

Subject: FW: Agenda Item #6 - Review of CIP and Funding
Attachments: final budget savings .docx; Pages from FY-201920-CAFR - GF Balance Sheet.pdf; Pages from FY-201920-CAFR-2 -G F Budget vs Actual.pdf; Pages from FY-201920-CAFR-3- Changes in GF balance.pdf; Staff memo on CIP.pdf

From: Phil Koen <pkoen@monteropartners.com>

Date: March 7, 2021 at 10:57:46 AM PST

To: Rob Rennie <RRennie@losgatosca.gov>, Matthew Hudes <MHudes@losgatosca.gov>, Ron Dickel <[REDACTED]>, Rick Tinsley <[REDACTED]>, Kyle Park <[REDACTED]>

Cc: Laurel Prevetti <LPrevetti@losgatosca.gov>, Arn Andrews <aandrews@losgatosca.gov>, [REDACTED], Lee Fagot <[REDACTED]>

Subject: Agenda Item #6 - Review of CIP and Funding

Ron,

I don't have the email addresses for all of the members of the Finance Commission. Perhaps you could pass my email to all of them. Please let me know if you have any questions.

Phil

ATTACHMENT 3

RE: Agenda Item #6 – Review of CIP and Funding

Dear Finance Commission Members,

I am writing to provide the Commission with a different perspective regarding the GFAR funding. I have attached a copy of the staff memo for your reference along with three exhibits:

- General Fund Balance Sheet
- General Fund Statement of Revenues, Expenditures and Change in Fund Balance – budget and actual
- Footnote 8 from the FY 20 CAFR – additions and deletions of fund balances

There are two issues that need to be discussed, which I have labeled A and B on the memo.

Issue A

The Staff makes the statement that “annual salary savings often contribute to the available surpluses for the CIP”. This statement implies that there is an equivalency between “year-end budget savings” and an “annual operating surplus”. The two are not equivalent.

The Staff defines a “budget savings” as occurring when a budgeted expenditure exceeds the actual expenditure. The delta between the actual expenditure and the higher budgeted expenditure is called a “savings”, even though in economic terms no money has really been saved. All that has happened is the budget expenditure is wrong since it anticipated a higher level of expenditure than was realized. It stands to reason that “savings” cannot be “manufactured” through a budgeting process which purposely inflates the budget for an expenditure. True savings flow from management actions taken to implement actual cost-cutting tactics such as departmental expense reductions or employee position reductions.

Historically the Staff has intentionally inflated the budget for certain expenditures, most notably non-safety salary expense. By using the highest pay step rather than the actual pay rate when preparing the salary budget and not factoring in a position vacancy rate, the Staff builds an “annual salary savings” into the annual General Fund operating budget. The amount of this “annual salary savings” has approached \$2 million in past years.

This is not a budgeting best practice and creates a fundamental misallocation of scarce financial resources during the budgeting process by assigning budget dollars to expenditure categories where there is no intention to spend these budgeted dollars. Worse, it misleads the public into believing that the Town will spend more money on critical services, such as safety or community services where there are many non-safety employees, than the Town truly intends. The important point here is the Staff intentionally increases the budget to create a “year-end budget savings” knowing there is never any intention to spend to the level that was budgeted.

The stated reason for doing this is the Staff maintains the “year-end budget savings” can be harvested as a source of funds to replenish the General Fund Capital/Special Project Reserve, which serves as the

primary source of funds for the General Fund Appropriated Reserve (GFAR). And this is the root cause of the issue.

The replenishment of the General Fund Capital/Special Project Reserve primarily comes from actual operating surpluses, **which only occurs when annual actual General Fund revenues exceed actual expenditures after funding all legally restricted reserves at their required levels (see page 3 of the Staff memo)**. In addition, the replenishment can come from re-allocating other General Fund reserves to the Capital/Special Project reserve. Let us examine the financial results for FY 2020, which will highlight this very issue.

