



PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: May 6, 2025

Subject

Per the Council's direction, review potential Capital Improvement Plan (CIP) projects to be defunded from the current approved list.

Recommended Action

City Council shall consider:

- A) Which of the following projects to consider defunding and eliminating, or;
- B) Reaffirm the current Capital Improvement Programs project list.

Background

The proposed Fiscal Year (FY) 2025-2026 CIP and Five-year Plan was presented to the City Council on April 2. The Council instructed staff to identify potential CIP projects to be considered for removal or reduction in scope, and to be discussed in May. The motion from the April 2 meeting is as follows:

MOTION: Chao moved and Moore seconded to approve the \$2 million funding for the three projects proposed by staff, including the following input:

- City Hall Annex to move forward with 100% design
- City Hall renovation to come back in October/November, including financing options, cost-benefit analysis
- Potential items to consider for removal or reduction in scope – based on Council input at the meeting or later – to come back in May
- Capital budget format goes to Audit Committee for consideration

Following the Council's direction, staff has engaged with individual council members to survey which existing CIP projects should be considered for removal or reduction in the current approved scope. The following list comprises individual councilmember's suggestions:

1. Stevens Creek Boulevard CL IV Bikeway - Phase 2A Construction & Design of Phase 2: requested by Councilmember Wang for defunding consideration.
2. Stevens Creek Boulevard CL IV Bikeway - Phase 2B Construction: requested by Councilmember Wang for defunding consideration.
3. Stevens Creek Boulevard CL IV Bikeway - Bandlely Dr. Signal: requested by Councilmember Wang for defunding consideration.

4. Photovoltaic Systems Design and Installation: requested by Councilmembers Chao and Wang for potential reduction in the scope.
5. Bollinger Road Corridor Study: requested by Councilmembers Moore and Wang for defunding consideration.
6. Silicon Valley Hopper EV Parking: requested by Councilmember Wang for defunding consideration.

Refer to Attachments A and B for information shared on these projects at the April 2 Council meeting. Attachment C is cost analysis information on the Photovoltaic Systems Design and Installation project from the presentation to the City Council on February 4 in the context of awarding the design-build contract.

Available Options

In the sections that follow, information is provided on the existing funding and the fiscal impacts of defunding or continuing with each project.

1. Stevens Creek Boulevard Class IV Bikeway - Phase 2A Construction & Design of Phase 2

Project Description: Phase 2A includes design and construction of the separated bikeway along Stevens Creek Boulevard (SCB) from Wolfe Road to De Anza Blvd. Improvements include traffic signal modifications at Wolfe Road and De Anza Blvd. to provide separate bicycle phasing.

SCB Class IV Bikeways is the top priority from the 2016 Bicycle Transportation plan (BTP), and a Tier One priority of the 2018 Pedestrian Transportation Plan (PTP) – improving vehicular, bicyclist and pedestrian safety along one of Cupertino’s busiest arteries was considered a highly important project. This project is also a subsequent phase of a previous project (Phase 1). Phase 2 Design was approved as part of the FY2020-2021 CIP, and Phase 2 Construction was approved as a new project in the FY2021-2022 CIP.

Status of the project: The SCB Class IV Bikeway, Phase 2A will begin construction activities in summer 2025. The contractor is currently procuring materials with long lead times. Project completion is expected by the end of the calendar year.

Funding: The City anticipates receiving the grant funds upon completion of Phase 2A as noted in the tables below. The grant funds will not increase the project funding but will be used to reduce the expenditure of City funds allocated to the project.

