



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/01/2022

ITEM NO: 13

DATE: February 23, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Fiscal Year 2021/22 – 2025/26 Capital Improvement Program and
Provide Input for Fiscal Year 2022/23 – 2026/27 Budget Planning

RECOMMENDATION:

Review the Fiscal Year (FY) 2021/22 – 2025/26 Capital Improvement Program (CIP) and provide input for FY 2022/23 – 2025/27 budget planning.

EXECUTIVE SUMMARY:

This report builds on the update provided to the Town Council in August 2021 and identifies significant additional unfunded needs. The Town has had great success leveraging Town funds by obtaining grants. These grants allow the Town to stretch local dollars in implementing projects. However, grants have matching fund requirements and the Town has other important projects as identified below, with over \$7 million in immediate needs and anticipated available funds of \$2.5 million.

In addition to project needs, ongoing assessments of deferred infrastructure needs have identified \$75 million in deferred expenditures and future funding needs across four categories. Understanding that funding the full need is untenable, each category can be prioritized over five-year increments. This aligns with a five-year CIP budget with a five-year need of \$25 million.

The goal of this report is to present the funding needs and to facilitate a discussion on priorities, which will provide staff with guidance leading into the annual CIP process.

PREPARED BY: Matt Morley
Parks and Public Works Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

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BACKGROUND:

On June 1, 2021, the Town Council approved the Fiscal Year 2021/22 – 2025-26 CIP. Since that time, several Council actions have appropriated CIP funds to additional projects:

Project	Funds
Union Avenue Community Garden	\$35,000
Public Art Gateway Project	\$32,000
Lynne Avenue Pedestrian Path Design	\$75,000
Blossom Hill Road Traffic Calming	\$200,000
Downtown Parking Signage	\$400,000
Roadside Fire Fuel Reduction	\$575,000
Forbes Mill Pedestrian Bridge Artwork	\$30,000
Civic Center Security Enhancements	\$110,000
Corporation Yard Building Replacement	\$135,981
Adult Recreation Center HVAC	\$130,000
Additional Funding for 224 W Main	\$29,568

These adjustments in conjunction with previous budget actions have left a current balance in the General Fund Reserve of just over \$500,000. Approaching the next budget process, staff expects an additional \$1,500,000 plus anticipated FY 2021/22 Measure G proceeds of \$500,000.

DISCUSSION:

The Town's CIP includes capital improvements and capital maintenance. Capital improvements tend to garner a significant amount of the funding for a number of reasons, including the excitement of building new infrastructure and, in the case of Los Gatos recently, the availability of grant funding that allows for leveraging local dollars.

Ongoing CIP Projects

Staff has continued the effort of providing CIP project updates in a graphical format (Attachment 1). The intent of this format is to provide a consistent at a glance summary of each project, including its progress, funding, and any important factors that could influence the project delivery.

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DISCUSSION (continued) :

Project Funding Needs

Currently several projects are underway with anticipated additional funding needs, as identified in the table below. In some cases the additional need is match funding for grants that allow for the Town to leverage funds. This is illustrated with amounts in the far right column. In other cases, alternative (non-Town) funding is not available and the Town will need to contribute funds. This is illustrated with amounts in the center column.

Projects with Additional Funding Needs	GFAR Funds Need	Other Fund Source Need
Hwy 17/9 Interchange & Capacity Improvements (Design Phase Local Match) (GFAR)	\$780,000	
Corporation Yard Building Replacement (GFAR)	\$600,000	
Shannon Road Ped & Bike Improvements (multiple sources)		\$1,200,000
Shannon Road Repair (GFAR)	\$4,500,000	
Los Gatos Creek Trail Connector Project	\$928,687	\$4,879,245
Blossom Hill Road Traffic Safety Project (construction)	\$100,000	\$950,000
Kennedy Road Sidewalk and Bike Lane (construction)	\$400,000	

The above list is complemented by a longer list (Attachment 2) of projects that have been identified as needs over time. Staff maintains the list as a working document and modifies it to add and remove projects as priorities change or as projects are completed.

This abbreviated list of over \$7 million in needs provides challenges for advancing these projects in light of the limited capital funds available as identified in the background section of this report. For projects with grants, not meeting a match obligation would mean the funds would revert back to the grantor.

Deferred Capital Needs

Staff has been compiling capital improvement funding needs across a number of categories in order to help grow an understanding of overall deferred capital expenditures. These needs have grown out of focused studies and assessments that evaluate and quantify incremental costs which build to the category costs. For most infrastructure, the Town has historically employed a run to failure model. This approach to capital maintenance is ineffective by way of its reactionary nature and organizational disruption. The table below provides a summary of these amounts, with the following section of this report describing each.