As reported in the FY 20 General Fund Statement of Revenue and Expenditures, the Town reported an actual operating **deficit** of \$1.6m. This was because actual expenditures of \$44.3m exceeded actual total revenues of \$42.7m. In addition, the General Fund transferred out a net \$7.4m to other funds which included \$5.8m to the GFAR and an ADP of \$4.7m to Calpers. The operating deficit of \$1.6m combined with the \$7.4m net transfers out of the General Fund resulted in the General Fund Balance (also known as reserves) decreasing \$9m from prior year's level of \$38.3m to \$29.3m.

At the same time, there were “budget savings” totaling \$3.7m. This occurred because the final budget for operating expenditures exceeded the actual operating expenditures by \$3.7m. The majority of this “budget savings” came from public safety (\$1.2m) and community development (\$1.3m). These “savings” are explained in the CAFR as coming from staff vacancies and “salary and benefit savings”. But these “budget savings” play no role in determining the actual operating deficit, which is measured by actual revenues and actual expenditures. They are simply a “variance” between the final budget and the actual expenditures.

To push the point further, we need to review the change from FY 2019 to FY 2020 in the General Fund Capital/Special Project Reserve, which is the critical funding source for the GFAR. Footnote 8 in the FY 20 CAFR, reports that the Capital/Special Project reserve balance decreased by \$4.5m from a fund balance of \$13.3m in FY 2019 to \$8.8m as of June 30, 2020. The schedule shows the \$5.8m decrease associated with the funds transfer to the GFAR, but also shows a \$1.4m addition to the reserve. Where did this \$1.4m addition come from?

It cannot be from the General Fund operating surplus since there was no surplus in FY 20. And it did not come from “budget savings” since this is a variance between budgeted expenditures and actual expenditures and is not included in the calculation of operating surplus. The answer is the increase in the Capital/Special Project reserve was sourced from other General Fund reserves.

In FY 20, all General Fund Reserves (again refer to Footnote 8) decreased by \$13.6m. This decrease created a “source” of funds which were then “used” as follows:

- \$4.5m was recycled to create new General Fund reserve accounts, such as the Market Fluctuations reserve (\$1.2m) and the Measure G reserve (\$1.2m) and to increase existing reserves such the Capital/Special Projects reserve (\$1.4m) and Pension/OPEB reserve (\$.3m). The Town simply moved funds from the left-hand pocket to the right-hand pocket.
- \$7.5m was used to fund the net transfers out of the General Fund which included the transfer to the GFAR and the ADP to Calpers.
- \$1.6m was used to fund the operating deficit for the FY 20.

Money is fungible and the \$13.6m in “sources” equals the \$13.6m in “uses”. “Budget savings” are budget vs. actual variances and did not provide the \$1.4m addition to the Capital/Special Projects reserve.

The practice of intentionally inflating budgets should be changed to meet GFOA best practices. By using best practices, Los Gatos can compare the Town’s performance against other cities with similar demographics. As it is now, we measure ourselves against an inflated budget for non-safety employee salary and benefits which provides little insight into the efficiency of the Town’s delivery of services to residents and does not provide a source of funds for the Capital/Special Project reserve. Given the existing budgeting practice, the ability to have an insightful analysis of budget variances is greatly impaired and results in a weakened control structure over the operational execution/delivery of the annual budget.

Item B

The Staff memo notes that General Fund transfers to the GFAR fund have ranged over the years between \$2.7m and \$6.9m with the FY 21 budget calling for a \$3.4m transfer to the GFAR.

Given this long-standing history of funding transfers, why is the Staff only planning \$.6m in annual transfers from the General Fund to the GFAR has shown in the most recent 5-year forecast? Over the 5-year planning horizon, the current five-year forecast assumes a total of \$3.0m being transferred when history would suggest a cumulative transfer of approximately \$15m will be required. This would increase the cumulative five-year funding deficit from \$2.5m to \$17.5m. This is a material increase.