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TABLE 1A

Project name	Project Description	Year Initiated	Approved Funding	Project Total	Unencumbered Funds
Stevens Creek Blvd. Class IV Bikeway Phase 2A	Design (2A and 2B) and Construction (2A) of the separated bikeway along Stevens Creek Blvd. from Wolfe Road to DeAnza Blvd. <i>(Externally Funded, in part)</i> Construction, City Funding OBAG SB1	FY20-21 FY21-22 FY24-25 FY24-25	\$350,000 \$2,000,000 \$807,000 \$693,000	\$2,350,000	\$277,829 <i>Expenses to date: ~\$310,000</i>

Fiscal Summary: The project (Phase 2A) has a total of \$2,350,000 in City funding, not including grants. Approximately \$310K has been spent to date, and the project is expected to have \$2.2 million in expenses by the end of the project. The fiscal summary from the 2/04/25 mtg is copied below.

TABLE 1B - FISCAL SUMMARY (information from February 4 Staff report)

Current Funding Status (Budget)	Amount
City Approved Funds FY 21 – Phase 2A and 2B Design Phase	\$350,000
City Approved Funds FY 22 – Construction (Phase 2A)	\$2,000,000
Design and Construction Phase 2 – Subtotals: (budget unit 420-99-036)	\$2,350,000

Projected Funding Impact (Expenses)	Amount
Design Phase Expenditures to date	(\$213,863)
Design Phase (for Phase 2B Design completion)	(\$96,620)
*Construction Contract (\$1,569,798 base contract and \$156,980 contingency)	(\$1,726,778)
*Construction Management	(\$185,000)
Subtotal:	(\$2,222,261)

**If Phase 2A project were defunded, a portion of these funds could be recovered.*

Summary	Amount
Current Project Budget (420-99-036)	\$2,500,090
Projected Funding Impact	(\$2,222,261)
Remaining Funds:	\$277,829

Construction Phase 2A External Funding	Amount	Local Match	Total Amount
One Bay Area Grant (OBAG)	**\$807,000	\$93,000	\$900,000
Senate Bill 1 (SB1)	**\$693,000	\$32,000	\$725,000
Total	**\$1,500,000	\$125,000	\$1,625,000

***The grant funds will offset Phase 2A expenditures.*

Option 1 – Defund the Project

Defunding the project would allow approximately \$2.04 million (\$2,350,000 - \$310,000 = \$2,040,000) of City funds to be reallocated, pending resolution of expenditures on the construction contract and construction management contracts which are not accounted for presently. The City has paid approximately \$310,000 in design phase expenses for Phase 2A and 2B.

The SB1 funding (\$693,000) can be reallocated to another qualifying project. The VTA OBAG-2 funding (\$807,000) would be lost. While it is possible that VTA would allow relocation of these funds, it is highly unlikely. This action could also hinder the City's ability to secure OBAG grant funding in the future.

The City would also be cancelling two fully executed contracts for construction and construction management/inspection. The City has a "termination for convenience" clause built into our contracts. The City will need to provide some compensation to the contractor for activities to date, but this would be a relatively small portion of the contract total. At this time, an estimate would be \$25K to \$50K. With regards to future project bids, there could be some impacts as some contractors may decide to focus bidding efforts on projects from other Cities or private entities that do not have a history of terminating contracts. Additionally, these contractors would most likely be reluctant to spend time and effort on future bids in Cupertino.

Option 2 – Continue with the Project

Phase 2A construction has \$1,500,000 in external funding which offsets the actual cost to the city to approximately \$725K. (\$2,222,261 - \$1,500,000 = \$722,261).

TABLE 1C – FISCAL IMPACT OF DEFUNDING

Options	Approved City Funding	*Expenses/ Encumbrances	Grant Funding Applied	Funding Return
Defund	\$2,350,000	(\$310,000)		\$2,040,000
Proceed	\$2,350,000	(\$2,222,261)	\$1,500,000	\$1,627,739
			<i>Difference</i>	<i>\$412,261</i>

**Expenses-to-date are noted in the context of Defunding. Encumbrances (contracts) are considered if proceeding with the project.*

2. Stevens Creek Boulevard Class IV Bikeway - Phase 2B Construction

Project Description: Phase 2B includes construction of the separated bikeway along SCB from De Anza Blvd. to Highway 85.

