



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: May 7, 2019

TO: Christine Daniel, City Manager

FROM: Susan Hsieh, Finance Director
Andrew Clough, Public Works Director
Charles S. Bryant, Community Development Director
Chad Smalley, Economic Development and Housing Manager

SUBJECT: Discussion Regarding The City's Five-Year Capital Improvement Program For FY 2019-2024

RECOMMENDATION

Staff recommends that the City Council review and provide comments on the proposed Capital Improvement Program for Fiscal Years 2019 through 2024.

BACKGROUND

Overview

City staff have prepared a \$100 million Five-year Capital Improvement Program (CIP) with 84 projects, supported by a variety of funding sources, for the 2019-24 capital planning period. The CIP is a long-term planning tool that guides the design, construction and maintenance of the City's infrastructure. Upon adoption of the CIP, funds are appropriated for the first two years of the plan. The remaining three years are presented for planning purposes and are reevaluated and appropriated with the respective budget cycles.

The CIP includes eleven main project categories: Community Facilities, Facilities Maintenance, Housing, Information Technology, Marina, Pedestrian/Bicycle, Public Art, Sewer, Streetscape System, Transportation, and Vehicles.

Program and Financial Policy Highlights

The proposed 2019-24 CIP continues to advance the goals and priorities established by the City Council in recent years. Certain projects have been added or updated to reflect the needs of the community, project timelines, and changes in funding sources. The CIP continues to focus on the following vision and key goals:

- Create and maintain infrastructure to support a livable, vibrant City
- Direct resources to high priority projects as identified by the City Council Goals and Priorities
- Emphasize Active Transportation Safety and incorporate into projects as feasible

The South Bayfront Bridge is a high priority project. The recent construction bids received by the City indicate that the overall project cost will exceed the original budget estimate by almost \$9 million. Fortunately, the City set aside a \$7.5 million capital reserve that can be used to bridge this gap. The remainder of the gap is proposed to be covered by the fund balance in the general Capital Projects Fund. This will significantly reduce the remaining fund balance in the Capital Projects Fund.

Consideration of the City's financial policies is an integral part of the capital improvement program development. The five-year plan reflects applicable financial policies approved by the City Council to ensure fiscal discipline. The plan is developed in conjunction with the City's biennial budget, taking into consideration funding needs for general operations and other city programs. The draft 2019-24 CIP includes proposals to modify the City's financial policy concerning the Residual Tax Increment Policy, revenue allocations committed to capital projects, and the use of infrastructure and implementation fund balance reserves as further described below. Staff is seeking comment from the City Council on these proposed policy changes and how they affect the City's delivery of current projects as well as future capital planning.

Progress in implementing the 2016-21 Capital Improvement Program

The 2016-21 CIP was approved in June 2016 and included 85 projects budgeted at \$115 million. The following are highlights of projects from that plan that have been successfully completed or are currently underway.

1. Completed the design and construction of the following projects:
 - Annual Street Rehabilitation/Preventive Maintenance Project
 - Transit Center – Plaza and Platform Extension
 - Transit Center – Public Parking and Bus Bays
 - Underground Tank Closures
 - Civic Center Fire Sprinkler Repair
 - Stanford Avenue Park Rehabilitation
 - Emeryville Greenway – Stanford to Powell (Peladeau Park)
 - Horton Street Experimental Traffic Calming
 - Traffic Signal Video Detection Enhancements
 - City Wide Trash Receptacle Replacement
 - Lumec Streetlight LED Retrofit Project
 - Temescal Creek Park Lighting Improvements
 - Civic Center Carpet Replacement (partial)
 - Street Tree Replacement on Doyle Street
 - Temescal Bridge Seal Coat
 - Regional Retail Routes Holiday Signal Timing Plans
 - Program for Arterial System Synchronization
 - Traffic Signal Communication Network Upgrades
 - Safe Route to Schools – 43rd, 45th, and 47th St - SR2S Grant
 - Public Art Master Plan
 - Emeryville Center of Community Life Public Art
 - Joseph Emery Skate Spot Public Art
 - Shellmound/Powell Street Bridge Art Project