Additionally, the \$15m in cumulative fund transfers reflects a “normal” funding requirement to maintain the Town’s infrastructure. It certainly does not include any funds needed to build the \$25m proposed Highway 17 pedestrian bridge or the \$17m needed to improve the storm drain system, which are projects the Staff is currently reviewing. That would suggest that the \$17.5m deficit is a “best case” scenario.

The Finance Commission needs to launch a detailed review of the Town’s capital requirements for the next 10-years and develop a sound funding strategy. It is clear to many that the five-year projection is inaccurate and in no way represents the true capital required to maintain/improve the Town’s infrastructure. This is a very pressing issue that needs additional resident oversight and best thinking.

Thank you for your time and commitment to serve on the Finance Commission.

Phil Koen

**TOWN OF LOS GATOS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 36,974,140	\$ 18,951,321	\$ 6,598,756	\$ 62,524,217
Restricted Cash & Investments	669,978	-	-	669,978
Receivables:				
Accounts	930,815	-	19,277	950,092
Interest	317,209	-	-	317,209
Intergovernmental	1,414,965	480,888	140,642	2,036,495
Other assets	30,960	-	-	30,960
Long term notes	159,000	-	78,752	237,752
Total Assets	\$ 40,497,067	\$ 19,432,209	\$ 6,837,427	\$ 66,766,703
LIABILITIES				
Accounts payable	\$ 957,782	\$ 2,561,695	\$ 4,181	\$ 3,523,658
Accrued payroll and benefits	1,696,044	-	4,734	1,700,778
Due to other governments	37,969	-	-	37,969
Unearned revenue	1,732,822	2,798,786	64,855	4,596,463
Deposits	6,736,953	-	-	6,736,953
Total Liabilities	11,161,570	5,360,481	73,770	16,595,821
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	205,700	-	205,700
Total deferred inflows of resources	-	205,700	-	205,700
FUND BALANCE				
Restricted for:				
Capital Outlay	-	88,937	6,168,819	6,257,756
Pension	669,978	-	-	669,978
Repairs and Maintenance	-	-	190,250	190,250
Committed to:				
Budget Stabilization	5,427,603	-	-	5,427,603
Catastrophic	5,427,603	-	-	5,427,603
Pension/OPEB	4,532,500	-	-	4,532,500
Assigned to:				
Open Space	410,000	-	-	410,000
Parking	-	1,460,210	-	1,460,210
Sustainability	140,553	-	-	140,553
Capital/Special Projects	8,787,958	-	-	8,787,958
Comcast PEG	-	50,000	-	50,000
Market Fluctuations	1,218,732	-	-	1,218,732
Compensated Absences	1,539,408	-	-	1,539,408
Capital Projects	-	12,266,881	-	12,266,881
Measure G 2018 District Sales Tax	1,181,162	-	-	1,181,162
Special Revenue Funds	-	-	404,588	404,588
Total Fund Balances	29,335,497	13,866,028	6,763,657	49,965,182
Total Liabilities and Fund Balances	\$ 40,497,067	\$ 19,432,209	\$ 6,837,427	\$ 66,766,703

The notes to the financial statements are an integral part of this statement.

