



PUBLIC WORKS DEPARTMENT

CITY HALL

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CITY COUNCIL STAFF REPORT

Meeting: April 30, 2019

Subject

Study Session on the FY 2019-2024 Proposed Capital Improvement Program with Funding Options

Recommended Action

Receive 5-year Capital Improvement Program options regarding projects and funding and provide comments.

Background

The 5-year CIP is a framework document that provides the prioritization, scheduling and funding needs of infrastructure improvement projects throughout the City for the next five years. The 5-year CIP does not include routine infrastructure maintenance efforts that will be included in the proposed FY19/20 operating budget such as the pavement management program. Many of the current and proposed projects within the 5-year CIP have been previously prioritized in recently completed master plans, audits and studies. Several of the current and proposed 5-year CIP projects reflect a continued investment in mobility and transportation that include separated bike lanes and bicycle/pedestrian trails.

With the completion of the citywide building condition assessment, building facility needs have been prioritized in the 5-year CIP. Similar to the pavement management system, which required a significant capital investment, the required investment in City facilities is also important and requires a similar sized investment over the next five years and beyond. The prioritization of 5-year CIP projects was determined by four criteria – health and safety, cost savings/operating efficiencies, grant eligible and other. The recommended scheduling of the 5-year CIP considers these priorities, the dollars available in reserves and also potential new funding opportunities. As the existing City Hall and its' replacement or renovation is a significant factor in the 5-year CIP, the scheduling of many other projects are affected by what is decided with City Hall.

Condition of Existing City Hall

The existing Cupertino City Hall building was completed in 1965 and later renovated in 1986. In 2012 the building underwent a structural analysis and numerous seismic deficiencies were identified that did not meet the applicable 2010 California Building Code. The 2018 Building Condition Assessment (BCA) expanded upon the deficiencies

identified in 2012 and recommended \$4.1M in health and safety repairs/renovations followed by another \$16.9M in reliability/resiliency and comfort/efficiency projects. Health and safety requirements include but are not limited to a seismic retrofit, a new elevator, emergency generator replacement and accessible improvements. In order to complete this work or to construct a New City Hall, staff will need to be located offsite at an interim City Hall for approximately two years at an additional cost of \$2M. A more detailed narrative and itemization of existing City Hall needs was provided in the City Hall Design/Delivery Strategy & Library Expansion report presented prior to this item.

CIP Prioritization

As mentioned above, four CIP project prioritization categories were developed by staff. Details of these prioritization categories are as follows:

- Health and Safety: Projects in this category provide an immediate safety benefit or address an urgent safety concern. Example projects may include the existing City Hall seismic retrofit, bike lane projects and accessibility improvements.
- Cost Savings/Operating Efficiencies: Projects in this category provide a direct cost savings either through reduced maintenance costs or water/energy savings or indirectly through operational efficiencies that result in cost savings. These projects avoid costly repairs by proactively repairing facilities before they fail and need to be repaired on a costly emergency basis. Example projects include Regnart Road improvements, Sports Center HVAC upgrades, and Quinlan Community Center front office upgrades.
- Grant Eligible: Projects in this category either have partial grant funding secured, are eligible for grant funding or will be eligible when the grant program reopens. Example projects include the all-inclusive play ([AIP](#)) area proposed at Jollyman Park and solar electric vehicle chargers at various City facilities. This category also includes projects where donations may be received such as the land to construct the Linda Vista Trail.
- Other: Projects in this category provide customer service enhancements, additional programming opportunities and provide a community benefit but are not urgent needs. Example projects include an aquatics facility, new parks, and median island landscaping.

Projects within each category are prioritized on a scale of 1 to 4 (1 – highest priority, 4 low priority) based on urgency, funding availability, community support, risk assessment and part of an established plan/corridor or system.

Development of 5-year CIP Options

Three 5-year CIP options were developed for this study session. Each option is affected by the improvements completed to City Hall and the dollars either available in reserves or obtained in new debt or taxes.

Option "A" replaces the existing 20,770 square foot City Hall with a 40,000 square foot New City Hall project at a cost of \$70.5M (includes \$2M for an interim City Hall). It also includes a \$10.05M, 4,400 square foot Library Expansion, all priority "1 & 2" health and safety projects and all transportation related projects anticipated to be funded by Apple. This option does include projects of special consideration such as those that have grant or other external funding opportunities. The cumulative project list within this option requires \$118.46M in new funding over the next 5 years. Current capital reserves available are \$30M and up to an additional \$40M is available through future authorization of a certificate of participation (COP). The balance of \$48.46M would require the future authorization of \$11M in G.O. bonds and an increase of taxes such as a transactional use tax, transient occupancy tax, utility user's tax, parcel tax, or a combination thereof. A detailed Option "A" project list as well as the recommended sources of revenue to pay for the projects is provided in Attachment A. A summary of potential funding for this option is described in the below table:

Option "A"		Balance
Cost:	\$118.46M	\$118.46M
Capital reserves:	\$30M	\$ 88.46M
Certificate of Participation:	\$40M	\$ 48.46M
General Obligation Bond:	\$11M	\$ 37.46M
Transaction & Use Tax ¹ :	\$12.05M	\$ 25.41M
Utility User Tax ¹ :	\$ 8.35M	\$ 17.06M
External Funding ² :	\$20.70M	(\$ 3.64M)

¹ Estimated FY19/20 through FY23/24 accumulated revenue amount.

