



CITY COUNCIL AGENDA REPORT

August 4, 2020
Finance

**TITLE: ADOPTION OF THE MID-TERM CAPITAL IMPROVEMENT PROGRAM FOR
FY 2020/21**

SUMMARY

Every two years the City Council adopts a Capital Improvement Program (CIP) to assure that infrastructure and capital improvement needs are adequately addressed and planned. In anticipation of work beginning on the new funded projects approved for FY 2020/21, staff conducted a Mid-Term review of the CIP to assure that revenues are available to fund approved projects, to amend, add or delete new and existing projects so they are consistent with the current funding, workloads and scheduling, to assure consistency with the adopted City Council priorities, and to meet community expectations. The result of that review is the CIP Mid-Term Update.

RECOMMENDATION

Approve the attached resolution adopting the FY 2020/21 Mid-Term Capital Improvement Program; and appropriate the CIP revenue and approve amendments to FY 2020/21 project expenditures included in the Mid-Term Capital Improvement Program.

FINANCIAL STATEMENT

The FY 2020/21 Mid-Term CIP estimates total expenditures to be \$29.6 million, an increase of \$4.4 million or 14.2 percent increase from the \$25.2 million projected in June 2019 when the FY 2019/20 through FY 2022/23 CIP was adopted. All of these projects are funded from revenues traditionally earmarked for the City's Capital Improvement Program, including a General Fund transfer of \$2.5 million in FY 2020/21 which is an decrease of \$2.5 million from the original \$5 million allocated to the FY 2020/21 CIP in June 2019.

BACKGROUND

The Mid-Term Capital Improvement Program (CIP) has been prepared with a focus of adhering to the current CIP budget unless changes are needed to address project bids that impact project budgets, changes in funding sources, modifications needed to address anticipated funding shortfalls, and/or the addition of prioritized new projects. Information related to expenditures, revenues and transfers is included in Attachment 2.

DISCUSSION


This Mid-Term CIP retains all existing funded and projected CIP projects and recommends adding six new projects and amending four existing projects as described in Attachment 2. The \$4.4 million in increased funding in the Mid-Term CIP will fund the following projects (1) the Workplace Improvements for Re-entry project that will help fund improvements in City owned facilities to facilitate social distancing required for the City to re-open its buildings to employees and the public, (2) \$180,000 for the Santa Rita Fiber Interconnect project that will install fiber optic along Santa Rita road that will connect to the City's Traffic Management Center to help facilitate managing traffic with real time data and (3) a total of \$100,000 for emergency power improvements for Utility Systems to prepare the City's water and sewer systems for power outages, (4) \$100,000 for the design of the Val Vista Underdrain, (5) \$230,000 for major repairs to the Fire Training Tower, (6) \$240,000 for the Library Roof and Miscellaneous Replacement project to make improvements to six library study rooms, retrofit light fixtures, and install new electrical wiring, (7) \$50,000 to fully fund new traffic signals planned for FY 2020/21, (8) \$150,000 for Traffic Signal Detection Upgrade – Bicycle project to add additional upgraded bicycle detection equipment at the City's signalized intersections, and (9) \$250,000 to the Water Quality Improvements at Lower Zone Storage Tanks project to add funding based on revised cost estimates.

In addition, there is another existing project, Pioneer Cemetery South Hill Improvements for \$800,000 that does not require additional funding but for which staff is proposing to consolidate with the Pioneer Cemetery CIP Master Plan Implementation funding to create a separate project.

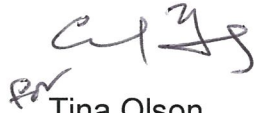
Finally, there are the following CIP fund level transfers; (1) a re-allocation of \$370,000 from the General Fund CIP Reserve to cover a shortfall in the Miscellaneous CIP – General Fund caused by the \$2.5 million reduction to the FY 2020/21 General Fund transfer to the CIP, (2) a transfer of the \$183,000 balance from City Hall Office Building and Civic Center Site Improvement reserve to Capital Improvement Program Reserve (CIPR), and (3) a transfer of \$720,000 balance from Traffic Impact Bernal Property fund to Traffic Impact Fees fund.

Based on its review, staff has prepared the attached resolution approving the Mid-Term CIP and if approved, staff will be moving forward working on those projects funded in FY 2020/21.

