



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 04/22/2025

ITEM NO: 2

DATE: April 17, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Receive the Proposed Fiscal Year 2025-26 through 2029-30 Capital Improvement Program Budget and Provide Direction

RECOMMENDATION:

Staff recommends that the Town Council receive the proposed Capital Improvement Program (CIP) Budget and provide direction to the Finance Commission for their review of the proposed plan.

STRATEGIC PRIORITIES:

This item supports the Core Goals of:

- **Good Governance and Fiscal Stability.**

This item supports the Strategic Priority of:

- **Ensure prudent financial management to result in structurally balanced five-year forecasts and fully funded five-year Capital Improvement Plan...Define and implement cohesive deferred capital improvement programs for Town facilities and lifecycle assets.**

FISCAL IMPACT:

The proposed five-year CIP reflects \$1.8 million in ongoing annual Gas Tax dedicated sources to help fund the proposed FY 2025-26 \$6.7 million capital improvements. The balance of CIP funding of \$4.9 million is funded by one-time appropriations from the General Fund Appropriated Reserve (GFAR), Utility Undergrounding Funds, Traffic Mitigation Funds, Grant Funds, and Storm Drain Funds.

PREPARED BY: Nicolle Burnham
Parks and Public Works Director

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

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The proposed CIP consists primarily of carry-forward projects from the prior year (\$16.0 million) as part of the multi-year programming of \$40.1 million. Approximately \$36.8 million (91.8%) is allocated to the streets, sidewalks, and curbs category; \$1.4 million (3.4%) is allocated to parks and trails projects; and \$1.9 million (4.8%) is allocated to public facility projects.

BACKGROUND:

Introduction

Town staff develops a five-year CIP each year for review and adoption by Town Council each year. The CIP document defines projects that were closed in the prior fiscal year, proposes new projects as needed, and allocates funding across various projects and programs.

Town-owned assets with improvements funded through the CIP include 17 park and open space areas that total 223 acres, nine miles of trail, 113 miles of roadways (236 lane miles), 576,000 linear feet of sidewalks, 31 traffic signals, 2,100 streetlights, 12 public buildings totaling 139,373 square feet, and 23 surface parking lots (including lots in parks), and one underground parking structure. These major assets are supported by ancillary assets like restroom buildings (five total), storm drainage systems, retaining walls, and traffic signs.

In considering funding priorities for the CIP, staff follows the guidance provided by various Town documents, including: [Council Strategic Priorities](#), [General Plan](#), [Bicycle and Pedestrian Master Plan](#), Pavement Management Program, Stormwater Master Plan, Facilities Condition Assessments, the ADA Transition Plan, and legislative mandates. Project ideas and needs are also identified from field observations by Town staff, input from residents, and ideas from Town Commissions.

Capital Projects are allocated by Programs and Project Types as noted in Table 1.

Table 1. List of CIP Programs and Project Types

Program Name	Project Type
Streets	Street Reconstruction and Resurfacing Street Repairs, Maintenance and Safety Street Improvements Bridges
Parks and Trails	Parks Trails
Public Facilities	Town Infrastructure Equipment

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In preparing the CIP, consideration is given to the amount of funding available and/or anticipated from a variety of various funding sources – Measure G, Construction Impact Fees, Gas Tax, Utility Undergrounding Fees, Refuse Vehicle Impact Fees, Measure B, Traffic Mitigation Fees, Storm Drainage Fees, Grant Funds and, when available, the General Fund Special/Capital Projects Reserve. The availability of funding from these sources varies from year to year. Many of these have specific dedicated uses and so must be applied to specific projects (e.g., roadway resurfacing or storm drainage improvements).

Projects to be Closed by End of FY 2024-25

The following 14 projects are slated to be completed or consolidated, and closed before the end of the 2024-25 fiscal year:

- Utility Undergrounding Improvements (813-0225)
- Traffic Signal Modernization (813-0227)
- Winchester Class IV Bikeway (813-0240)
- Overlook Road Tree Replacement (813-0244)
- Retaining Wall Repairs (815-9930)
- 333 University Inlet Capacity Improvements (816-0424)
- Parking Lot 4 Repair/Waterproofing (817-0708)
- TMO Roof Repairs (821-2121)
- Building Replacement at Corporation Yard (821-2302)
- Engineering Counter Modification (821-2310)
- ADA Upgrade for Public Restrooms - Adult Recreation Building (821-2601)
- Charter Oaks Trail Improvement (832-4503)
- Trailhead Connector (832-4505)
- Town-Wide Document Imaging Project (841-6003)

The remaining funds in each project were sent to the respective funding source's fund balance.