The designs for SCB Phase 2A and 2B were jointly funded. SCB Bikeway Phase 2B and the Bandley Drive Signal Upgrade projects are intended to be combined during construction to increase efficiency, however funding is noted separately because the Bandley intersection project is partially funded with developer in-lieu fees.

This project is designated as a priority in the BTP and PTP and is a subsequent phase of a previous project (Phase 1 and 2A). Improving vehicular, pedestrian and bicyclist safety along SCB is a primary concern. The BTP named this the first priority, and the PTP assigned this Tier 1 priority.

Status of the project: The SCB Class IV Bikeway, Phase 2B is 95% complete with the design phase. Prior to commencing with bidding and construction, the City intends to search for external funding sources and will return to City Council for funding approval for the project.

TABLE 2

Project name	Project Description	Year Initiated	Approved Funding	Project Total	Unencumbered funds
Stevens Creek Blvd CL IV Bikeway Phase 2B	Construction of the separated bikeway along Stevens Creek Blvd from De Anza Blvd to US-85. This includes signal upgrades at Bandley Drive. <i>*The design funding was in conjunction with Phase 2A.</i>	FY20-21	\$0	\$0	\$0 <i>*Expenses to date: \$0</i>

**Expenses to date for design are included in the Phase 2A design total.*

Option 1 – Defund the Project

Defunding the project would result in \$0 of City funds to be reallocated. The City has paid approximately \$310,000 in design phase expenses for Phase 2A and 2B.

Option 2 – Continue with the Project

It is likely that external funding will be available for construction of Phase 2B to offset the use of City funds. However, no external funding has been acquired for Phase 2B to date. The estimated construction cost of this project is \$1,800,000.

3. Stevens Creek Boulevard Class IV Bikeway - Bandley Dr. Signal

Project Description: Upgrades to the traffic signal at Bandley Dr. and SCB will include new conduit, wiring, traffic signal boxes, two new signal heads, and a split phase signal operation for vehicles entering onto SCB, to enhance safety and overall signal operation efficiency.

SCB Phase 2A and 2B were jointly funded in design. SCB Bikeway Phase 2B and Bandley Drive Signal Upgrade projects are combined in design and construction to increase efficiency, however funding is noted separately because the Bandley intersection project is partially funded with developer in-lieu fees.

Status of the project: For efficiency, the design and construction of this project is combined with the SCB Class IV Bikeway, Phase 2B project, which is 95% complete with the design phase.

TABLE 3A

Project name	Project Description	Year Initiated	Approved Funding	Project Total	Unencumbered Funds
Bandley Intersection	Signal upgrades at Bandley Drive. Scope of work will be included in SCB Phase 2B for efficiency. <i>(Externally Funded, in part)</i>	FY18-19		\$150,090	\$142,208
	<i>In-Lieu funds</i>	FY18-19	\$25,658		<i>Expenses to date:</i>
	<i>City funding</i>	FY18-19	\$124,432		<i>\$7,882</i>

Option 1 – Defund the Project

Defunding the project would result in \$116,550 of City funds to be reallocated. The developer in-lieu funds would be addressed by the City Attorney at a future date.

Option 2 – Continue with the Project

It is likely that external funding will be available for construction of Phase 2B to offset the use of City funds.

TABLE 3B – FISCAL IMPACT OF DEFUNDING

Options	Approved City Funding	*Expenses/Encumbrances	Grant Funding Applied	Funding Return
Defund	\$124,432	(\$7,882)		\$116,550
Proceed	\$124,432	(\$150,090)	\$25,658	\$0
			<i>Difference</i>	<i>\$116,550</i>

**Expenses-to-date are noted in the context of Defunding. Encumbrances (contracts) are considered if proceeding with the project.*

4. Bollinger Road Corridor Study

Project Description: The City intends to undertake a multifaceted approach to further inform the Bollinger Road Corridor Safety Study (BRCSS) recommendations. Traffic modeling will perform microsimulation analyses of proposed alternatives. This will evaluate potential impacts, such as congestion or traffic diversion, and identify necessary mitigation measures. The City will engage a consultant to design and execute a robust stakeholder engagement process, including interviews, surveys, and workshops, culminating in a report to combine the findings and communicate outcomes. Lastly, a traffic enforcement initiative, guided by the Safe System Approach, will fund two traffic enforcement agents for a one-year pilot, enhancing safety as the project develops.

