# TRANSPORTATION AND PUBLIC WORKS COMMISSION

DATE: March 04, 2013

AGENDA OF: March 18, 2013

DEPARTMENT: Public Works

SUBJECT: Capital Improvement Program FY2014-16

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RECOMMENDATION: That the Commission review the FY2014-16 Public Works Capital Improvement program and provide input to staff for City Council consideration.

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**BACKGROUND:** Commissions are asked to consider the 3-year CIP and provide comments to Council prior to the Council study session. Typically commissions consider the CIP at its scheduled March meeting. During this month operating budgets are also being developed and fund balances may not be completely estimated for the end of the year. Therefore an administrative draft is what the commissioners see in the agenda packet and changes may occur to that draft prior to Council consideration. Each commission and department provides comments only on the projects within their purview.

The Planning Commission is required to certify that the CIP is consistent with the General Plan prior to Council adoption of the FY2014 budget in June 2013.

**Definition (from American Public Works Association)**

*The scheduling, over time, of physical public improvements is the essential task of capital improvement programming. The scheduling is based on a series of priorities according to need, desire or importance and to the community's ability to pay. Tied to an overall comprehensive plan for the community, the capital improvement plan (1) ensures that the public improvements portion of the comprehensive plan will be carried out; (2) calls attention to deficiencies in the community; (3) produces cooperation and coordination between various departments and other governmental agencies; (4) ensures that projects are not built before they are needed, or so late that costs become prohibitive; and (5) ensures that funds can be provided in a logical manner. The usual time frames of capital improvement plans are one year, five or six years and 10-20 years; a combination of short-range and long-range planning.*

*The capital improvement plan is a look at the present needs as well as the future needs of the community.*

**DISCUSSION:** The following information is in response to questions regarding the Capital Improvement Program (CIP). The current version is an Administrative Draft that will be finalized though the Finance and City Manager's office in March and April and considered during a Council study session scheduled on April 23, 2013.

**How is the Capital Improvement Program formatted?**

The CIP projects are separated into the fund most appropriate to how a project is funded. A project is briefly described and is included in single or multiple years, depending on the complexity and size of the project. Large projects are often broken out into multiple project planning and implementation categories, and years. Maintenance projects can be single or annual allocations. A project may have multiple funding sources and those are shown in parenthesis, with the subtotal charged to the denoted fund. In some cases a grant is shown that has not yet been applied for and/or awarded.

Last year's CIP most of the descriptions were improved to highlight where the project idea was initiated, why the project is needed and where the project is located. Maps have been developed as well to assist with visualizing the project location and scope.

The first column of the CIP includes the current fiscal year budget for the project, and if not completed or is multi-year, will be carried forward into the next fiscal year. The second column can be ignored as it almost all cases it will be zero.

The third column is the next fiscal year and is the year that is adopted into the budget at the end of the year. The third and fourth columns are estimates of what projects and project components will be done in those coming years.

At the end of each fund, the projects are totaled for capital and maintenance projects. This is later compared to the fund balance projections when this information is available. As noted before, projects may then drop out if the fund balance is inadequate.

The majority of projects that are in the proposed CIP are familiar to the commissioners. There are only a few new projects proposed which staff will highlight and are attached as with the heading "New Project". Some projects have been completed and many projects have been moved forward due to a lack of funds or a lack of progress. At the end of the document is the unfunded list, which is a rough cost estimate of deficiencies in the City's infrastructure. What is apparent to staff which is reflected in the project list, is that deferred maintenance and localized flooding are becoming more critical for the community.

**How is the Project List developed?**

Not all the projects shown in the CIP have been approved, or they may have been included in a Planning or Public Works document that was approved, but the specifics have been left to staff to incorporate into the CIP. Some of the documents are the Storm Drain Master Plan, Cumulative Development Traffic Study, the City Bicycle and Pedestrian Master Plans, San Lorenzo River Plan and the Beach/South of Laurel Plan, Ocean Street Master Plan, to name a few.