Changes to the CIP Funding and Document Format for FY 2025-26 through 2029-30

With this proposed CIP budget, significant changes to funding and project priorities are proposed. These changes are made in recognition of the large carryforward that has existed in prior fiscal years and the limited staffing resources available to deliver capital projects.

Regarding funding, the Measure G transfer to the General Fund Appropriated Reserve (GFAR) was eliminated in this project budget. All Measure G funds were retained in the General Fund to support General Fund operations.

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As noted above, staff closed and consolidated projects where possible. Details of these projects are provided in the Introduction section of the CIP document. The remaining projects were then categorized as Tier 1 or Tier 2 (Attachment 1). Tier 1 projects are those that are fully funded, include funding with a grant deadline, are ready for construction or are legally required. These projects will be a staff priority for delivery in FY 2025-26. Tier 2 projects are other projects that have had CIP funding in prior years, but are either not fully funded, cannot be supported with current staffing, or both. By taking this action, this CIP presents a more realistic picture of project priorities and of projected capital expenses in the next fiscal year.

If staff resources allow a Tier 2 project to move forward, then Town Council action will be sought to release the required funding to continue the project. Other capital needs that have been identified but not funded are presented in Attachment 2 of this staff report and are included as an appendix to the CIP document. These are called Tier 3 projects, and no funding or staff have been allocated to these at this time.

Within the document, pages for project have been updated to reflect the Tier 1 or Tier 2 status and each project has been identified by its Core Goal of the Town Council.

DISCUSSION:

As in prior budgets, CIP projects represent either ongoing work that is funded annually, or one-time projects that achieve specific goals of the Town.

One-Time Capital Projects

The current capital plan includes 47 one-time projects, 26 of which are classified as Tier 1 for priority in FY 2025-26. While these one-time projects may span numerous years, the project is still considered one-time in that it has a specific starting and ending point. Table 2 is the Tier 1, one-time projects for this CIP. A complete list of Tier 1 and Tier 2 projects is in Attachment 1.

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Table 2. One-Time Tier 1 Capital Improvement Projects Funded in the FY 2025-26 CIP

Project Number	Program	Project Name	Strategic Priority
811-0008	Street Safety & Maintenance	Shannon Road Repair	Public Safety / Quality Public Infrastructure
811-0010	Street Safety & Maintenance	Blossom Hill Road – Union to Camden	Public Safety / Quality Public Infrastructure
812-0133	Street Safety & Maintenance	VMT Mitigation Program	Fiscal Stability
813-0218	Street Improvement	Shannon Road Pedestrian and Bikeway Improvements	Quality Public Infrastructure
813-0242	Street Improvement	Parking Program Implementation	Quality Public Infrastructure
816-0418	Street Improvement	Vasona Oaks Drainage Failure Repair	Public Safety
816-0421	Street Improvement	Loma Street Drainage	Quality Public Infrastructure
816-0423	Street Improvement	709 University Avenue Drainage System Replacement	Quality Public Infrastructure
816-0425	Street Improvement	Storm Drainage Mapping	Good Governance
817-0705	Street Improvement	Downtown Parking Lots Seal Coat & Restriping	Quality Public Infrastructure
818-0803	Bridge	Highway 17 Bicycle & Pedestrian Bridge - Design	Public Safety / Quality Public Infrastructure
831-4007	Parks	Oak Meadow Bandstand Area Improvements	Quality Public Infrastructure
831-4611	Parks	Sport Court Resurfacing	Quality Public Infrastructure
821-2009	Town Infrastructure	Public Art Gateway Project	Civic Engagement
821-2012	Town Infrastructure	Emergency Preparedness	Public Safety
821-2117	Town Infrastructure	Civic Center HR Offices	Quality Public Infrastructure
821-2120	Town Infrastructure	Civic Center Plumbing Repair and HVAC Repairs	Quality Public Infrastructure
821-2311	Town Infrastructure	Fleet Service Outdoor Work Area (Design Phase)	Quality Public Infrastructure
821-2404	Town Infrastructure	POB Space Study	Public Safety / Quality Public Infrastructure
821-2505	Town Infrastructure	Battery Power Supply Library	Community Character
841-6101	Equipment	Enterprise Resource Planning (ERP) Upgrade	Good Governance / Fiscal Stability
841-6103	Equipment	EOC Communication Upgrade	Public Safety
841-6104	Equipment	IT Disaster Recovery Improvements	Public Safety