TOWN OF LOS GATOS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 17,970,500	\$ 18,352,880	\$ 18,330,425	\$ (22,455)
Sales Taxes	8,001,917	8,723,000	7,531,425	(1,191,575)
Other Taxes	2,855,730	2,857,285	1,877,338	(979,947)
Franchise Fees	2,458,520	2,458,520	2,495,792	37,272
Licenses & Permits	4,672,534	4,672,534	4,053,537	(618,997)
Intergovernmental	988,441	1,165,460	1,104,075	(61,385)
Charges for Services	4,454,336	4,649,235	4,447,213	(202,022)
Fines and Forfeitures	483,950	483,950	271,117	(212,833)
Interest	629,774	629,774	2,266,134	1,636,360
Use of Property	35,793	35,793	31,039	(4,754)
Other	286,077	286,077	307,812	21,735
Total Revenues	42,837,572	44,314,508	42,715,907	(1,598,601)
EXPENDITURES				
Current:				
General Government:				
Town Council	240,605	240,605	206,164	34,441
Town Attorney	621,391	628,793	559,010	69,783
Administrative Services	4,815,138	4,881,105	4,380,504	500,601
Non-Departmental	3,873,255	8,201,520	7,878,468	323,052
Total General Government	9,550,389	13,952,023	13,024,146	927,877
Public Safety	16,940,786	16,995,583	15,793,815	1,201,768
Community Development	5,760,099	5,760,099	4,473,790	1,286,309
Parks & Public Works	8,070,068	8,328,730	8,139,106	189,624
Library Services	2,935,010	2,960,784	2,700,802	259,982
Capital Outlay	-	-	138,384	(138,384)
Total Expenditures	43,256,352	47,997,219	44,270,043	3,727,176
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(418,780)	(3,682,711)	(1,554,136)	2,128,575
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	1,000	1,201,000	656	(1,200,344)
Transfers In	538,536	593,333	599,669	6,336
Transfers Out	(7,753,140)	(8,053,847)	(8,053,847)	-
Total Other Financing Sources (Uses)	(7,214,604)	(7,460,514)	(7,453,522)	(1,194,008)
NET CHANGES IN FUND BALANCES	\$ (7,633,384)	\$ (11,143,225)	(9,007,658)	\$ 934,567
BEGINNING FUND BALANCE, as restated			38,343,155	
ENDING FUND BALANCE			\$ 29,335,497	

*operating deficit
net transf out*

"Budget savings"

The notes to the financial statements are an integral part of this statement.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - FUND BALANCES, CONTINUED

As of June 30, 2020, fund balances were classified as follows:

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Additions	Deletions	Ending Balance
Restricted for						
Capital Outlay	\$ 6,695,233	\$ -	\$ 6,695,233	\$ 1,522,139	\$ (1,959,616)	\$ 6,257,756
Pension	5,015,316	-	5,015,316	420,459	(4,765,797)	669,978
Repairs and Maintenance	208,139	-	208,139	41,603	(59,492)	190,250
Committed to:						
Budget Stabilization	5,419,222	-	5,419,222	8,381	-	5,427,603
Catastrophic	5,419,222	-	5,419,222	8,381	-	5,427,603
Pension/OPEB Reserve	4,232,500	-	4,232,500	300,000	-	4,532,500
Almond Grove Street Project	2,579,997	-	2,579,997	-	(2,579,997)	-
Assigned to:						
Open Space	562,000	-	562,000	-	(152,000)	410,000
Parking	1,460,210	-	1,460,210	-	-	1,460,210
Sustainability	140,553	-	140,553	-	-	140,553
Capital/Special Projects	13,262,303	-	13,262,303	1,434,141	(5,908,486)	8,787,958
Carryover Encumbrances	413,729	-	413,729	-	(413,729)	-
Comcast PEG	50,000	-	50,000	-	-	50,000
Market Fluctuations	-	-	-	1,218,732	-	1,218,732
Vehicle Maintenance & Stores Reserve	1,040,375	-	1,040,375	-	(1,040,375)	-
Workers' Compensation	1,232,654	-	1,232,654	-	(1,232,654)	-
Compensated Absences	1,232,653	372,628	1,605,281	-	(65,873)	1,539,408
Capital Projects	4,344,618	-	4,344,618	11,650,201	(3,727,938)	12,266,881
Measure G 2018 District Sales Tax	-	-	-	1,181,162	-	1,181,162
Special Revenue Funds	326,102	-	326,102	78,486	-	404,588
Total Fund Balance - All Governmental Funds	\$53,634,826	\$ 372,628	\$54,007,454	\$15,879,484	\$(15,121,052)	\$49,965,182

Σ 4,571,256 13,578,914

Restricted

Capital Outlay funded from storm drain fees, construction taxes and debt proceeds are legally restricted for major capital projects.

Repairs and Maintenance reflects legally restricted balances for repairs and maintenance of lighting and landscape property and open space property that are financed with special tax assessments on the benefiting property.

