Community funds, there is no

other CIP funding source for most City facilities, which are facing growing demands due to recent strategic property purchases and ongoing maintenance of City properties, 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 condition and to repair/improve other roadway infrastructure, such as traffic signals, streetlights, sidewalks, and trees/landscaping;
- Supplementing bicycle, pedestrian, and other transportation improvements to meet sustainability goals by reducing greenhouse gas (GHG) emissions and to support the City's jobs and housing growth; and
- Sustainability projects that support the City Council's Strategic Priorities and are not fully funded by outside grants.

**CIP Reserve**—The CIP Reserve receives most of its revenue from General Fund annual surpluses, and it is unknown whether a further decrease in revenue will occur over the next few years due to economic factors. The only other source of funding for the CIP Reserve is from a portion of lease revenue. In both the previous years, the CIP Reserve has benefited from one-time transfers from the General Fund operating balance (\$7 million for 2023-24 and \$4 million for 2024-25). This has helped each year fund major transportation and infrastructure improvement projects. It is currently unknown if future General Fund operating balances will be available for additional funding to the CIP Reserve and should not be counted on. A preliminary review of the Fiscal Year 2025-26 budget will be presented to the City Council on April 8, 2025 which will provide information on projected available funding.

**C/C Tax**—The C/C Tax funds ongoing maintenance and improvement needs for a variety of projects, such as City buildings/facilities, information technology, parks, pavements, and other transportation improvements. Revenues derived from construction and real property conveyance fees have been declining in recent years. 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. While Measure G will provide additional revenue, the Council-adopted spending priorities focus the revenue on those specific categories. 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, it is estimated that

less than \$7 million will be available for the Fiscal Year 2025-26 CIP, creating a funding deficit as compared to recent history.

### **Staff Workload Constraints**

As previously mentioned, staff continues to catch up on the backlog of active CIPs, including major capital projects, particularly in pavement, transportation, and larger facility projects. This is largely the result of temporary, significantly reduced staffing levels in previous years, staff actively working on complex/large-scale projects requiring additional effort and time, in combination with the addition of new projects in those same years. This required staff to prioritize grant-funded, regulatory compliance, and Council Strategic Priorities and Work Plan projects with critical deadlines. There were 336 active projects at this time last year, and this year, there are currently 303 active projects. Of these active projects, approximately 27 have not yet started or on hold due to staff workload constraints.

A typical CIP project can be completed in two to three years from the start of design to completion of construction, assuming a regular project type, no community outreach required, a valuation under \$2 million, and a standard workload of approximately three to four projects assigned to each project manager. There are many major capital projects that due to their complexity will take longer than three years to complete and others that will take up to or more than five years to complete. These projects are often consistent with a Council priority and are highly visible, requiring public engagement as well as Council and Committee input. These include the Stevens Creek Trail Extension, Public Safety Building, Castro Street and Rengstorff Avenue Grade Separation projects, Complete Street projects, and Recycled Water infrastructure. Major capital projects are defined as projects with an extended delivery timeline due to scale, complexity, and/or new visible elements requiring community outreach and engagement, and multiple interagency/stakeholder coordination and permitting (due to jurisdictional encroachment and/or grant funding condition compliance).

Over time, the new projects added to the CIP have been more complex, requiring significant outreach and coordination with outside agencies. Large projects may also be broken into phases in order to see efficiencies in contractor bids by targeting specific construction types or to sequence work in order to lessen community disruption (such as closure of roadways). In addition, staff has tried to combine like projects to try to achieve economy of scale for construction costs, but this makes simpler projects larger and sometimes more difficult.

The result is a continued, high workload for Public Works' project management sections delivering pavement, transportation, and park/facility projects. **On average, there are greater than nine projects for each project manager, which is substantially over the industry standard. To be effective, an average workload of three to four projects per project manager is standard.** Carrying such a high workload has created a backlog that will take several years to overcome.

