



**TOWN OF LOS GATOS**  
**FINANCE COMMISSION REPORT**

MEETING DATE: 08/05/2024

ITEM NO: 3

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DATE: August 1, 2024  
TO: Finance Commission  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Review of Select High Dollar Value Capital Projects in the FY 25 CIP Budget as to Current Status versus the Originally Approved Capital Plan and to Better Understand the Capital Project Tracking and Reporting Process

**RECOMMENDATION:**

Receive a report on the capital project development process and select capital improvement projects as identified by the Finance Commission Chair.

**BACKGROUND:**

The Finance Commission Chair has requested information regarding seven specific Capital Improvement Projects that are presented in the 2024/25 – 2028/29 Capital Improvement Program<sup>1</sup> (the CIP). The request for detailed project review was made after two meetings between staff and the Finance Commission Ad Hoc committee. These two meetings, held on April 1, 2024 with a follow up on June 17, 2024, provided Ad Hoc members the opportunity to ask questions about the CIP development process and project management process. Both meetings included similar questions and discussions.

Subsequently, the Chair requested a special Finance Commission meeting to discuss three topics, including the CIP. The subject for this item was provided by the Chair as noted above. Attachment 4 provides communications from the Commission Chair regarding the which projects and information were sought for review via this agenda item.

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<sup>1</sup> [FY2024-25 Capital Budget](#)

**PREPARED BY:** Nicolle Burnham  
Parks and Public Works Director

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

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SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION:

A brief overview of each project is provided in this report. Attachment 1 is a copy of the financial information staff provided to Town Council at its meeting on May 21, 2024 based on information from Pages B-5 and B-6 of the CIP document, plus information regarding projected spending over the upcoming two fiscal years. The highlighted rows pertain to the specific projects identified by the Finance Commission Chair.

**Capital Improvement Project Development and Delivery Process**

Town of Los Gatos CIP projects are proposed for various reasons. Four of the projects highlighted in Attachment 1 (Shannon Road Pedestrian and Bicycle Project, Kennedy Sidewalk and Bike Lanes – LGB to Englewood, Highway 17 Bicycle and Pedestrian Bridge Design and the Trailhead Connector) were proposed as a result of the Town's Bicycle and Pedestrian Master Plan (the Plan) that was adopted in 2017, and updated in 2020. Those projects were conceptualized and prioritized during development of the Plan and a capital project was created for each.

The Shannon Road Repair project and the Roadside Fire Fuel Reduction projects were created to support public safety initiatives. The last project, Building Replacement at the Corporation Yard, was created to replace a deteriorated and unsafe employee work space and Police Department evidence storage.

As these projects have progressed through the design and development process (Attachment 2), the project scope and costs have been refined. It is common practice in public sector to complete capital improvement projects in phases. At each phase, the project scope and associated costs are refined and adjusted in an iterative fashion, ultimately narrowing to the final cost and a completed project. This approach is consistent with the "Cone of Uncertainty" model that is often referenced across numerous industries.

Public Works projects have a distinct difference from private sector construction in that the design of public spaces supported by the use of public funds typically requires public involvement throughout the design process. The design team (staff and consultants) for any project receives feedback from community members regarding their suggestions for the project and then, the input is provided to the Town Council who makes the final design decisions if the community's ideas are technically feasible. Therefore, public project design includes elements that cannot always be predicted when the Council initially includes a project in the Five-Year Program.

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

This was evidenced in fall 2022 in the Shannon Road Bicycle and Pedestrian Project, where the homeowners adjacent to the project expressed significant concerns about the design. The design had been developed based on engineering principles without addressing comments and concerns of the residents. When staff presented the “final” project to Town Council in spring 2023, the resident concerns were so significant that Town Council asked staff to re-evaluate the design, resulting in design changes with adjusted associated costs.

Once a project is fully designed, the project is ready to bid in accordance with State law (and federal law for projects with federal funding). The Town is obligated accept the lowest responsive bid. The award of the bid is approved by the Town Council. Funding contingencies are typically included in the bid award due to unforeseen circumstances. The Town then enters into a construction agreement with the contractor. Execution of the construction project then also includes securing the required bonds from the contractor, and reviewing the project schedule, payment requests and various submittals of materials required for the project. Depending on the project, construction may be limited to certain times of the year to avoid impacts to biological resources, reduce weather delays, or address other unique circumstances.

Many Public Works projects are multi-year efforts, depending upon their complexity, site conditions, and other factors. These projects occur generally in public spaces and maintaining the public safety of site is critical while trying to minimize the impacts to adjacent property owners, road users, etc.

The contractor is responsible for timely delivery of the project based on the agreed upon schedule. Any use of contingency funds must be fully documented and approved by the Town. Public Works staff oversee the work of the contractor, ensuring adherence to the bid documents and costs, communicating to the public about project status, and completing other project management functions.