This project is a health and safety priority, has been requested by the Bicycle Pedestrian Commission in response to a fatality that occurred along this stretch of Bollinger Road, is a subsequent phase of a previous project following the 2020 initial study. Enhancing safety along the Bollinger Road Corridor is a priority in both the BTP and PTP. Secured grant funding for the analysis made it fiscally responsible to begin the study at this time.

Status of the project: The City is coordinating with the grant agency to finalize and execute the grant agreement. Once the grant agreement is finalized, the City intends to procure a consultant team to perform the analysis and outreach efforts. The pre-design/analysis work on the Bollinger Road Corridor will be a two+ year process that is anticipated to be completed in FY 2028-2029. Funding for the final design and construction would be pursued after the analysis is complete. It is anticipated that the design and construction would be initiated in FY 2030-2031.

The grant funding secured is from a federal grant program, which currently leaves some uncertainty as to whether the City will be able to finalize the grant agreement, and thus the City has not initiated any efforts that result in further expenditure. Federal Highway Administration (FHWA) has not yet signed the grant agreement and they are evaluating all pending agreements.

TABLE 4A

Project name	Project Description	Year Initiated	Approved Funding	Project Total	Unencumbered funds
Bollinger Road Corridor Study	Traffic analysis, topographic and utilities survey, and preliminary engineering of Bollinger	FY24-25	\$106,400	\$532,000	\$532,000

	Road. (<i>Externally Funded, in part</i>)				
	Safe Streets 4 All (SS4A) grant	FY24-25	\$425,600		

Option 1 – Defund the Project

Defunding the project would result in \$106,400 of City funds being reallocated, and the grant funding would be lost.

Option 2 – Continue with the Project

It is likely that external funding will be available for the design and construction of the project once the traffic analysis and community input from this study are compiled into a report.

TABLE 4B – FISCAL IMPACT OF DEFUNDING

Options	Approved City Funding	*Expenses/ Encumbrances	Grant Funding Applied	Funding Return
Defund	\$106,400	\$0		\$106,400
Proceed	\$106,400	(\$532,000)	\$425,600	\$0
			Difference	\$106,400

**Expenses-to-date are noted in the context of Defunding. Encumbrances (contracts) are considered if proceeding with the project.*

5. Photovoltaic Systems Design and Installation

Project Description: In 2023 PG&E announced a solar buy-back rate decrease, designated as Net-Energy Metering 3 (NEM 3), for electricity generated by photovoltaic (PV) systems. However, a window was provided to allow grandfathering buy-back rates, at the more economically-attractive NEM 2.0 rates, if interconnection applications were successfully submitted and corresponding systems are operational by 2026. NEM 2.0 Interconnection Applications were successfully submitted to PG&E for five Cupertino facilities: Blackberry Farm, Civic Center, Library, Quinlan Community Center & Senior Center, and Sports Center. This project aims to design and build PV systems at three of these locations. Council reviewed and approved the conceptual designs for Community Hall, Quinlan Community Center, and Sports Center in December 2024, before awarding the Design Build contract in February 2025.

The City must connect the proposed photovoltaic systems to the grid by 4/15/2026 to take advantage of the NEM 2.0 applications, which provides 75 – 80% greater compensation than NEM 3 rates for electricity that is fed back into the electrical system. The savings in utility costs are projected to be approximately \$290K annually, and \$13.4 million over a 30-year lifespan. Installation of the PV systems is projected to provide substantial fiscal savings on utility costs. The use of cleaner energy sources is also a CAP goal.

