



PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: March 19, 2024

Subject

Capital Improvement Programs (CIP) Fiscal Year (FY) 2024/2025 and Five-year Plan.

Recommended Action

Receive presentation and provide input on the development of the proposed CIP FY 2024/2025 and five-year plan.

Executive Summary

Annually, in conjunction with the City of Cupertino budget process, staff collects and develops proposals for new CIP projects. The City Council reviews these proposals and provides early insight. This allows staff to fully flush out projects in advance of presenting the proposed CIP.

This year staff is proposing only strategic modifications to the existing CIP, with a focus on projects that preserve failing infrastructure, provide for safety, utilize outside funding, or create future ongoing savings. This aligns with the proposed five-year elimination of General Fund support of the CIP and allows existing funding within the CIP budget to better stretch over that timeline.

A number of projects are in design. This is a critical step in the process, whereby the design makes future project funding and delivery easier. For these projects, staff proposed completing the design phase, with future phases on hold until funding is in place.

Reasons for Recommendation

Development of the annual CIP is a multi-step process, as detailed briefly here:

- Annually Staff compiles needs identified through internal proposals and planning documents (e.g., master plans).
- January Staff reviews the CIP proposals with commissions that have goals that align with the projects (this year included the Parks and Recreation Commission, Bicycle and Pedestrian Commission, and Sustainability Commission).

- **March 19** City Council is presented with the draft CIP proposal and provides input on the proposed CIP and the five-year plan.
- April 9 Planning Commission verifies the proposed CIP recommendations are in conformance with the General Plan.
- May/June The proposed CIP returns to City Council as part of the adoption of the annual Operating Budget.

The proposed CIP generally includes a request for funding for the current fiscal year projects, as well as program support for the five-year plan. It is important to note that years two through five are included for planning purposes to identify potential future expenditures and workloads. These future-year projects are not being funded with the approval of the CIP.

A capital improvement project is a project that enhances a unit of property, restores, or prolongs the useful life of a unit of property, or adapts the unit of property to a new or different use. The CIP Division of Public Works provides design and construction administration for all CIP projects including streets, sidewalks, storm drainage, buildings, parks, bicycle and pedestrian improvements, and other public facilities. The division ensures that the design and construction of all public improvements occur in accordance with community expectations, and applicable City standards. The division places public health and safety as its highest priority in the planning and delivery of CIP projects.

The guidelines for what constitutes a CIP project, as opposed to a maintenance project, are: (1) requires professional design services with specialized expertise, analysis, or documentation for the activities; and (2) the implementation budget generally needs to exceed \$60,000. These guidelines are dynamic and are dependent upon individual projects.

The projects completed or scheduled for completion this year include:

- Stevens Creek Boulevard/Calabazas Creek Storm Drain Repair
- Pumpkin and Fiesta Storm Drain Project (Phase 1)
- Blackberry Farm Golf Renovation/Alternative Use Study
- Community Gardens - Wilson Park
- Full-sized Outdoor Basketball Court - Wilson Park
- *McClellan Road Separated Bike Corridor, Phase 3
- *De Anza Boulevard Buffered Bike Lanes
- *Electric Vehicle (EV) Parking Expansion - BEAM units purchase & installation
- *Regnart Road Improvements (Phase 1)
- *Blackberry Farm Pool Improvements
- *Memorial Park - Specific Plan

**Projects that are projected to be complete by July 2024*

Staff anticipates that these projects will underspend their respective budgets by approximately \$250,000, for which the remaining funds will be returned to the Capital Improvement Fund (or other appropriate account based on the original source of any restricted funds) upon completion of the project closeout. Additionally, staff intends to utilize approximately \$350,000 from the Storm Drain 210 funds to offset Capital Improvement Fund dollars on the Stevens Creek Boulevard/Calabasas Creek Storm Drain project. These offset dollars would also return to the Capital Improvement Fund, for a total of \$600,000 being returned. The City Council will make any decision on the future use of unbudgeted funds. Public Works and Finance staff work together as part of the year-end process to close out completed projects, presenting this information as part of the first quarter report of the following fiscal year.

Project Priorities

As a tool to inform decisions about funding and the scheduling of resources, project prioritization uses the following criteria:

TABLE 1: PRIORITIES FOR CIP PROJECTS, LEGEND

| LEGEND | |
|---|--|
|  | Health and Safety Improvements |
|  | Council, Commissions and/or Community Priority |
|  | High Priorities established through City's Master Plans or Condition Assessment Reports |
|  | Projects that are subsequent phases of existing projects; or projects in the queue that need to be activated |
|  | Projects that have secured external funding |

- Health and Safety:** assets that require repair or upgrading to protect public health and safety, including protection of public and private property, take highest priority.
Example: Repair of the Vai Avenue Outfall is a high priority to avoid further deterioration of public/private property.
- Council Priorities:** Incorporates Council priorities, suggestions from Commissions, and Community input.
Example: Bollinger Road Corridor Design is a project prioritized by the Bicycle Pedestrian Commission and members of the public.

- Master Plan Priorities:** The City’s master plans and the General Plan have many stated goals and policies that affect the generation of CIP projects. Staff reviews the goals found in these documents, including stated priorities of commissions.