Throughout the life of a project, communication about project status occurs in several ways:

- Public engagement in the design phase through community workshops or other mechanisms.
- Key milestones are brought to Town Council meetings for public input and Council action, including design, recognition of grant revenue, and award of bid.
- Flyers, social media posts, and formal notices are communicated prior to the start of construction and during construction.
- For many projects, project information is available to the public through the Town’s website.

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

- The Capital Improvement Program is updated each year, including the detailed project sheets, timeline, and budget.

**Select Projects**

The following is the status of each of the projects identified by the Finance Commission Chair.

**Shannon Road Repair (CIP No. 811-0008)**

The Town of Los Gatos accepted the portion of Shannon Road between Santa Rosa Drive and Diduca Way in 2018 from Santa Clara County (the County). The roadway began to deteriorate soon after the Town accepted it despite previous efforts by the County to stabilize the roadway. Funding for this project is from Town funds, a portion of which are the result of a settlement agreement between the Town and the County. Information about this project can be found on Page C-18 of the CIP.

Work on the project included an initial geotechnical assessment of the failing roadway, determining the potential causes of the failure, and setting the design requirements for improvements. Project design was completed in 2023 and staff continues to work with the adjacent property owner to coordinate the necessary rights to complete the work. Funds were added to this project in the Fiscal Year (FY) 2024/25 CIP to address costs associated with property owner coordination and the need to hire a consultant for construction inspection services.

**Roadside Fire Fuel Reduction – Annual (CIP No. 812-0130)**

This project funded the development of a Roadway Vegetation Management Plan<sup>2</sup> in 2020 and supports fuel reduction along 31.09 miles of Town-owned roadways that were identified in that plan. The project was initiated with Town funds in FY 2020/2021. Since that time the Town has been awarded two federal grants, one from the Federal Emergency Management Agency and another from the United States Forest Service. Information about this project can be found on Page C-22 of the CIP.

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<sup>2</sup> [Los-Gatos-Roadway-Vegetation-Management-Plan](#)

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

Recent Town Council actions on this project occurred on September 20, 2022<sup>3</sup> (Item 11); March 21, 2023<sup>4</sup> (Item 12); and October 17, 2023<sup>5</sup> (Item 8) and these memorandums provide both technical detail and information regarding the project budget and work plans.

*Shannon Road Ped & Bikeway Improvements (CIP No. 813-0218)*

This project is identified as Priority Project No. 7 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan and can be found on page C-18 of the CIP. The Shannon Road Pedestrian and Bikeway Improvements Project is intended to provide pedestrian and bicycle safety improvements on Shannon Road between Los Gatos Boulevard and Cherry Blossom Lane. This segment of Shannon Road is a two-lane neighborhood collector street with high volumes of bicycle and pedestrian traffic when schools are in session.

Staff presented this project to Town Council on April 18, 2023<sup>6</sup> (Item 14) for bidding. During that meeting residents in the project area expressed concern over certain design elements. Town Council then returned the project to staff with direction to revise the design to minimize large asphalt buffers, remove parking spaces and to add trees wherever possible. Council also requested additional outreach to the residents. Staff completed this work and has made substantial changes to the project. The project was bid for construction in spring 2024 construction start is expected in August of this year.

The project is funded with Town General Fund Appropriated Reserve (GFAR) monies, and both Transportation for Clean Air (TFCA) and Congestion Mitigation and Air Quality (CMAQ) grant funding.

*Kennedy Sidewalk & Bike Lanes – LBG to Englewood (CIP No. 813-0241)*

This project is identified as Priority Project No. 4 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan and can be found on page C-52 of the CIP. The Kennedy Road Sidewalk improvement project would provide bicycle and pedestrian safety improvements, similar to those along the Shannon Road project, between Los Gatos Boulevard and Englewood Avenue. The goal is to improve access to Louise Van Meter Elementary School, R.J. Fisher Middle School, and Los Gatos High School.

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<sup>3</sup> [September 2022 USDA Grant](#)

<sup>4</sup> [March 2023 Roadside Fire Fuel Reduction](#)

<sup>5</sup> [October 2023 Overlook Trees](#)

<sup>6</sup> [April 2023 Shannon Road Bike and Pedestrian](#)

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

The project was added to the CIP in FY 2021/22 with the funding allocation of \$356,700 in GFAR in future FY 2023/24 and Measure B grant funding of \$832,300 to be accepted in FY 2024/25. The project schedule presented in the FY 2021/22 CIP showed the bid and construction schedule as “To Be Determined;” an acknowledgement of the fact that the project planning and study phases had not been completed. Attachment 3 is the detail pages for this project from the FY 2021/22 CIP.

Staff started the study phase of this project in 2022 by completing the survey work (ahead of the schedule that was presented in the CIP) and solicited proposals for the planning phase in early 2023. Staffing levels within the Parks and Public Works Department prevented the planning phase from moving forward, but that work will resume in fall 2024.