Status of the project: The PV project contracts for the design-build entity and construction management were approved in February and the design phase is underway.

TABLE 5A

Project name	Project Description	Year Initiated	Approved Funding	Project Total	Remaining Funds
Photovoltaics Systems (PV) Design & Installation	This project will design-build PV systems at three locations: Quinlan Community Center, Cupertino Sports Center, and Community Hall. <i>Estimated Completion: 2026</i>	FY24-25	\$6,300,000	\$6,300,000	\$6,296,600

Fiscal Summary (information from the February 4 staff report to award the DB contract):

The PV Project budget (420-99-274) has a total City-funded approved project budget of \$6,300,000. The total expenditures after completion of the project are estimated to be \$4,624,491, with remaining funds of \$1,675,509.

TABLE 5B - Fiscal Summary Table

Current Funding Status (Budget)	Amount
City Approved Funds - FY 25	\$6,300,000

Projected Funding Impact (Expenses)	Amount
Expenses to date (Conceptual Design)	(\$59,610)
Construction Contract (\$3,939,881 base contract and \$400,000 contingency)	(\$4,339,881)
Construction Management	(\$225,000)
Subtotal:	(\$4,624,491)

Summary	Amount
Current Project Budget (420-99-036)	\$6,300,000
Projected Funding Impact	(\$4,624,491)
Remaining Funds:	\$1,675,509

The City will apply for the Inflation Reduction Act (IRA) Direct Pay credit at the end of the project. If the application is successful, the rebate will cover 30% of the cost of the PV system installation. The project will also pursue the “Build America Buy America Act” (BABAA) domestic content bonus credit program for energy projects, which could return an additional 10% to the City. The BABAA bonus credit requires that the project use a specified percentage of domestically produced steel, iron, and manufactured products. The revenue from either of these rebate programs, as much as \$1.4 million, is not guaranteed.

The IRA credits are potentially at risk. At this time, Presidential Administration has paused all funding disbursements for projects funded by the Inflation Reduction Act. Any disbursements are currently required to receive specific approval from the federal government.

Option 1 – Defund the Project

Defunding the project would result in approximately \$6.2 million of City funds to be reallocated. The design-build contract with Syserco (\$3.9 million) has been executed and some funds would be reimbursed to Syserco for time spent. The City would not see the \$13.4 million in savings over the next 30 years on utility costs – those savings would be lost if the project is defunded.

Option 2 – Continue with the Project

This project is anticipated to save \$13.4 million in the next 30 years in utility costs. Refer to Attachment C for more detail. With the federal rebates projected, 9 years is the payback period for the project costs. Without the federal rebates, the payback period is 13 years.

TABLE 5C – FISCAL IMPACT OF DEFUNDING

Options	Approved City Funding	*Expenses/ Encumbrances	Rebate	Funding Return
Defund	\$6,300,000	(\$59,610)		\$6,240,390
Proceed	\$6,300,000	(\$4,624,491)	\$1,679,068	\$3,354,577
			Difference	\$2,885,813

**Expenses-to-date are noted in the context of Defunding. Encumbrances (contracts) are considered if proceeding with the project.*

6. Silicon Valley Hopper EV Parking

Project Description: Provide electric vehicle charging stations (EVCS) for Silicon Valley Hopper EV fleet [formerly Via shuttle]. The Silicon Valley Hopper fleet requires dedicated EVCS for operational efficiency.

Initiated as a pilot program by City Council in 2019 as Via-Cupertino, the micro-transit rideshare program rebranded in 2023 as Silicon Valley (SV) Hopper when it partnered with the City of Santa Clara.

The project budget includes design and construction. The budget is not adequate for additional electrical service upgrades, if required. A search for additional external funding is underway. Presently the EV fleet is being parked and charged at De Anza College. The city of Santa Clara is exploring the option of providing overnight charging at existing EVCS in Santa Clara. They have been working with their utility provider for over a year, but the outcome is still uncertain.