### *Other Workload Efforts*

One thing to note is that staff is often required to work on non-CIP items, such as responding to public questions, gathering information on claims and Public Records Act requests, working on Citywide projects with other departments, and collaborating on items such as new software implementation or long-range planning documents. Some examples include the Parks and Recreation Strategic Plan, Biodiversity and Urban Forest Plan, Americans with Disabilities Act (ADA) Self-Evaluation and Transition Plan, Downtown Precise Plan, Moffett Boulevard Precise Plan, Google North Bayshore Master Plan, and the Broadband Needs Assessment and Gap Analysis.

### *Project Management System*

One CIP-support effort that will require staff and consultant resources to configure and maintain is the newly acquired enterprise-wide Project Management Information System (PMIS) from Trimble Software that was acquired under Project Management Database, Project 21-42. Recently branded as “Unity Construct” (formerly “E-builder”), this cloud-based software-as-a-service (SaaS) system consolidates critical CIP project data and files to facilitate staff management of the hundreds of active capital projects serving nearly every department of the City.

Unity Construct has robust cost, schedule, and task coordination tools that will increase sharing and tracking of CIP project information to assist staff in more timely and better coordinated delivery of projects. It will also provide a unified platform for management of administrative construction activities for CIP projects and comes preloaded with generic standard processes, reports, and dashboards. As with any “out-of-the-box software,” staff and consultant time and resources are required to more fully configure and fine-tune this system to replicate and streamline standard City paper processes and automate sharing of information between this platform and other established City systems, such as the Finance and Administrative Services Department (FASD) Central Square financial system. This PMIS will be rolled out as a pilot to select CIP projects over the next six months and eventually become the standard for all Public Works-managed CIP projects.

While this will be a very beneficial tool to manage projects, this will not address the project backlog. However, staff time spent reporting and gathering information and data on projects will be housed in the cloud-based system, which will eventually make it easier and faster for staff to perform these activities.

### **Pavement Update**

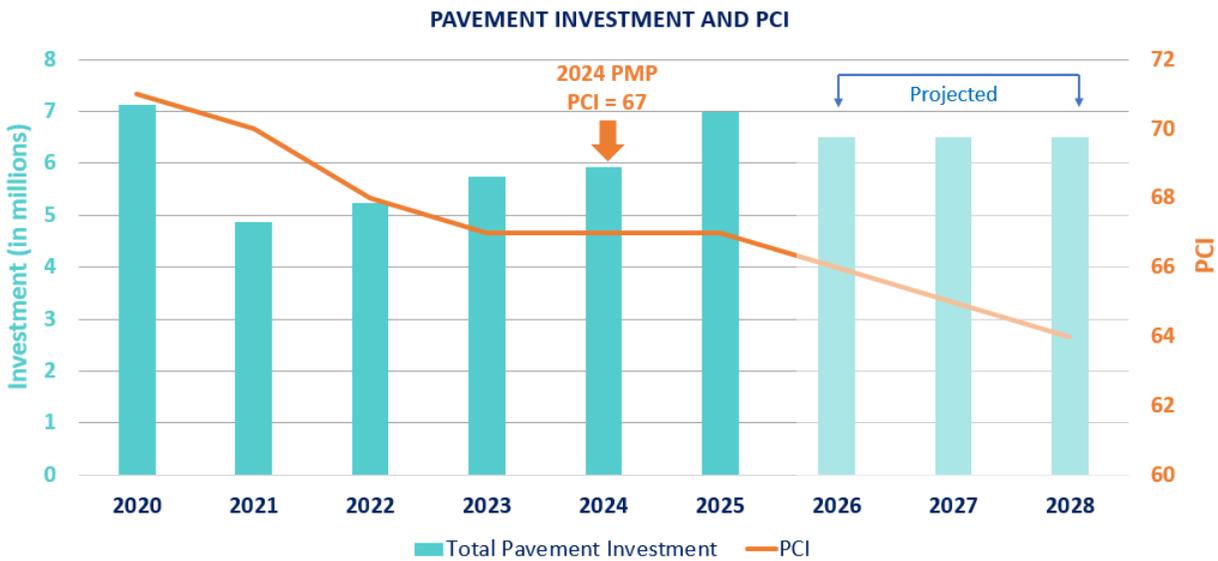
The City’s street network Pavement Condition Index (PCI) of 67 is based on the 2024 Pavement Management Program Report. The main factors contributing to the decline in PCI from 71 (in 2020) to 67 (in 2024) was the reduced output of paving projects. Staff experienced significantly