Utility Box Art III – Sign of the Times

2. Completed design and/or awarded construction contracts for the following projects:
 - South Bayfront Bicycle Pedestrian Bridge
 - Horton Landing Park and Greenway Expansion
 - Doyle-Powell and Harlan-40th Traffic Signals
 - Powell Overcrossing Joint Seal & Methacrylate Coating
 - Point Emery Shoreline Protection
 - ATP Greenway Crossings Safety Enhancements
 - 40th Street / San Pablo Avenue Median Rehabilitation

3. Began work on the design of the following projects:
 - 2019 Annual Street Rehabilitation Project
 - 2019 Sidewalk Improvement Program
 - ADA Transition Plan Survey
 - Marina Park Streetlight Replacement
 - Railroad Quiet Zone Safety Measures (65th, 66th and 67th Streets)
 - San Pablo Avenue Mid-Block Crossing
 - 40th Street Transit Lanes and Cycle Track
 - Child Development Center Rehabilitation
 - Civic Center Exterior Painting
 - Civic Center Heating, Ventilation, and Air Conditioning Upgrades
 - Bay Friendly Landscaping for City Hall
 - Installation of Additional Bikeshare Stations
 - Large Trash Separator (Hydrodynamic) in Storm Drain Line
 - Powell Corridor Traffic Safety Study (UC Berkeley SAFETREC)
 - Innovative Deployments to Enhance Arterials (Automated Traffic Signals)
 - Sanitary Sewer Spot Repair Project (FY 19/20)
 - Parking Management Plan Implementation
 - Public Art Master Plan Implementation Projects
 - Bus Shelter Art Program

DISCUSSION

CIP Principles and Development Process

The City's mission and budget philosophy guide the overall development of the Capital Improvement Program. These principles promote long-term financial planning and development of infrastructure to create a livable and sustainable city. In an effort to create a comprehensive CIP, the City's advisory bodies were asked to review proposed projects in areas under their purview and provide feedback. The CIP preparation process spans several months and includes the following key steps:

- Departments submit their capital project requests/updates to Finance.
- Finance reviews and determines the available funding sources in accordance with adopted financial policies and projected revenues; Finance staff compiles requests and works with City departments to verify the accuracy of project cost estimates, including operating costs.

- Projects are identified and evaluated for implementation based on a series of criteria including whether they are mandated, consistent with City Council Goals, continuation of an existing project, required preventative maintenance or result in a safety improvement.
- The consolidated requests are presented to the City Manager and together reviewed by Finance and department representatives; requests are approved, disapproved, or revised according to the City's strategic and financial goals.
- Capital projects are presented to the appropriate community committees as necessary and are reviewed by the Planning Commission for General Plan conformance.
- The Proposed CIP is presented to the Budget and Governance Committee, Budget Advisory Committee, and the City Council for input and direction.
- The Final CIP is prepared incorporating the changes recommended by the City Council and committees.

Funding Sources

The City uses restricted and unrestricted resources to fund capital projects. Restricted funds include developer impact fees and contributions, revenues from other agencies/special funds, grants, bond proceeds, and funds provided by the Successor Agency. Unrestricted funds include discretionary General Fund and operating budget program contributions. The CIP Revenue Projection schedule details the available revenues. It should be noted that Emeryville voters approved a \$50 million Housing Bond (Measure C) in June 2018, and new funding sources will be available to support housing projects when bonds are issued.

The following are sources of restricted City funds:

- Impact fees and developer contributions (Park, Traffic and Housing impact fees; Public Art, General Plan Maintenance and Urban Forestry fees; and other developer contributions)
- Measure B/BB/and Vehicle Registration fees
- Gas Tax and Road Maintenance and Rehabilitation revenues from the state
- Grants (Measure B, TFCA, etc.)
- Housing Successor funds (former 20% low/moderate housing funds)
- Sewer connection fees and other Sewer Fund capital allocations
- 1999 Assessment District funds
- Marina Fund
- Funds from the former Redevelopment Agency

Sources of unrestricted (committed) City funds include:

- General Fund contributions
- Operating budget contributions to the Major Maintenance, Vehicle Replacement and Information Technology Funds

The CIP also reflects a \$0.8 million transfer from the Vehicle Replacement Fund to the IT Fund to support technology replacement and projects over the course of the capital plan. The available fund balance resulted from prior contributions from the General Fund and the delay in vehicle replacement.

