



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/16/22

ITEM NO: 10

DATE: August 10, 2022
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve up to \$2.9 Million Provided to the Capital Program During the Fiscal Year 2022/23 Budget Process to Specific Capital Projects and Approve a Budget Adjustment Transferring \$2,900,000 of General Fund Balance Anticipated to be Available in FY 22/23 from the American Rescue Plan Act (ARPA) Allocated "Replacement" Revenues Recognized in the General Fund in Accordance with the Lost Revenue Provisions of the Act to the General Fund Appropriated Reserve (GFAR).

RECOMMENDATION:

Approve up to \$2.9 Million provided to the Capital Program during the Fiscal Year (FY) 2022/23 budget process to specific capital projects and approve a budget adjustment transferring \$2,900,000 of General Fund balance anticipated to be available in FY 22/23 from the American Rescue Plan Act (ARPA) allocated "replacement" revenues recognized in the General Fund in accordance with the Lost Revenue Provisions of the Act to the General Fund Appropriated Reserve (GFAR).

BACKGROUND:

On June 21, 2022, the Town Council approved the FY 2022/23 – 2026/27 Capital Improvement Program based on available funding. During budget deliberations on May 17, 2022, the Town Council allocated \$2,900,000 of American Rescue Plan Act (ARPA) funds to the General Fund Allocated Reserve (GFAR) for capital projects. At the conclusion of the budget process, staff was directed to return to Council in August 2022 with recommendations on the use of this additional funding.

PREPARED BY: Nicolle Burnham
Parks and Public Works Director

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

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DISCUSSION:

This report is intended to assist the Town Council in its deliberation and decision on how to allocate \$2,900,000 in ARPA funds. Funds may be allocated to projects or held in reserve for future anticipated needs (e.g., grant matching funds) as described below.

Capital Projects in Need of Funding

Attachment 1 provides a list of priority capital projects and identifies those that are unfunded or underfunded. In that attachment, projects are presented in three categories for Council consideration: 1) projects that staff propose for funding in this action; 2) existing projects in progress that are underfunded; and 3) projects identified as a future need and currently have no funding. Projects are prioritized into four categories and their community benefits are identified. The categories and benefits are shown in Table 1.

Table 1. Prioritization Categories for Capital Projects

Priorities (High to Low)	Community Benefits
1. Safety	Safety
2. Economic Vitality	Equity
3. Critical Capital Maintenance	Quality of Life
4. Infrastructure Improvements	Mandate
	Capital Maintenance
	Capital Improvement

In considering the allocation of the ARPA funding, staff noted that there are items that routinely need to be completed that have no funding source. Examples of this include replacement of guardrails damaged by vehicles, repair of malfunctioning HVAC systems, sidewalk repairs to correct tripping hazards, repair or replacement of fencing impacted by trees or vehicles, emergency tree removal, etc. Since there is no current funding source for completing this type of work, staff is proposing to allocate a small percentage of the available funding to cover these unanticipated repairs.

Matching Fund Allocation for Grants

At its meeting of June 21, 2022, the Town Council authorized the Town Manager to submit applications to the Valley Transportation Authority (VTA) for four projects for funding under the One Bay Area Grant (OBAG) 3 program. If the grant applications are awarded, the Council will have the opportunity to review the funding agreements, decide whether to accept the grant funds, and identify and commit to local match funds, as well as the funds needed to facilitate

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DISCUSSION (continued):

project work that will be reimbursed through the grant program. Table 2 shows the applications submitted, the grant amount requested, and Town matching requirements.

Table 2. Pending Grant Applications that May Require Funding

Project Name	Total Projected Project Cost	Grant Amount Requested	Town Match Requirement	Current Funding Gap for Town Match
Highway 17 Bicycle & Pedestrian Overcrossing	\$42,754,260	\$37,850,346	\$4,903,914 (11.47%)	\$968,214
Winchester Boulevard Complete Streets and Barrier Crossing	\$72,769,800	\$64,423,104	\$8,346,696 (11.47%)	\$6,412,446
Blossom Hill Road Safety Improvements	\$4,722,000	\$4,013,700	\$708,300 (15%)	\$308,300
Shannon Road Repair	\$5,490,630	\$4,392,504	\$1,098,126 (20%)	\$0
Total	\$125,736,690	\$110,679,654	\$15,057,036	\$7,688,960

If all four projects were awarded OBAG grant funds, the Town would be required to provide \$15.1 million in matching funds over five years, \$7.7 million of which has not been secured. Award of all applications is an unlikely outcome in this highly competitive grant program; however, it is possible that the Town will secure grant funds for one or two of these projects. Therefore, staff recommends preliminarily identifying potential sources for matching funds.

