



PUBLIC WORKS DEPARTMENT

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3255

TELEPHONE: (408) 777-3354 www.cupertino.org

CITY COUNCIL STAFF REPORT

Meeting: June 2, 2020

Subject

Study Session on the Capital Improvement Program (CIP): Review of Funded FY19-20 Projects Recommended to Defer One Year, and Projects Proposed for FY20-21

Recommended Action

Receive the report on funded projects recommended to defer for one year, and projects proposed for FY20-21 and provide comments.

FY19-20 Projects Recommended for One-Year Deferral

Current year CIP projects were grouped into the following five categories:

- 1) new projects
- 2) projects with existing multi-year funding
- 3) existing fully-funded projects
- 4) grant / externally funded projects
- 5) unfunded projects

Projects with funding (categories 2, 3 and 4) were then prioritized based on the following considerations:

- Completed master plans, audits and studies and subsequent updating of project tiering/prioritization by Council.
 - 2016 Bicycle Plan
 - 2018 Pedestrian Plan
 - Park Master Plan
 - Storm Drain Master Plan
 - City-wide Building Condition Assessment
- Prioritization of projects, whether identified in completed master plans, audits and studies or not, also taking into consideration the following:
 - Health and safety
 - Long-term cost savings/operating
 - Grant eligibility and other external funding
 - Available dollars to fund

Based on this evaluation process, a list of projects was developed that could be deferred for one year without significant impact to the community. Selected projects, as shown on the list below, did not rank highly in the evaluation process.

Project	Justification for One- Year Deferral
All-Inclusive Playground at Jollyman Park	Project is only partially funded with considerable fund raising required during a time of economic uncertainty.
Stevens Creek Corridor Park Chain Master Plan – McClellan to Stevens Creek Boulevard	A proposed FY20-21 project “BBF Golf Course Alternatives Analysis” should be completed prior to completion of the Master Plan.
Bike Boulevard Improvements Phases 1-3 (Permanent Improvements)	Temporary improvements have been hampered by the Shelter-in- Place Order. Once in place, they will be evaluated for effectiveness prior to recommending installation of permanent improvements.
Orange Avenue Sidewalks	Schools in the tri-school area have requested a deferral until next Summer. Desired right of way acquisition is hampered by the Shelter-in-Place order

These projects are shown in Attachment A - Funded FY19-20 Projects Recommended for One Year Deferral. This attachment shows total amount funded for each project, dollars expended to date, funding that could be deferred for one year and current status. It is not recommended that these projects be defunded. An important consideration in determining whether or not to defer a project is if the cost of construction is expected to increase. This consideration has been factored into the recommendations. Attachment B – Schedule of Construction for Currently Funded CIP Projects is also attached for reference. Schedules for projects with community outreach pending is subject to change due to the Shelter-in-Place Order.

FY20-21 Project Proposals

Currently funded projects that will continue, and capital improvement projects proposed for next year, were evaluated on the following criteria:

1. Council Priority/Citywide Benefit (Council expressed priority, e.g. Library Expansion)
2. Health and Safety Improvements
3. High priorities established through completed master plans or condition assessments

4. Community-wide benefit
5. Minimize or reduce ongoing expenditures
6. Availability of external funding or grants / remaining eligible for funding or grants
7. Prepares a medium priority project to be ready for construction in future years (e.g. feasibility studies, design)

There are nine new projects proposed for FY20-21 for a total amount of \$1.56M. These projects are shown in Attachment C – Proposed FY20-21 Projects. Three of the nine proposals are responsive to citizen requests for traffic calming measures, minor park amenities and the replacement of aged park playground equipment. An additional three proposals provide the City with the analysis to make long-term decisions related to the Blackberry Farm Golf Course, the Sports Center and HVAC equipment replacement and/or upgrades at Quinlan Community Center. Two of the final three proposals allows the City to leverage grant opportunities and better positions the City in the competitive grant process. The last proposal addresses a long-term goal of repairing the Cordova Road retaining wall. Initially thought to be in imminent failure, the retaining wall has shown no additional signs of deterioration and a lower cost repair solution was identified. Attachment D - Proposed FY20-21 Project Narratives provides a full description of these proposed projects.

Financial Uncertainty of COVID-19 on Capital Reserves

The current estimated fund balance for the Capital Reserve fund is \$16.68M. A third quarter adjustment transferring \$10M from the Capital Reserves into the General Fund, and an obligation to repay the General Fund \$3M within three years, has reduced the Capital Reserve fund to \$3.68M.

Prior to the economic uncertainties created by COVID-19, the General Fund transferred significant amounts to the Capital Reserve fund on an annual basis. For the last five years, these amounts were as follows:

- FY19-20 - \$20,000,000 (proposed to be reduced to \$10,000,000)
- FY18-19 - \$8,000,000
- FY17-18 - \$10,000,000
- FY16-17 - \$15,000,000
- FY15-16 - \$2,791,725

At this point, no transfers from the General Fund to the Capital Reserve fund are forecasted for the next five years. With the current financial uncertainty, it is not feasible to make funding recommendations for a 10-year CIP.

Additionally, since it is unknown how COVID-19 related economic uncertainties will impact City budgets and what emergency projects may arise, it is recommended that the Capital Reserve account maintain a minimum funded balance of \$2M.

Summary

Four currently funded FY19-20 projects are proposed for deferral. These projects will defer \$4,856,106 of expenditures to future years; however, when the projects are reauthorized, an additional amount of approximately \$397,500 may be required to complete the projects due to estimated cost escalation. There are nine new projects proposed for FY20-21 for a total amount of \$1,559,500. The budget that will be presented for final consideration will be the projects recommended in this report and as amended by Council.

Sustainability Impact

Sustainability impacts vary by project, and some of these projects have not been reviewed for environmental impact yet. Appropriate mitigation measures are required when significant impacts are identified. In general, many CIP projects are designed to improve sustainability.

Fiscal Impact

At the Council meeting of May 19, 2020, it was recommended that \$10M be transferred from the Capital Reserve to the General Fund. The \$1.5M transfer typically made from the General Fund to Capital Reserves is not expected to occur for the next five years, due to the economic impacts of COVID-19.

The Capital Reserve fund balance, after the transfers from the Capital Reserves to the General fund, will be \$3.68M. New projects proposed will reduce this amount by \$1.56M with an ending Capital Reserve fund balance of \$2.12M. This would be the amount available for FY21-22 proposed CIP projects and/or emergency projects that could occur without impacting the General Fund.

The FY19-20 Amended CIP Budget totals \$52.6M for (34) projects at various levels of completion. This total excludes transfers out from the Capital Reserve to fund capital projects in other funds. A transfer out represents a movement of cash from one fund to another and is not an actual expense but the accounting mechanism to move cash between funds.

No additional staffing is required to support the recommendation on funded projects to defer one year and proposed new projects.

Prepared by: Roger Lee, Director of Public Works

Michael Zimmermann, Capital Improvement Program Manager

Approved for Submission by: Dianne Thompson, Assistant City Manager

Attachments:

Attachment A – Funded FY19-20 Projects Recommended for One-Year
Deferral

Attachment B – Schedule of Construction for Currently Funded CIP Projects

Attachment C – Proposed FY20-21 Projects

Attachment D – Proposed FY20-21 Project Narratives