In spring 2023 staff recommended, and Town Council agreed, that the Winchester Boulevard Complete Streets Project (CIP No. 813-0238) should no longer be pursued due to the projected construction cost. At that time, it was agreed that staff would ask the Valley Transportation Authority (VTA) to reallocate Measure B grant funds from the Winchester Boulevard Project to the Kennedy Road Project. On April 16, 2024<sup>7</sup> (Item 5) Town Council authorized the reallocation of funds to the Kennedy Road Project following approval of the reallocation from the VTA.

Highway 17 Bicycle & Pedestrian Bridge – Design (CIP No. 818-0803)

This project was identified as Priority Project No. 1 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan, and the 2020 Update of that Plan. A history of this project was included in the Town Council report of June 18, 2024<sup>8</sup> (Item 11). The project history outlines the process staff went through to assess the feasibility of the project, evaluate design alternatives, perform community engagement, and secure funding for the various stages of work. The project is partially within the Highway 17 right-of-way, necessitating extensive coordination with the California Department of Transportation (Caltrans). This project is currently in design and the Town has submitted grant applications into two separate programs to provide the construction funding. Results of the grant applications will be publicly available in later 2024.

Trailhead Connector (CIP No. 832-4505)

This project was identified as Priority Project No. 5 in the Town of Los Gatos 2017 Bicycle and Pedestrian Master Plan, and the 2020 Update that Plan. The project was initiated in 2018 and

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<sup>7</sup> [April 2024 Kennedy Road Project](#)

<sup>8</sup> [June 2024 Highway 17](#)

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

numerous Council actions have occurred regarding that project since this time, the most recent being in August 2023<sup>9</sup> (Item 9) when the construction contract was awarded. The Council report outlines the funding source for the design and construction phases of the project.

When this project was bid in spring 2023, construction costs exceeded the engineer's estimate for the work. The increased cost was attributed to ongoing post-COVID changes in construction

costs throughout the Bay Area. On June 6, 2023<sup>10</sup> (Item 12) staff presented a recovery funding plan to Town Council. This plan included accepting an additional \$2.8 million in grant funding from the California Department of Transportation (Caltrans) to cover the bid overrun. This funding was made available on short notice when another Bay Area jurisdiction had to cancel their project, leading them to forfeit their grant funds. Caltrans put out a request seeking shovel ready projects that could use the forfeited funds and, because the Trailhead Connector project was ready to move forward and staff could make a commitment to spending the funds, the Town was awarded the additional monies. This project is an example of why proceeding with design of large projects, even when construction funding is unknown, is an important part of the project delivery in public works projects.

The project is partially within the Highway 17 right-of-way, necessitating extensive coordination with the California Department of Transportation (Caltrans) at each phase of work, which adds time and complexity to the schedule. Construction is in progress and will be completed in early 2024.

*Building Replacement at Corporation Yard (CIP No. 821-2302)*

This project was initially created in FY 2013/14 with GFAR funding to begin being allocated in FY 2014/15 to replace a defunct office building and police evidence storage facility. In FY 2015/16, funding for the project was redirected to the Almond Grove Street Reconstruction Project, with project funding for the building replacement then shown being spread over future years.

In FY 2019/20, staff reassessed the project and identified a potential to save costs by renovating a garage and storage space to employee offices. In that budget cycle new GFAR funding of approximately \$975,000 was added to the project plus additional funding of \$25,000 each year proposed in future years.

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<sup>9</sup> [August 2023 Trailhead Connector](#)

<sup>10</sup> [June 2023 Trailhead Connector Funding Plan](#)

SUBJECT: Receive a Report on Capital Project Development Process and Select Capital Improvement Projects

DATE: August 1, 2024

DISCUSSION (continued):

Since the additional funding was provided in FY 2019/2020, staff has completed the renovation of staff office spaces and constructed a new storage / police evidence building at the public works yard. The most recent Town Council action associated with this project occurred on April 16, 2024<sup>11</sup> (Item 10) when action was taken to accept the building construction. Staff is currently working on fit up of the building. This project will be completed and closed during FY 2024/25.

CONCLUSION:

Information about the select projects is provided per request of the Finance Commission Chair. Staff looks forward to answering the Commission's questions at the meeting.

COORDINATION:

This report was coordinated with the Finance Director and the Town Manager's Office.

FISCAL IMPACT:

Information regarding the costs of each project is provided. The referenced memorandums considered at past Town Council meetings each include a fiscal table the documents funding for each project.

ENVIRONMENTAL ASSESSMENT:

This item is not a project defined under CEQA, and no further action is required. CEQA actions for each project is addressed through the work on that project.

Attachments:

1. Past and Projected CIP Spending
2. Project Process
3. Kennedy Road FY2122 Detail Pages
4. Communications from the Chair

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<sup>11</sup> [April 2024 Corporation Yard Building Acceptance](#)