Example: The Climate Action Plan prioritizes energy conservation and the utilization of clean energy sources. The Photovoltaic Systems Design & Installation project addresses these goals.
- Ongoing phases:** some projects advance as subsequent phases of existing/completed projects.

Example: McClellan Road Separated Bike Corridor, Phase 3 (current) is a subsequent Phase of the overall McClellan Road Separated Bike Corridor project, initiated in FY 2020.
- Fiscally Responsible:** Improvements or projects that enhance fiscally responsible use of City resources, including staff time and City funds. Projects that have secured (or could secure) outside funding, such as grants, are also given priority.

Example: The Bollinger Road Corridor Design Project is included in the CIP this fiscal year because a majority of the study will be funded through a grant.

Review of existing projects takes place annually. In light of the City’s current fiscal status, this review evaluated whether or not continuation of each existing project is the best course of action. At this time, staff does not recommend defunding any existing projects. The table in Attachment B provides a summary of the rationale for this recommendation for each project. Generally, existing projects are in contract, awaiting awarded grant funding to come through, or in the queue for the reasons stated in the table.

Staff evaluates and ranks new project proposals based on the factors listed above. The highest priority is given to projects that require repair of existing facilities to address public health and safety and to protect public and private property. Other factors, including available funding and resources to complete the project, are then considered within the context of other City goals. This year, specific emphasis has been placed on projects that utilize non-General Fund sources (i.e. special funds and grants) or projects that create future General Fund savings.

Staff Recommendations

Using the priorities listed above, the following list identifies projects for the FY 2024-25 CIP:

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TABLE 2: PROPOSED CIP PROJECTS FY 2024-25

A. New Projects:

| Project Name | City Funding (Capital Reserve) | Grant Funding | Proposed Project Cost |
|---|---|----------------------|------------------------------|
| Bollinger Road Corridor Design | \$106,400 | \$425,600 | \$532,000 |
| Photovoltaic Systems Design & Installation | \$6,300,000 | \$0 | \$6,300,000 |
| Electric Vehicle Charging Station (EVCS) expansion - Service Center | \$560,000 | \$0 | \$560,000 |
| McClellan Road Bridge Replacement | *\$0 | *\$5,850,000 | *\$8,000,000 |
| Roadway Safety Improvements - High Friction Pavement & Speed Feedback Signage | \$356,180 | \$3,205,620 | \$3,561,800 |
| Vai Avenue Outfall | \$490,000 | \$0 | \$490,000 |
| Subtotal | \$7,812,580 | \$9,481,220 | \$19,443,800 |

**Note: Over the last year, staff has searched for grant opportunities to cover the unfunded portion of the project, but many grant opportunities require preliminary engineering be completed for a project. Staff requests that City Council budget the \$5.85 million received in grant funding towards the project so that preliminary design efforts can be initiated, enabling the project to qualify for a wider array of grant opportunities.*

B. Multi-Year Projects, Additional Funding:

| Project Name | City Funding (Capital Reserve) | Grant Funding | Proposed Project Cost |
|---|---|----------------------|------------------------------|
| ADA Improvements (Annually funded) | \$100,000 | \$0 | \$100,000 |
| Annual Playground Replacement (Year 5 of 5) | \$300,000 | \$0 | \$300,000 |
| Street Light Installation - Annual Infill (Annually funded) | \$35,000 | \$0 | \$35,000 |
| Subtotal | \$435,000 | \$0 | \$435,000 |

| | | | |
|--------------|--------------------|--------------------|---------------------|
| Total | \$8,247,580 | \$9,481,220 | \$19,878,800 |
|--------------|--------------------|--------------------|---------------------|

Project narratives for each of the newly proposed projects can be found in Attachment A. Attachment B includes financial information, project status, and prioritization information on all projects. Attachment C provides information about projects suggested in each of the City's master plans.

In summary, the Proposed FY 2024-25 CIP includes six new projects and additional funding for three existing multi-year projects. There are 20 existing CIP projects that are a priority to advance and close out. This year, the proposal for new projects was driven by the City's overall budget concerns, which limits funding and encourages the promotion of revenue-enhancing opportunities. Another significant priority is to implement health and safety-driven projects.

Sustainability Impact

Future projects will be evaluated for sustainability impacts as they are developed.

Fiscal Impact

The FY 2024 – 2025 proposal for the CIP includes \$8,247,580 for new projects funded from the Capital Reserve. Should grant funds be awarded, staff will return to City Council to make the necessary budget adjustment. The Capital Projects Fund and Capital Reserve (420/429) have \$14.81 million in estimated fund balance available for CIP projects (See Attachment D). If the proposal for FY 2024 -2025 CIP is approved, the Capital Reserve is estimated to end FY25 with \$6.56 million available fund balance for CIP projects in the next five years. The \$6.56 million includes the \$5 million minimum reserve balance for the fund.

California Environmental Quality Act (CEQA)

No CEQA impact.

Prepared by: Susan Michael, Capital Improvement Programs Manager

Reviewed by: Chad Mosley, Director of Public Works

Reviewed by: Matt Morley, Assistant City Manager

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – FY 2024 - 2025 CIP Project Narratives

B – FY 2024 - 2025 CIP 5-year Project Information

C – Master Plans Project Lists

D - Capital Reserve Information