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Table 2. One-Time Tier 1 Capital Improvement Projects Funded in the FY 2025-26 CIP

Project Number	Program	Project Name	Strategic Priority
841-6105	Equipment	IT Disaster Resiliency Project	Public Safety
821-2312	Equipment	Auto Gate Replacements – PPW and POB	Public Safety
821-2313	Equipment	EV Chargers at 41 Miles Avenue	Community Character / Legal Requirement

Tier 2 Projects

As discussed above, certain projects presented in past CIP documents were moved to Tier 2 status in recognition of not having adequate staff resources to deliver the project, not having adequate funding, or both. In addition, certain new projects were added with Tier 2 status. The new projects fall into two categories: 1) work that will support the development of a cohesive deferred capital improvement plan for Town facilities and lifecycle assets (Fiscal Stability Strategic Priority); and 2) work required to meet a regulatory requirement or mitigate a risk associated with lack of regulatory compliance (e.g., Village Lane Trash Enclosures). The following new projects were added to the CIP as Tier 2 and detail sheets describing the proposed work are included in the document:

- Traffic / Travel Demand Model
- Village Lane Trash Enclosure
- Parks and Trails Master Plan
- Condition Assessment of Civic Center

In the CIP document funding for all Tier 2 projects is shown in Year 5 (FY 2029-30). Projects will be released as staff resources and funding permit. Staff has divided the Tier 2 projects into four “classes” to provide an indication of what order the work may be released (See Attachment 1). In general, projects that pertain to public safety, fiscal stability, or that have regulatory or grant implications were identified in higher classes than those related to civic engagement or quality infrastructure.

Ongoing and Annually Funded Projects

Each of the ongoing projects noted in Table 3 support various identified strategic initiatives of the Town, such as quality public infrastructure, safety for all modes of travel (motorist, cyclist, and pedestrian), and playground safety. Staff is recommending that these project categories continue to be funded annually.

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The only change to this list from prior years pertains to the Parks Playground Fibar Project, which funds the replacement of engineered safety surface material (which appears to look like wood chips when installed at playgrounds). In prior budgets this was funded with \$20,000 every other year, but the work must be performed annually at a cost of approximately \$19,000. With this proposed CIP budget staff recommends converting this to annual funding of \$15,000 per year, leaving this project slightly underfunded. Staff recommends that in future years consideration be given to converting this expense to the Operating Budget and closing the associated capital project.

Table 3. Ongoing and Annually Funded Projects in the FY 2025-26 CIP

Project Number	Program	Project Name	FY2025-26 Tier Status	Strategic Priority
811-9901	Street Reconstruction and Resurfacing	Street Repair & Resurfacing	1	Public Safety / Quality Public Infrastructure
811-9902	Street Safety & Maintenance	Annual Street Restriping	1	Public Safety / Quality Public Infrastructure
811-9904	Street Safety & Maintenance	Unanticipated Repairs – Annual	1	Quality Public Infrastructure
812-0130	Street Safety & Maintenance	Roadside Fire Fuel Reduction	1	Public Safety
812-0134	Street Safety & Maintenance	Measure B Education & Encouragement	1	Public Safety
813-9921	Street Improvement	Curb, Gutter & Sidewalk Maintenance	1	Public Safety
816-0414	Street Improvement	Stormwater System – Pollution Prevention Compliance	1	Community Character / Good Governance
816-0420	Street Improvement	Annual Storm Drain Improvement Project	1	Quality Public Infrastructure
831-4605	Parks	Parks Playground Fibar Project	1	Public Safety
832-4508	Trails	Vegetation Management – Town-wide	1	Public Safety
821-2013	Town Infrastructure	Annual ADA Compliance Work	1	Quality Public Infrastructure

Note that with this proposed budget the Town Beautification Project, which funds the Forbes Mill Pedestrian Bridge Art project has been moved to Tier 2 status.