Jointly
Submitted by:



Brian Dolan
Assistant City Manager



Tina Olson
Director of Finance

Approved by:



Nelson Fialho
City Manager

Attachments:

1. CIP Approving Resolution
2. Excerpt: City of Pleasanton FY 2020/21 Mid-Term Update¹

¹ Note: Full document was previously distributed to the Council.

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLEASANTON,
ADOPTING THE MID-TERM CAPITAL IMPROVEMENT PROGRAM FOR FY 2020/21**

WHEREAS, the City adopted a 2019/20 through 2022/23 Capital Improvement Program on June 18, 2019; and

WHEREAS, it is beneficial to review the Capital Improvement Program to refine revenue and expenditure projections; and

WHEREAS, on July 21, 2020, staff presented a report detailing the recommended Mid-Term Capital Improvement Program for FY 2020/21.

NOW, THEREFORE BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF PLEASANTON DOES RESOLVE, DECLARE, DETERMINE AND ORDER THE FOLLOWING:

SECTION 1: Adopts the Mid-Term Capital Improvement Program for FY 2020/21 as presented.

SECTION 2: Authorizes expenditures, transfers, and expenditures as detailed in the Mid-Term Capital Improvement Program for FY 2020/21.

SECTION 3: This resolution shall become effective immediately upon its passage and adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Pleasanton at a regular meeting held on July 21, 2020.

I, Karen Diaz, City Clerk of the City of Pleasanton, California, certify that the foregoing resolution was adopted by the City Council at a regular meeting held on the 21st day of July, 2020, by the following vote:

Ayes:
Noes:
Absent:
Abstain:

Karen Diaz, City Clerk

Dated: _____

APPROVED AS TO FORM:

Daniel G. Sodergren, City Attorney

MID-TERM CAPITAL IMPROVEMENT PROGRAM

FY 2020/21

In June 2019, the City Council adopted the Capital Improvement Program (CIP) for Fiscal Years 2019/20 through 2022/23 and approved the funding for all projects included in Fiscal Years 2019/20 and 2020/21. In anticipation of work beginning on projects approved for FY 2020/21, this Mid-Term review of the CIP is intended to (1) ensure that revenues are available to fund approved projects, (2) amend, add or delete new and existing projects so they are consistent with current funding, workloads and scheduling, (3) assure consistency with the adopted City Council priorities, and (4) meet community expectations. This document highlights the result of that review.

The City Council must approve amendments to the CIP and such approval only directly impacts FY 2020/21 projects since those in the final two years of the program (FYs 2021/22 and 2022/23) continue to be for planning purposes only and are based on currently identified needs and revenue projections which are subject to change. In addition, future modifications to Council priorities may result in changes to projects when the new 4-year CIP is prepared in the spring of 2021. Staff will continue to review and update the CIP annually considering changes in community needs and the City's ability to fund specific projects.

Program Overview

The FY 2020/21 Mid-Term CIP budget discusses CIP revenues and transfers, project expenditures, and lists amendments, including recommended new projects. In addition to this narrative, the document includes the following attachments:

- Attachment A – Four summary financial tables of all CIP financial resources, projects and ending fund balances for FY 2020/21
- Attachment B – Project Description Sheets for six new, four amended and one re-budgeted projects added as part of this Mid-Term CIP
- Attachment C – Ten detailed financial tables showing all projected revenue and expenditures for the five CIP categories of Streets, Parks, Miscellaneous, Water and Sewer.

FY 2020/21 Mid-Term CIP

The FY 2020/21 Mid-Term CIP includes \$2.7 million for 11 projects including funding to cover a funding shortfall. As described in more detail below, there are a total of six new projects and four existing project that require additional funding. There is another existing project, Pioneer Cemetery South Hill Improvements for \$800,000 that does not require additional funding but for which staff is proposing to consolidate with the Pioneer Cemetery CIP Master Plan Implementation funding to create a separate project. Finally, there are the following CIP fund level transfers (1) a re-allocation of \$370,000 from the General Fund CIP Reserve to cover a shortfall in the Miscellaneous CIP – General Fund caused by the \$2.5 million reduction to the FY 2020/21 General Fund transfer to the CIP, (2) transfer of the \$183,000 balance from City Hall Office Building and Civic Center Site Improvement reserve to Capital Improvement Program Reserve (CIPR), and (3) transfer of \$720,000 balance from Traffic Impact Bernal Property fund to Traffic Impact Fees fund.