reduced staffing levels during the “Great Resignation” that occurred during the pandemic between 2020 and 2022, requiring prioritizing of capital projects with grant funding, complete street projects, and other highly visible projects. Additionally, to reflect the community’s desire to add active transportation elements to roadways, staff has expanded the scope of paving projects to include these elements where feasible. This has added to the complexity, budget, and timeline of paving projects. As a result, a backlog of \$57.49 million in paving project funds exists.

Staff continues to address the backlog with the summary status of pavement projects as follows:

- Six projects will start construction this calendar year, valued at \$26.13 million. The projects will address approximately 17.36 lane miles of roadway. The anticipated completion date is in 2025 and 2026.
- Five projects are currently in design with a combined value of \$18.81 million. These projects will start construction in 2026 and 2027. The projects will address approximately 24.64 lane miles of roadway.
- Eight projects valued at \$12.55 million have not started. Staff anticipates starting these projects in the next nine to 12 months with anticipated construction in 2027 for pavement maintenance projects and 2028 for pavement rehabilitation projects.

As shown in Figure 3, the current estimated baseline funding levels of approximately \$6.5 million per year is insufficient to maintain the PCI, and the PCI will slowly decline. While the paving projects planned for construction in 2025 and 2026 may increase the PCI during those years, staff expects these gains will be partially offset by degradation of other streets. The high volume of construction activity within Mountain View, coupled with the popularity of home delivery services and increase of heavier vehicles (electric being heavier than traditional combustion engine vehicles), contributes to a negative effect to the PCI. To maintain PCI levels, an increase is needed in baseline funding. A minimum of \$8 million is needed per year (an increase of \$1.5 million per year over current baseline funding) to maintain the PCI, and a minimum of \$14 million per year for five years (an increase of \$7.5 million per year over current baseline funding) to increase PCI by five points.



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

As a result, staff continues to recommend prioritizing and funding pavement projects to support the City’s pavement maintenance needs. On February 25, 2025, Council reviewed the Council Strategic Priorities and Fiscal Years 2025-26 and 2026-27 Work Plan Projects and directed staff to evaluate various work plan projects, one of which was to increase the City’s PCI to 71. More information on the status of the PCI, current paving projects, and program funding needs is included in Attachment 4. In addition, staff will be making a recommendation to Council during the April budget workshop to dedicate additional one-time funding towards supporting the backlog of pavement projects.

**Recommendations for Prioritizing CIP Unrestricted Funds**

Consistent with the City’s strategy over the past four 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 City operations.**

There continues to be a high demand on the unrestricted funds to fund roll-forward Discretionary Projects, amendments to active projects to address rising construction costs, and proposed new projects. Based on the reduced funding levels for the unrestricted funds (Table 4), similar to last year, **staff expects there to be a shortfall of unrestricted funding to fully fund projects relying on this funding.**

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 unplanned scope changes, cost rise, and/or the subsequent phase of the project (i.e., moving to design or construction phase). Providing the additional unrestricted

funding allows these existing active projects to continue proceeding forward and drive towards completion. 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 reinitiate them.

To identify priorities 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), reaffirmed on [April 3, 2023](#) with the Fiscal Year 2023-24 through Fiscal Year 2027-28 CIP process, as well as on [April 9, 2024](#) with the Fiscal Year 2024-25 CIP process. The criteria, in no priority order, are as follows:

- Public and personnel safety;
- Compliance with regulatory requirements;
- Keeping City facilities and infrastructure 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 address the City's current 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 staff's recommended approach and criteria to determine which projects to prioritize for the CIP Reserve and C/C Tax Funds or have other feedback?**

### **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 2025 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 from the five-year CIP adopted in 2023. Highlighted within this list are the 11 projects deferred last year (Fiscal Year 2024-25) due to previous unrestricted funding and staff workload constraints; and
- 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.