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Project Specific Highlights

With this proposed CIP staff recommended the following changes to projects:

- Storm Drainage Mapping (816-0425). Past funding for this Tier 1 project was not sufficient to map all storm drainage assets in the Town. Additional funding was added from the Storm Drainage funds and will allow for completion of the project.
- Shannon Road Repair (811-0008). Construction bidding of this Tier 1 project is scheduled for late April and staff plans to award the construction contract in June. Staff anticipates that construction bids may come in higher than the engineer's estimate and proposed to reallocate all of the Retaining Wall Repair (815-9930) funds to this project. Additional required funding will be brought forward after construction bids are opened.
- Roadside Fire Fuel Reduction (812-0130) and Vegetation Management – Townwide (832-4508). Both of these Tier 1 projects continue to have \$100,000 per year allocated to support ongoing wildfire management.
- Sport Court Resurfacing (831-4611). This Tier 1 project has been redefined to fund resurfacing and restriping of the tennis and pickleball court at LaRinconada Court, and to add sound barrier protection at this court.
- Vasona Oaks Drainage Improvement (816-0418). This is a new Tier 1 project funded through the Storm Basin funds to correct the failure of a culvert under University Avenue and through Vasona Park.
- IT Disaster Resiliency (841-6105). This new Tier 1 project will support necessary and vital upgrades to provide system redundancy.
- Auto Gate Replacements POB and PPW (821-2312). The new Tier 1 project will provide funding to replace the automobile access gates at the Police Operations Building and the Parks and Town Corporation Yard at 41 Miles Avenue.
- EV Chargers at 41 Miles Avenue (821-2313). This Tier 1 project was created in March 2025 when the Town accepted a grant from Silicon Valley Clean Energy. Installation of these chargers is required to meet the regulatory mandate for certain vehicles to be zero emission.

Deferred Capital Improvements and Lifecycle Costs

Consistent with the Town Council Strategic Priority of Fiscal Stability, staff has been working to develop "a cohesive, deferred capital improvement program for Town Facilities and lifecycle assets." Table 4 is a summary table of known needs as it was presented to Town Council during a CIP study session on November 19, 2024.

Staff continues to build on this past work while simultaneously delivering on projects within the deferred list. For example, the Vasona Drainage project was included in the storm drainage plan

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completed in 2019 and its cost is still reflected in Table 4; however, due to imminent failure of the system, the work will be completed in 2025.

Staff has also proposed certain projects that will help develop a more cohesive CIP. These include the Traffic / Travel Demand Model (813-0245), Parks and Trails Master Plan (841-4612) and a Condition Assessment of Civic Center (821-2123). Each of these will need to be completed to provide a holistic assessment of Town assets and complete robust lifecycle and capital improvement planning. These are proposed as Tier 2 projects.

Table 4. Summary of Current Known Capital and Maintenance Needs

Items / Need	Current Opinion of Potential Costs (2024 \$)
Town Owned Buildings – Maintenance	\$ 20,278,913
Town Owned Buildings – Capital Needs	\$ 1,490,000
Parks ¹	\$ 28,189,000
Storm Drainage	\$ 23,126,500
Streets and Roads	\$ 166,037,000
IT Needs	\$ 310,000
TOTAL	\$239,431,413

Notes:

1. Cost does not include restoration plans for Ross Creek and Los Gatos Creek as recommended in General Plan 2040.

CONCLUSION:

Staff is pleased to present this CIP for consideration by the Town Council. The proposed plan seeks to balance the important and ever-changing needs of the Town with the limitations presented by funding and staffing levels.

COORDINATION:

This CIP has been coordinated with the Town Manager, Finance Director, and the Town Attorney.

ENVIRONMENTAL ASSESSMENT:

This action does not constitute a "project" under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(5) because it involves an administrative activity of government that will not result in direct or indirect physical changes in the environment.

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Attachments:

1. Tier 1 / Tier 2 Projects
2. Tier 3 Projects