New Projects

The following projects have been added to the CIP that will require funding allocations in FY 2020/21:

TABLE 1: New Projects Added to the FY 2020/21 CIP

Project	FY 2020/21 CIP	CIP Program	Funding Source
Workplace Improvements for Re-entry	\$1,000,000	Miscellaneous	General Fund CIP Reserve
Santa Rita Fiber Interconnect	180,000	Transportation and Streets	Traffic Impact Fees
Emergency Power Improvements for Utility Systems	50,000	Water	Water Replacement CIP
Emergency Power Improvements for Utility Systems	50,000	Sewer	Sewer Replacement CIP
Val Vista Underdrain Design	100,000	Storm Drain Replacement and Renovation	General Fund CIP Reserves
Fire Training Tower	230,000	Miscellaneous	Facilities Renovation Fund
Total	\$1,610,000		

As described above, the FY 2020/21 CIP includes approximately \$1.6 million to fund six new projects. Of that amount, approximately \$330,000 will fund two projects that are considered State of Good Repair projects: design of the Val Vista Underdrain and major repairs to the Fire Training Tower. Approximately \$1.3 million funds four Enhancement projects including (1) the Workplace Improvements for Re-entry project that will help fund improvements in City owned facilities to facilitate social distancing required for the City to re-open its buildings to employees and the public, (2) \$180,000 for the Santa Rita Fiber Interconnect project that will install fiber optic along Santa Rita road that will connect to the City's Traffic Management Center to help facilitate managing traffic with real time data and (3) a total of \$100,000 for emergency power improvements for Utility Systems to prepare the City's water and sewer systems for power outages. Detailed descriptions of these projects are included in Attachment B of this report.

Existing CIP Projects – Additional Funding

The following projects that have received funding in previous fiscal years will require additional funding to complete the project.

TABLE 2: Existing Projects - Additional Funding

Project Name	Existing Funding	FY 2020/21 Additional Request	Revised Project Budget	CIP Program	Funding Source
Library Roof and Miscellaneous Replacement	\$1,090,000	\$240,000	\$1,330,000	Miscellaneous	Facilities Renovation Fund
Bi-annual Traffic Signal Installation	250,000	50,000	300,000	Transportation and Streets	Traffic Impact Fees
Traffic Signal Detection Upgrade - Bicycle	300,000	150,000	450,000	Transportation and Streets	Traffic Impact Fees
Water Quality Improvements at Lower Zone Storage Tanks	750,000	250,000	1,000,000	Water	Water Replacement CIP
Total	\$2,390,000	\$690,000	\$3,080,000		

The four CIP project requires additional funding allocations in FY 2020/21 include; (1) \$240,000 for the Library Roof and Miscellaneous Replacement project to make improvements to six library study rooms, retrofit light fixtures, and install new electrical wiring, (2) \$50,000 to fully fund new traffic signals planned for FY 2020/21, (3) \$150,000 for Traffic Signal Detection Upgrade – Bicycle project to add additional upgraded bicycle detection equipment at the City’s signalized intersections, and (4) \$250,000 for the Water Quality Improvements at Lower Zone Storage Tanks project to add funding based on revised cost estimates. Detailed descriptions of these projects ae included in Attachment B of this report.

Table 3: FY 2020/21 CIP Mid-Term Funding by Source

CIP Funding Sources	Original FY 2020/21 Allocations	Adjustments	Total FY 2020/21 Allocations
General Fund (All)	\$5,000,000	(\$2,500,000)	\$2,500,000
Gas Tax, Measure B, BB & Highway Funds	5,873,315	(320,948)	5,552,367
City Development Fees	18,814,208	(10,505,213)	8,308,995
City Utility Connection Fees	699,252	(328,109)	371,143
Non-City Development Fees	1,011,293	(835,353)	175,940
Grants and Miscellaneous	1,155,628	-	1,155,628
Transfers from Other Funds	7,962,549	1,432,859	9,395,408
Interest Earnings	408,240	-	408,240
Total	\$40,924,485	(\$13,056,764)	\$27,867,721

There are several reductions to CIP revenues included in the CIP Mid-term. Specifically, staff are estimating that the Public Facilities Impact Fees, Traffic Impact Fees¹, Park Development Impact Fees and Utility Connection fees will collectively be \$11.7 million less than included in the original FY 2020/21 CIP to reflect expected reduced development during the pandemic. Further, there is a total reduction of \$320,948 in various transportation funds including Gas Tax and the Measure B and BB funds reflecting reduced driving and therefore gas consumption during the pandemic and overall reduced consumer spending. Finally, as part of the City's strategy to balance the FY 2020/21 General Fund budget, the \$5 million transfer from the General Fund to the CIP was reduced to \$2.5 million.