Pension amounts are cash and investments held for the purpose of paying for the pension liabilities. Monies are held in an IRS Section 115 Trust over which the Town has control.

General Fund mbe

FY 2019

FY 2020

A.F. Balance \$ 38,343,497

\$ 29,335,497

Δ (\$9,007,658)

① includes prior period adjustment
of \$ 372,628



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 03/08/2021

ITEM NO: 6

Item 6.

DATE: February 28, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review Capital Improvement Plan and Funding

RECOMMENDATION:

Review Capital Improvement Plan (CIP) and funding

BACKGROUND:

As the Finance Commission prepares to engage in the Town's budget development process per Measure A, staff and the Commission Chair thought an introduction to the Town's CIP program and funding would help facilitate that engagement.

CIP Approach

The CIP is a comprehensive five-year capital improvement plan designed to identify projects to develop and maintain the Town's infrastructure, consistent with the Town Council Core Goals of high quality infrastructure, community character, public safety, fiscal stability, good governance, and civic enrichment. Guidance for determining capital improvement projects is also derived from key plans, including the General Plan, Bicycle and Pedestrian Master Plan, and the Council's Strategic Priorities. Specifically, in January 2021, the Town Council established the 2020-22 Strategic Priorities (Attachment 1).

The Core Goals and Strategic Priorities guide the preparation of both the Capital and Operating Budgets. In terms of capital projects, the Town Council stated its priorities to continue implementation of the Comprehensive Parking Study, continue mobility improvements for all transportation modes, manage the vegetation on Town lands and roadways to protect against wildfire, and advance other needed improvements. All of these efforts support improving and enhancing traffic/transportation, public safety, and quality of life within the context of prudent fiscal management.

PREPARED BY: Arn Andrews
Assistant Town Manager

Reviewed by: Town Manager, Town Attorney, Parks and Public Works Director, and Finance Director

PAGE 2 OF 7

SUBJECT: CIP Review and Funding

DATE: February 28, 2021

BACKGROUND (continued):

CIP Purpose

In particular, the CIP is designed to identify projects and funds required to adequately develop and maintain the Town's infrastructure, which is consistent with the Town Council strategic goal of maintaining the condition and availability of public facilities. In addition, project prioritization criteria such as health and safety issues, infrastructure or system condition, short term versus long term impacts, and availability of external funding sources are assessed as part of the process that staff uses to rank projects from high to low in preparing the proposed CIP. The Town's Parks Commission and Complete Streets Commission meetings provide a public forum to discuss potential CIP projects and advice on priorities.

As it develops and matures in its application, the Town's Infrastructure Assessment Program will further support the Town's long-range Capital Improvement Program, focusing attention on the current and future infrastructure needs of the community and balancing these needs with funding requirements and financial resources. Other technology tools used in CIP development include the use of the geographic information system, the traffic monitoring system, electronic files for tracking unfunded projects and replacement schedules, and an asset management program to track work requests.

The Town's capital projects are categorized as follows:

The Streets Program provides funding for maintaining a functional street and pedestrian system. Proposed projects are consistent with the General Plan, provide for a safe and efficient traffic flow through intersections while minimizing unnecessary traffic movement and noise through residential neighborhoods, and provide street lighting for traffic safety at intersections and on public streets. Also included are sidewalk and bicycle lane improvements.

Street maintenance remains high Council priority to improve/maintain the Town's Pavement Condition Index (PCI), a standard rating of street conditions. The PCI reached a recent high rating of 74 in 2008 due to concentrated investments and is now at the level of 70 (2019 survey data). PCI ratings above 70 may provide expanded access to grant funds.

The Public Facilities Program includes projects for constructing and repairing public buildings and purchasing equipment. Town buildings include the Civic Center, the Library, Adult Recreation Center, Tait Avenue and Forbes Mill properties, and other assets. Although the Town owns the two of the three fire stations within Town limits, the Santa Clara County Fire District maintains them under contract.