The commission actions can be about a particular project and its priority in relationship to others on the list or, to other projects that may be on the unfunded list. Staff puts together what we consider are the priorities from the staff perspective and those based on official direction from Council.

**What are all the different funding sources?**

The City budget and CIP is partitioned into different funds and departments. The fund types considered by the Public Works Departments' two commissions (Transportation and Public Works, and Parking) include, Gas Tax, General Capital Improvement and Non- Departmental, Wastewater, Refuse, Storm Water, Measure E Cleans Beaches and Parking. In the past Redevelopment Agency funds have also been included in the department's project list. There may be some RDA funded bonds that will be available to the City, but it is unclear at this time what projects they will fund. The General Capital Improvement and Non-Departmental project funds are mostly derived from the Transient Occupancy Tax (hotels) which is also the General Fund.

Funding sources are not very flexible. Often fund types are restricted in some measure on what they can fund. As an example, the gas tax fund cannot be used to construct a park, as it is not related to a transportation facility. The most flexible is the General Capital Improvement fund (this includes the Non-Departmental section) which is the general fund and is typically in poor condition. It is the fund most departments pull from (except dedicated Enterprise funds like Water and Wastewater).

As noted we do not have the fund balances and so the commission is reviewing the Administrative Draft. The Administrative Draft has not been vetted by Finance or the City Manager's office. In addition, many of our Gas Tax and General CIP fund projects are predicated on getting transportation grants, which may or may not happen depending on what the state and federal government release, and if we have a competitive project. Grants are our major funding source in both funds.

**What is Available? How much of the City's money are we talking about spending?**

The Gas Tax fund gets about $1.0 million a year. We spend approximately $700,000 a year on street light and traffic signal maintenance and energy costs for these facilities. The remaining $300,000 a year is used to match grants and do the work for which we cannot wait for a grant. There is about $550,000 in Congestion Relief funds, which are like gas tax but with a few more restrictions, which we dedicate to our Arterial and Collector Street paving projects. Gas tax is dedicated to street purposes. Measure H is a sales tax and our portion of approximately $1.7 million per year is used for paving, which we have reflected in the budget. Bonds may be issued this year for our Measure H projects.

The Public Works Enterprise Funds are Wastewater, Refuse, Storm Water and Measure E (Storm Water Quality), and Downtown parking District, and typically we have a better handle on those fund balances, as we manage the entire fund, and so the Admin draft you see is relatively well balanced. The Storm Water enterprise is connected to the San Lorenzo River infrastructure and

flood prevention. The fund is in poor condition as we have been maximizing use of that fund for some time.

**Where do we get the most benefit for our expenditures?**
We make every effort to get the biggest "bang for the buck" by being aggressive on applying for grants and finding the best project or program fit for each grant type/source. Our limited local funds are dedicated to matching the grants when needed. In some cases the larger percentage of matching funds that are provided for a project, the better chance we have of getting the grant.

**Why can't projects go faster?**
This is based on many factors including limited staff resources, the state and federal requirements/permits, complex environmental review and bureaucracy. The amount of paperwork and approvals required for state and federal funding, through every phase of the project, is staggering. At the local level, there is often vocal and organized opposition to a project that may not reflect the majority sentiment.

**Budgeting for maintenance?**
We feel strongly about funding maintenance and that can be noted in various areas of the document. The maintenance backlog is an ongoing struggle to fund. If we fund maintenance only with discretionary funds then nothing is left over to fund the local match for grants. The storm water fund needs to be increased to address maintaining the San Lorenzo River flood control system and Branciforte Creek. Building facility maintenance is a very clear area where we have not kept up. There is a study funded in the Non-Departmental section of the current adopted CIP that would identify deficiencies and future funding needs for facilities. We think both Refuse and Wastewater address maintenance well and have adequate resources to do so.

**FISCAL IMPACT:** None

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