Recommended Use of ARPA Funds

Table 3 provides the staff recommendation for use of the ARPA funding and Table 4 provides a description of each project.

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Table 3. Staff Recommendations for Funding Allocations

Project Name	Recommended Funding Allocation
East Main Street Crosswalk Improvements	300,000
Downtown Restroom Feasibility Study/Design	25,000
Rehabilitate Automatic Gates - 41 Miles Avenue	25,000
Termite Abatement at Water Tower – 41 Miles Avenue	25,000
Civic Center Plumbing Repair – 110 E. Main Street	40,000
HVAC Improvements – Police Operations Building	25,000
Engineering Counter Modifications – 41 Miles Avenue	40,000
Unanticipated Repairs	100,000
Reserve for Future Capital Projects or Matching Funds (i.e., GFAR)	2,320,000
TOTAL	\$ 2,900,000

Table 4. Description of Projects Proposed for Funding

Project / Description
East Main Street Crosswalk Improvements The project will enhance pedestrian safety measures for crossings on East Main Street in front of Los Gatos High School. This augments an existing project budget and will facilitate completion of design and construction of the safety measures.
Downtown Public Restroom Feasibility Study/Design Town Council has asked staff to consider a public restroom facility in Plaza Park or the general downtown area. This project would analyze alternative locations and consider utility needs and potential impacts of the work. The project will result in development of cost estimates for construction and ongoing maintenance.

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DISCUSSION (continued):

Table 4 (continued). Description of Projects Proposed for Funding

Project / Description
Rehabilitate Automatic Gates – 41 Miles Avenue The three automatic gates at the Parks and Public Works Corporation Yard are in disrepair. The repairs would include replacing safety equipment (e.g., sensor bars, receivers, transmitters, photo eyes and new electronic loops in pavement, etc.). This work will make the gates safe for operation and improve reliability.
Termite Abatement at Water Tower – 41 Miles Avenue Staff has found termite damage in the water tower. This project would provide funding for the appropriate abatement work.
Civic Center Plumbing Repair – 110 E. Main Street Plumbing at the Civic Center has been leaking from joints and pinholes in several locations. Ceiling tiles are starting to become wet and deteriorating. These failed pipe joints and pinholes are due to the age of the mechanical infrastructure of the building. The piping is wrapped in insulation that contains asbestos. To access the piping for repair will require proper hazardous material abatement.
HVAC Improvements – Police Operations Building (POB) To make the Heating, Ventilation, Air Conditioning (HVAC) system at the Police Operations Building more efficient and fully functional, new motors are needed for seven existing economizers. Once the motors are installed, we will have the ability to incorporate them into our Building Management System for Town facilities. This will improve management of system and make it more energy efficient.
Engineering Counter Modifications – 41 Miles Avenue At present Parks and Public Works staffs two counters for public access – one at the engineering building and another at the White House. This project would modify the front counter at the Engineering Building to accommodate a second staff, allowing the White House to be closed for public access. This will enhance service to the community and improve efficiency of service delivery.

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CONCLUSION:

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

FISCAL IMPACT:

The Adopted Capital Budget includes \$2.9 M allocated to the Capital Program. This action will establish funding for specific capital projects based Council direction. Any funds reserved for future projects or matching funds would remain in GFAR.

The Adopted General Fund budget did not include the transfer from General Fund to the GFAR. The requested budget adjustment would transfer \$2,900,000 of General Fund balance anticipated to be available in FY 22/23 from the American Rescue Plan Act (ARPA) allocated “replacement” revenues recognized in the General Fund in accordance with the Lost Revenue Provisions of the Act. The adjustment will authorize a \$2,900,000 General Fund transfer-out and a corresponding GFAR budgeted transfer-in for the same amount for use as a funding source for the proposed capital improvements. Any actions above this amount taken by the Town Council may have corresponding fiscal impacts.

ENVIRONMENTAL ASSESSMENT:

In accordance with CEQA Guidelines Section 1538(b)(4), this decision is not a project subject to CEQA because it is a fiscal activity, which does not involve any commitment to a specific project. CEQA and other environmental issues would be considered and addressed at each individual project level.

Attachment:

1. Fiscal Year 2022/23 CIP Unfunded Project List