² Includes grant and other special revenues

Option "B" renovates the existing City Hall with a health, safety improvements and renovation project valued at \$23M (includes \$2M for an interim City Hall). This option includes all priority "1" & "2" health and safety projects within the CIP, a 4,400 square foot Library Expansion and all transportation related projects anticipated to be funded by Apple. The cumulative project list within this option requires \$71.56M in new funding over the next 5 years. Similar to Option "A", this option does include projects of special consideration such as those that have grant or other external funding opportunities. All \$30M of the available capital reserves would be used in this option. An \$11M G.O. bond

would be recommended to fund the Library Expansion. A COP of \$14.86M would also be needed.

No additional revenues, such as the tax measures included in the above table would be required to service Option “B” debt. A detailed Option “B” project list as well as the recommended sources of revenue to pay for the projects is provided in Attachment B. A summary of potential funding for this option is described in the below table:

Option “B”		Balance
Cost:	\$71.56M	\$71.56M
Capital Reserves:	\$30M	\$41.56M
General Obligation Bond:	\$11M	\$30.56M
External Funding ¹ :	\$15.70M	\$14.86M
Certificate of Participation:	\$14.86M	\$0M

¹ Includes grant and other special revenues

Option “C” represents the minimum required projects to complete priority “1” health and safety requirements. This option identifies \$6.1M in health and safety needs for the existing City Hall (includes \$2M for an interim City Hall), all priority “1” health and safety needs within the CIP, health and safety related transportation improvements anticipated to be funded by Apple and projects of special consideration similar to the previous options. The cumulative project list within this option requires \$31.5M in new funding over the next 5 years with approximately \$13.2M available for additional projects without incurring any additional debt or increase in tax. A detailed Option “C” project list as well as the recommended sources of revenue to pay for the projects is provided in Attachment C. A summary of potential expenditures for this option is described in the below table:

Option “C”		Balance
Cost:	\$31.5M	\$31.5M
External Funding:	\$14.7M	\$16.8M
Capital reserves:	\$30M	(\$13.2M)
Available for “Other” Projects:		\$13.2M

As “Other” projects are not included in the three options, Council has the discretion to create other options as they may direct. Attachment D represents “Other”. Attachment E is the individual project descriptions for projects included in Options “A, B and C” plus “Other” projects.

Open City Hall Survey Results

From April 12th through April 22nd, the City received 58 responses to an online Open City Hall survey. In the survey, residents were asked how they would spend money on the City's facilities and capital improvement projects.

When asked about the City's facilities, responses received through April 22nd allocated the most funding to:

- Improving the health and safety of current facilities (23% of total budgets);
- Expanding the library (22%), and
- Remodeling current facilities (19%)

When asked about capital improvement projects, respondents allocated the most to:

- Park improvements (19% of total budgets);
- Bike and pedestrian trail improvements (18%), and
- Road improvements (17%).

When asked if they would support additional funding options for the CIP, respondents were most supportive of:

- Using transient occupancy tax (48% of respondents) and
- Property tax (29%).
- 28% of respondents were **not** supportive of using additional taxes to fund the CIP.

Attachment F contains the survey and a summary of the results through April 22nd. The survey was closed on April 26th. Survey responses received through April 26th were not available at the writing of this report and will be provided to Council at the study session.

Sustainability

Some projects, such as the New City Hall, have already completed environmental review and would result in a more sustainable facility as compared to the existing City Hall. Other projects that have not previously reviewed for their environmental impact would be evaluated on a project by project basis depending on the specific projects being funded. As future environmental reviews are needed and completed, the impacts of the proposed projects may or may not be determined to be significant. When an environmental impact may be determined significant, appropriate mitigation measure would be required. Among the goals of many of the 5-year CIP projects is for the completed projects to be more sustainable.

Fiscal Impact

\$30M of current capital reserves are available for projects. Option "A" would require the full use of these capital reserves plus a combination of a \$40M COP, \$11M G.O. bond and increases in taxes to fund debt service. Option "B" would also require the full use of capital reserves plus a combination of a \$14.86M in a COP and an \$11M G.O. bond. However, Option "B" would not require an increase in taxes. Option "C" can be funded

completely with capital reserves without debt or taxes and allows up to \$13.2M of additional “Other” projects to be funded. Upon receiving comments and guidance on the various options desired by Council and/or direction on including “Other” projects into one of the three options, staff will return at the May 13th budget hearing with specific projects and next steps to initiate potential funding strategies as may be applicable.

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Approved for Submission by: Timm Borden, Interim City Manager

Attachments:

Attachment A – Option “A” 5-year CIP

Attachment B – Option “B” 5-year CIP

Attachment C – Option “C” 5-year CIP

Attachment D – Other Projects

Attachment E – 5-year CIP Project Narratives

Attachment F- Open City Hall Survey Results