The Parks Program includes projects for parks, park buildings, urban forestry, trails, and urban beautification.

PAGE 3 OF 7
SUBJECT: CIP Review and Funding
DATE: February 28, 2021

BACKGROUND (continued):

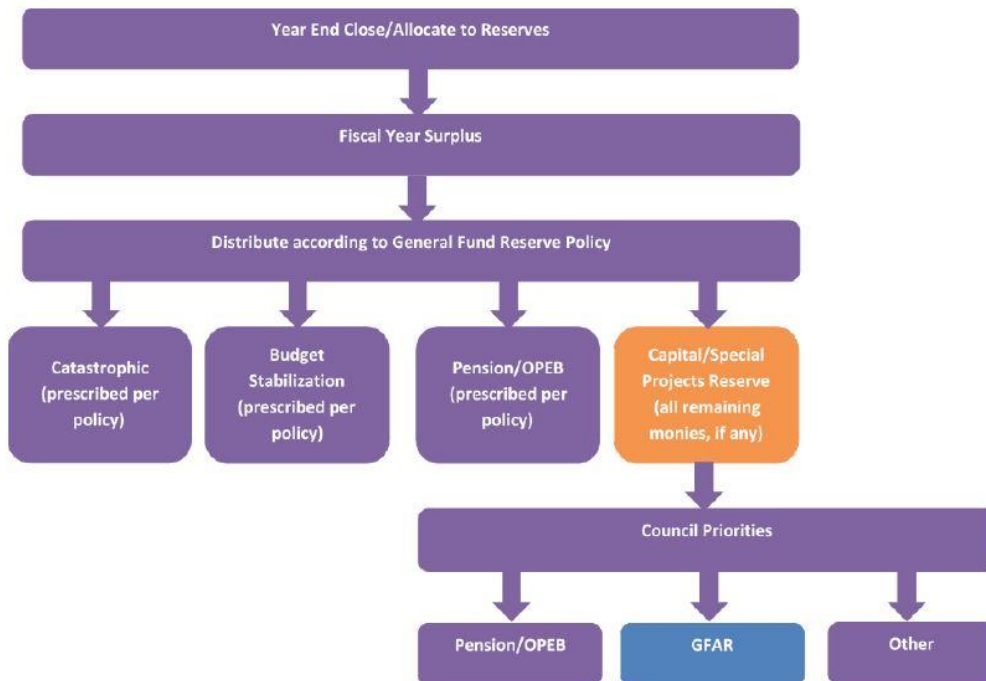
Attachment 2 contains a high-level overview of the status of the Town’s current CIP program.

DISCUSSION:

CIP Financial Summary and Funding Sources

As in the past, the Town continues to be challenged in its attempts to secure a reliable ongoing source of revenue for the Capital Improvements Program. The primary source of funding for the Town’s capital program has been the Town’s General Fund Appropriated Reserve (GFAR). As illustrated below per Council direction, this fund receives transfers from the General Fund’s designated Reserve Capital/Special Projects, which receives most of the Town’s annual revenues above operating expenditures (surpluses) after funding all legally restricted reserves at their required levels, including receipt of one-time funds from grants, property sales, and other reserves.