Given the continued expected funding and workload capacity constraints, staff anticipates that a substantial amount of the Year 1 roll-forward projects (Years 1 to 3) will need to be deferred until later years. Additionally, Years 2 and 3 projects may need to be spread into Years 4 and 5 of the new five-year CIP. Any projects moved to the first year of the CIP may require deferring active or other planned projects into later years or moving projects to the unscheduled list. As staff evaluates these projects, staff requests Council input on the roll-forward projects.

**Question No. 2: Are there any “roll-forward” Discretionary Projects in the first three years of the plan (Attachment 6) that Council would like staff to evaluate for eliminating, deferring, or moving up?**

### New Projects

In reviewing new projects for the five-year CIP, staff evaluates urgency, current needs, as well as projects from the unscheduled list. As noted previously, staff expects there to be a need to defer projects planned for Year 1 and future years due to the demands of existing active projects focused on maintaining the City’s infrastructure. This, coupled with the lack of unrestricted funding and staff resources, may result in populating Years 4 and 5 with projects planned for Years 1 to 3. **Due to this, staff expects there to be an extremely limited capacity for new projects.**

Should Council wish to have an unscheduled project move forward or request a new project be added to the CIP, depending on the funding source used and staff resources needed, staff requests direction on the priority of the project to identify the year to program the project. Staff will then evaluate trade-offs, which will result in deferring one or more projects. For new projects requested for Year 1, a currently active or planned Year 1 project with similar funding and staffing resource needs would need to be put on hold or deferred to free up both funds and staff capacity. Staff would return to Council in the second Study Session with the details and options of programming projects.

**Question No. 3: Are there any projects on the unscheduled project list (Attachment 7) or new projects not currently listed that Council would like staff to evaluate and determine trade-offs that would be needed in order to add to the planned CIP?**

### **RECOMMENDATION**

Staff seeks Council input regarding the following to guide staff in determining the projects to include in the Proposed Fiscal Years 2025-26 through 2029-30 CIP:

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

**Question No. 2:** Are there any "roll-forward" Discretionary 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 No. 3:** Are there any projects on the unscheduled project list (Attachment 7) or new projects not currently listed that Council would like staff to evaluate and determine trade-offs that would be needed in order to add to the planned CIP?

### **NEXT STEPS**

Based on direction provided by Council at the Study Session, staff will develop the recommended list of capital projects for the Fiscal Years 2025-26 through 2029-30 CIP.

Staff will present the list of recommended transportation projects to the Bicycle/Pedestrian Advisory Committee in April 2025 and the recommended Park Land Fund projects to the Parks and Recreation Commission in May 2025.

Staff will return to City Council at the Study Session in May 2025 with the list of recommended capital projects and any further questions staff has to finalize the CIP for City Council adoption in June 2025.

**PUBLIC NOTICING**

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

ND-JH-RG-EA-JN/LL/1/CAM

771-03-25-25SS

204720

- Attachments:
1. Active Capital Improvement Program Projects
  2. Active CIP Projects with Active Transportation Improvements
  3. Active Park Projects
  4. Pavement Management Program Update
  5. Recommended Fiscal Year 2025-26 and Planned Fiscal Year 2026-27 through 2029-30 Non-Discretionary Projects
  6. Roll Forward and Planned Fiscal Year 2025-26 through Fiscal Year 2027-28 Discretionary Projects
  7. Unscheduled Proposed Projects from CIP Adopted in 2023

cc: PWD, APWD—Arango, APWD—Au, APWD—Boyer, SMA—Doan, SMA—Goedicke, PCE—Gonzales, SCE—Houghton