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DISCUSSION (continued):

Category	Funding Need
Facilities Capital Maintenance	\$20 M
Stormwater Infrastructure	\$15 M
Pavement Maintenance (PCI of 75) over 5 years	\$14 M
ADA Transition Plan (data collection ongoing)	\$26 M
Total	\$75 M

Facilities

With the Library recently reaching its ten-year anniversary, the Town no longer maintains buildings that can be considered new and older facilities have ever increasing capital needs. This last year, a consultant working for the Town conducted a facility assessment that identified current needs as well as life cycle costs for each of the Town's facilities. Facility by facility estimated costs are summarized in Attachment 3, with a total deferred maintenance (immediate need) of \$2.5 million and a five-year capital need of \$8.6 million.

Facility capital improvements have predominantly been funded through General Fund surplus allocations. Some small grants are available and utilized for projects through the Community Development Block Grant (CDBG) program. In Los Gatos, these projects are generally located at the Senior Center.

Future potential funding sources could include local tax measures.

Americans with Disabilities Act (ADA) Assessment

Similar to the facility assessment, a consultant working for the Town is currently updating the Town's ADA Transition Plan. This required plan identifies non-ADA compliant elements of Town infrastructure, identifies the required corrections, and assigns a cost. The work is in progress and funding needs will change as the consultant finishes their work; however, the current numbers provide a good estimate for what the ultimate need may be. The transition plan will establish a 25-year timeline for addressing the identified deficiencies. All of the costs identified through the ADA assessment are considered deferred. The Transition Plan allows for the Town to address the deferred needs over the timeline established. The total cost is \$26 million or roughly \$1 million per year. These estimated costs are also included in Attachment 3. Staff expects ADA compliance costs may increase by another 45% as the assessment is completed.

At the February 15, 2022 Council meeting, there was some discussion on conducting an ADA Parking Pilot project in the downtown. Staff has provided a review of that proposed project and the work that the Complete Streets and Transportation Commission conducted as

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DISCUSSION (continued) :

Attachment 4. Through the ADA Transition Plan, the costs for addressing deficiencies in parking lots are in excess of \$375,000. Staff recommends addressing the core needs identified in the transition plan prior to embarking upon new efforts, especially where there is not a documented need.

As a distinct part of the ADA transition plan, sidewalk deficiencies have also been assessed. This is the last remaining data collection effort that the consultant is working on. To date the work is approximately 70% complete with an identified \$18 million in unfunded needs for sidewalks alone to date.

Future potential funding sources could include local roadway infrastructure taxes or fees.

Pavement Maintenance

The Town utilizes funding from the Metropolitan Transportation Commission (MTC) to hire a consultant to conduct a regular assessment of pavement condition. A full condition assessment occurs every three years. This information is collected in a program called StreetSaver, which staff utilizes to prioritize pavement projects and to forecast ongoing condition ratings based on investment levels.

The current Pavement Condition Index (PCI) for the Town is at a 69, which is at the top of the “fair” rating. To maintain this level, the Town will need to continue its current investment. To increase the Town’s PCI to a 75 over the next five years, the Town would need to invest an additional \$2.7 million per year.

Current funding for pavement maintenance is largely sourced from non-Town funds, including two local tax measures (2010 and 2016 Measure B), gas tax, garbage truck impact fees, and construction impact fees.

Future potential funding sources could include new local roadway infrastructure taxes or fees.

Stormwater

As reported in August of last year, the Town has an identified unfunded stormwater capital need of \$15 million. The identified projects improve areas of Town where the current stormwater system has deficiencies that are known to create localized flooding on an irregular basis. The assessment was a snapshot in time and the needs continue to grow, especially as the Town annexes County parcels where infrastructure does not exist.

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DISCUSSION (continued):

The Town collects stormwater fees associated with development based on the size and type of development, with fees up to \$5,286 per acre.

Stormwater capital needs overlap with the operational needs of the Clean Water Program. The latter is partially funded through property tax assessments that were set prior to Proposition 218 which passed in 1996. The fees have remained static since that time and no longer fully fund the program. This is compounded by increasing unfunded mandates by the State.

Additional potential funding sources could include:

- Increased stormwater fees for developments, or
- Balloted increases to the fees collected through the Clean Water Program, potentially including funding for capital needs. A strategic approach here could include the Clean Water Program advancing a funding initiative as a third party with Town support.

CONCLUSION:

The Town has significant capital expenditure needs competing for limited funds. Prioritization of projects and goals helps to ensure existing infrastructure is maintained in a cost-effective manner while new amenities are added at a balanced and reasonable rate.

The focus on leveraging Town funds to obtain grant money over the last several years has met with great success. Of significant concern today is the ability to meet the match funding commitments, especially in light of other capital maintenance needs.

Based on Town Council input from this item, staff will develop the proposed FY 2022/23 CIP Budget.

FISCAL IMPACT:

There is no fiscal impact from the discussion of this staff report.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Graphical Presentation Fiscal Year 2021/22 Capital Improvement Program
2. CIP Unfunded Project List
3. Facility and ADA Needs Assessment Summary
4. Complete Streets and Transportation Commission Pilot Project Review