FISCAL YEAR SURPLUS FLOW OF FUNDS



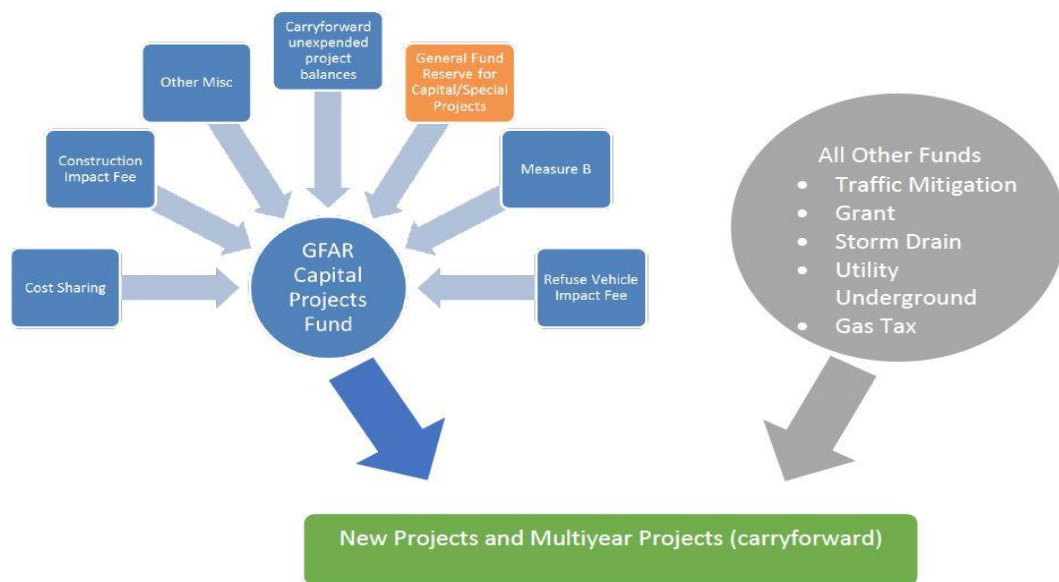
DISCUSSION (continued):

In recent years, the Council approved General Fund transfers to the GFAR fund in the amount of \$2.7 million for FY 2013/14, an additional "one-time" source allocation of \$6.6 million for FY 2014/15, and additional funding of \$6.9 million for the Almond Grove Street Rehabilitation project in FY 2016/17, \$2.8 million funding in FY 2017/18, \$2.4 million transfer in FY 2018/19, and \$5.8 million transfer in FY 2019/20. For FY 2020/21, the transfer to GFAR in the Adopted Budget is \$3.4 million.

It should be noted that annual salary savings often contributed to the available surpluses for the CIP. Since FY 2009/10 through FY 2019/20 (eleven fiscal years) the Town has averaged approximately \$2.8 million in annual year-end replenishments to the Town's General Fund Capital/Special Projects Reserve. The replenishments were sourced primarily from available year-end budget savings. However, FY 2020/21 reflected the first year wherein staff had implemented a change in budget practice for non-safety positions changing top step budget allocations to current step plus one step increase in the following fiscal year. Staff anticipates that the change in budget practice is expected to decrease the potential for annual budget savings. Lower budget savings will likely result in decreased annual replenishments to the General Fund Capital/Special Projects Reserve in future years available for capital investment purposes.

In addition to the funding provided to GFAR by budgetary surpluses, the CIP receives funding from multiple other sources as illustrated below.

CAPITAL IMPROVEMENT PROGRAM



PAGE 5 OF 7

SUBJECT: CIP Review and Funding

DATE: February 28, 2021

DISCUSSION (continued):

State Gasoline Tax revenue is distributed to the Town from the State of California and recorded in the Gas Tax Fund. This tax is also known as the “Highway Users Tax” or the “Motor Vehicle Fuel License Tax.” The gasoline tax is an 18-cent per gallon tax on fuel used to propel a motor vehicle or aircraft. Gas Tax revenue is allocated to the Town based on a per gallon of gas purchased within the Town limits and based on population. These funds can only be used for new construction and reconstruction of Town streets.

As part of voter-approved measures from 2010 and the 2016 Measure B, the Town receives funding restricted for use in street maintenance through a vehicle registration surcharge and local sales tax. This funding source will be used for street rehabilitation Town-wide.

Additional revenue sources for GFAR include the Construction Impact Fee and a Refuse Vehicle Road Impact Fee. This Construction impact fee is assessed on construction projects based on the square foot size of the project at a rate of \$1.14 per square foot. These fees are intended to recover the damage caused to Town streets by construction traffic.

The Utility Undergrounding Fund serves as a funding source for activities generally undertaken in conjunction with street improvement projects. The Town receives Utility Undergrounding funding which is derived from a Town construction tax of 18 cents charged for each square foot of building addition or alteration within the Town.