Table 4: FY 2020/21 Mid-Term CIP by CIP Category

CIP by Category	Original FY 2020/21 Expenditures & Reserves	Adjustments	Total FY 2020/21 Allocations
Miscellaneous*	\$5,417,691	\$2,586,272	\$8,003,963
Parks*	2,418,413	336,587	2,755,000
Streets	11,157,168	1,108,103	12,265,271
Sewer	1,778,000	50,000	1,828,000
Water	4,458,000	300,000	4,758,000
Total	\$25,229,272	\$4,380,962	\$29,610,234

* Includes \$800,000 for the Pioneer Cemetery South Hill Improvements Project that draws on existing Cemetery Fund Master Plan implementation reserves and does not require additional funding.

As indicated in Table 4 above, the total additional allocations to CIP projects in FY 2020/21 of \$3.6 million (\$4,380,000 total adjustment less the \$800,000 for the Pioneer Cemetery South Hill Improvements Project) is approximately 14.2 percent greater than the \$25.2 million original FY 2020/21 allocation. The proposed increases will require allocating additional funding to capital projects from CIP fund balances and reserves.

A comparison of beginning fund balances is detailed below.

CIP FUND BALANCES AND RESERVES

TABLE 5: Comparison of FY 2020/21 Ending Fund Balances

	Original CIP Budget Fund Balance	FY 2020/21 Mid-Term	Difference	Percent Difference
Streets	\$28,040,490	\$15,686,200	(\$12,354,290)	-44.06%
Parks	5,862,831	5,977,511	114,680	1.96%
Miscellaneous	19,829,957	9,317,457	(10,512,500)	-53.01%
Water	5,124,773	4,037,909	(1,086,864)	-21.21%
Sewer	5,903,775	5,957,764	53,989	0.91%
Total	\$64,761,826	\$40,976,841	(\$23,784,985)	-36.73%

¹ Includes \$728,000 transfer of balance from Traffic Impact Fee Bernal Property Fund.

As previously noted, the FY 2020/21 Mid-term CIP amendments will be covered through the use of CIP fund balances and reserves. As described in Table 5 above, the CIP fund balances are expected to be reduced by \$23.8 million overall, primarily as a result of reducing development impact fee revenue estimates.

CIP RESERVES

TABLE 6: Summary of Existing CIP Reserves

CIP Reserve Fund	FY 2020/21 Beginning	Mid-Term Adjustment	Total FY 2020/21
Tri-Valley Transportation Development	\$2,106,745	\$179,540	\$2,286,285
Dougherty Valley Mitigation	369,694	-	369,694
Dublin Reimbursement for Future Projects	4,099,462	-	4,099,462
Happy Valley Bypass Road	645,905	-	645,905
General Trail Improvements and Development	831,421	-	831,421
New Community Park: Site Acquisition	3,708,924	-	3,708,924
Bernal Property Trail	152,000	-	152,000
Cemetery Masterplan Implementation Reserve	527,726	(500,000)	27,726
Capital Improvement Program Reserve (CIPR)	4,450,228	(1,650,554)	2,799,674
Downtown Beautification Reserve	942,802		942,802
Downtown and North Pleasanton CIP	3,810,948	44,400	3,855,348
Marilyn Kane Trail Reserve	87,872		87,872
City Hall Office Building & Civic Center Site Imp.	182,859	(182,859)	-
Total CIP Reserve Funds	\$21,916,586	(\$2,109,473)	\$19,807,113

The Mid-Term CIP decreases CIP reserve balances by approximately \$2.1 million which is related to allocating reserves to fund projects as well as eliminating the City Hall Office Building and Civic Center Site Improvement reserve and moving the balance to CIPR.

CONCLUSION

As previously indicated, this Mid-Term review is intended to provide the City Council and the community with a comprehensive update/review of the City's capital plan for FY 2020/21. When reviewing this budget, it should be noted that projected revenues are contingent upon activities of the private sector development community and other governmental agencies that are outside the control of the City. As a result, changes to assumptions included in the CIP are possible. Changes in revenue projections and/or project priorities may result in modifications to this program in upcoming fiscal years. However, as presented, this program identifies available revenues and expenditures for FY 2020/21 to assure that the City is able to fund projects that meet the community's needs and expectations.