Status of the project: The City is currently seeking professional design services to prepare plans for construction.

TABLE 6A

Project name	Project Description	Year Initiated	Approved Funding	Project Total	Unencumbered funds
Silicon Valley Hopper EV parking	Provide electric vehicle charging stations (EVCS) for SV Hopper (formerly VIA) fleet.	FY22-23	\$350,000	\$350,000	*\$321,000

**\$29,000 has been spent on preliminary engineering and design information.*

Option 1 – Defund the Project

Defunding the project would result in \$321,000 of City funds to be reallocated.

Defunding the project means that the City would be reliant on utilizing non-City owned facilities to support the fleet of electric shuttle vehicles.

Option 2 – Continue with the Project

It is likely that external funding will be available for the design and construction of this project.

TABLE 6B – FISCAL IMPACT OF DEFUNDING

Options	Approved City Funding	*Expenses/ Encumbrances	External Funding	Funding Return
Defund	\$350,000	(\$29,000)		\$321,000
Proceed	\$350,000	(\$350,000)	\$0	\$0
			Difference	\$321,000

**Expenses-to-date are noted in the context of Defunding. Encumbrances (contracts) are considered if proceeding with the project.*

Summary

As part of the Capital Improvement Programs (CIP) review discussion on April 2, the City Council requested the opportunity to review certain CIP projects to consider defunding.

- **Stevens Creek Boulevard Class IV Bikeway - Phase 2A, 2B and Bandley Intersection:** approximately \$2.15 million could be returned to the Capital Reserve. This project was the top priority of the 2016 Bicycle Transportation Plan to enhance safety on Stevens Creek Boulevard. Defunding this project could marginalize the City's ability to acquire grant funding from VTA in the future.
- **Bollinger Road Corridor Study:** the A conceptual study was published in 2021 and was informed by prior pedestrian/vehicular collisions that resulted in two deaths. The proposed traffic analysis and public outreach is partially (80%) funded through external grants, and the analysis will provide information essential to understanding the potential next steps. Defunding the study will return \$100,000 to the Capital Reserve.
- **Photovoltaic Systems Design and Installation:** Approximately \$6.2 million could be returned to the Capital Reserve. The completed project is anticipated to save \$13.4 million over the next 30 years. With the federal rebates projected, 9 years is the payback period for the project costs. Without the federal rebates, the payback period is 13 years.
- **Silicon Valley Hopper EV Parking:** Approximately \$321,000 could be returned to the Capital Reserve if this project is defunded. Defunding the project means that our City's fleet of electric shuttle vehicles are housed at non-City properties when not in use.

Sustainability Impact

No sustainability impact.

Fiscal Impact

Defunding of a CIP project would result in the approximate "Funding Return" total (listed below) being returned to the Capital Reserve.

1) Stevens Creek Boulevard Class IV Bikeway - Phase 2A =	\$2,040,000
2) Stevens Creek Boulevard Class IV Bikeway - Phase 2B =	\$0
3) Bandley Dr. Signal Upgrade =	\$116,550
4) Bollinger Road Corridor Study =	\$106,400
5) Photovoltaic Systems Design and Installation =	\$6,240,390
6) Silicon Valley Hopper EV Parking =	\$321,000

Proceeding with the CIP project would result in the use of the previously appropriated funds, offset by the external funding listed in the tables above (approximately \$1.9M to \$3.6M).

City Work Program (CWP) Item/Description

None

California Environmental Quality Act

No California Environmental Quality Act impact

Prepared by: Susan Michael, CIP Manager

Reviewed by: Chad Mosley, Director of Public Works

Tina Kapoor, Deputy City Manager

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – FY 25-26 CIP Project Narratives-defunding review

B – FY 25-26 CIP Fiscal Summary Table

C – Photovoltaic Systems project cost analysis February 2025