The traffic impact mitigation fee assures that each new development or expansion of use pays its fair share of the transportation improvements needed to accommodate the cumulative traffic impacts. The fee is paid in full prior to issuance of the building permit for new development or expansion of use. This fee continues to play an important role in the Town’s ability to fund roadway improvements. Traffic Mitigation Funds must be used solely for construction of identified traffic and transportation improvement projects.

The Town receives grant funds from various sources that help address some of the maintenance and improvement costs associated with Town infrastructure. Grants include federally funded Surface Transportation Program (STP) funds which pay for general roadway capital improvements, and a combination of Federal Innovative Deployment to Enhance Arterials (IDEA) grant funds and State Vehicle Registration Fee (VRF) grant funds are contributing to the Traffic Signal Modernization project.

In addition, the Town utilizes Community Development Block Grant funds for specific qualifying projects, usually focused on accessibility.

The Town also receives funding from its Storm Drain Fund, which relies on an established charge of \$0.75 per square foot of impervious surface created by new development. This fee has not been adjusted for several years and should be evaluated in the future as part of the

DISCUSSION (continued):

Non-Point Discharge Elimination System storm water permit process and as part of a continuous review of development related fees. The following table illustrates the identified funding sources for FY 2020/21 – 2024/25 CIP:

Funding Sources for the FY 2020/21 - 2024/25 CIP		
Ongoing	Gas Tax	\$ 6,050,270
One-Time	GFAR	16,067,108
	Utility Underground Funds	4,436,000
	Traffic Mitigation Funds	415,027
	Grant Funds	11,114,483
	Storm Drain Funds	240,000
Total Funding Available		\$ 38,322,888

CIP Unmet Needs

In addition to the ongoing street and infrastructure maintenance requirements of the Town, staff has long identified a backlog of unmet infrastructure needs. During discussions of the necessity for the Measure G Sales Tax initiative, staff provided the following table of existing unmet needs at that time.

Item	Cost	Document
Parking Garage	\$12,500,000 to \$25,000,000 (total debt service)	March 20, 2018 Staff Report "Review Of Downtown Parking"
Traffic Mitigation Improvements	\$34,300,000 (the original \$48.0M total has been adjusted downward to reflect \$10.5M in Pavement Management, \$2.0M Blossom Hill Road widening over 17, and \$1.2M of projected North 40 improvements)	Attachment 1 of Amended 2014 Traffic Impact Policy Page C-35 of the 2018/19 Operating & Capital Summary Budget
Pavement Condition Index - Pavement Management	\$28,000,000 (5 years)	2016 Pavement Management Program/Budget Options Report (page-7 Budget Needs)
Hwy 17 Bicycle and Pedestrian Bridge	\$5,000,000 to \$10,000,000	Adopted 2018/19 Capital Improvement Program (page C-82)
TOTAL	\$79,800,000 to \$97,000,000	

PAGE 7 OF 7

SUBJECT: CIP Review and Funding

DATE: February 28, 2021

DISCUSSION (continued):

Since that time development of a parking garage was tabled due to lack of sufficient revenue for bond funding and subsequent recommendations in the Dixon Parking Study. In addition, estimates of funding for the Hwy 17 bicycle and pedestrian bridge project are now estimated to be \$25M. The Town also has identified storm system needs in excess of \$17M. An assessment of Town building facilities, sidewalks, and accessibility needs are underway.

CONCLUSION:

While the funding from GFAR greatly enhances the Town's ability to implement the CIP over the years, it is not enough to support future annual infrastructure maintenance or construct new facilities. Establishing a reliable, dedicated source of funding for basic capital improvements beyond the use of accumulated reserves remains a long-term need and important goal for the Town.

COORDINATION:

This report was coordinated with the Town Manager, Town Attorney, Assistant Town Manager, Parks and Public Works Director, and Director of Finance.

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. 2021-2023 Strategic Priorities
2. Current CIP Project Matrix