- Allocated Surplus Tax Increment (“Boomerang”) Funds for capital (50%) and housing programs (20%)

Proposed Policy Update

The draft CIP proposes to reduce the capital allocation of Surplus Tax Increment Receipts from the current policy of 50% to 47.5% in fiscal year 2019-20 and to 22.5% effective fiscal year 2020-21. The proposed change would include a 2.5% allocation to the Public Art Fund and 25% allocation to the General Fund.

The Public Arts Program needs funding to sustain the ongoing programs and the annual Celebration of the Arts. The 2.5% allocation would support those programs.

With regard to the General Fund, as reflected in the previously presented baseline budget and five-year forecast, expenditures are expected to outpace revenue and additional revenues are required to sustain vital city services and programs. The proposed change to the Surplus Tax Increment policy would result in a projected reduction of approximately \$6.8 million to the capital program over the five-year period of the CIP (and a corresponding allocation of that amount to other General Fund expenditures). However, the reallocation of those funds is not anticipated to impact the 2019-24 CIP. Commercial transfer tax generated in the 2017-19 budget cycle is expected to be \$3.6 million higher than budgeted, partially offsetting the proposed reallocation of Surplus Tax Increment. In the prior CIP, \$0.5 million was planned for commercial transfer tax in the 2019-20 fiscal year. For purposes of this draft CIP, the projected amount of commercial transfer tax available for capital projects has been increased to \$1 million as the commercial real estate market is expected to remain healthy in the near term. Including funds accumulated from prior years, sufficient funds are available to support the draft CIP.

Grant Funds: the City has either approved certain grant agreements with funding commitments for specific projects or anticipates receipt of grant funds for certain projects, and expected funding is included in the CIP. The table below presents the various grants with expiration dates where applicable, including funding committed in the prior and current budget cycles. Staff is planning to spend the funds prior to the end dates.

Grants			
Project	Grant	Amount	Expiration Date
CF-02 South Bayfront Bridge and Horton Landing Park	Transportation Fund for Clean Air (TFCA)	\$ 105,000	12/31/2020 - may be extended
	Measure B	1,895,000	12/31/2020 - may be extended
CF-12 Temescal Creek Park Improvements	PetSafe	25,000	10/31/2019
FM-13 Bay-Friendly Landscape for City Hall	StopWaste	15,000	12/31/2019 - may be extended
PB-11 Bike Share Stations	Transportation Fund for Clean Air (TFCA)	180,000	12/31/2019
	Transportation Development Act (TDA)	30,000	6/30/2021. FY19-20 targeted.
PB-12 Greenway Crossings Safety Enhancement	Active Transportation Program (ATP)	265,000	6/30/2020
	Transportation Development Act (TDA)	36,000	6/30/2021. Summer 2019 targeted
ST-02 40th Street/San Pablo Ave Median Rehabilitation	Affordable Housing and Sustainable Community (AHSC)	100,000	No required date. 12/31/19 targeted
ST-14 North Hollis Undergrounding District	PG&E Rule 20A	1,000,000	Not applicable
T-04 Quiet Zone at 65th, 66th, and 67th Street At-Grade Crossings	ACTC Local match	1,800,000	6/30/2019 (submitting request for one year extension in April/May 2019)
	SB1 Trade Corridor Enhancement Program (TCEP)	4,200,000	6/30/2019 (submitting request for one year extension in April/May 2019)
T-07 Paid Parking and Transportation Demand Management	Measure B	930,000	6/30/2019 (submitting request for one year extension in April/May 2019)
T-10 Innovative Deployments to Enhance Arterial (IDEA)	ACTC	170,888	6/30/2024
	MTC	\$ 836,936	6/30/2024
Total		\$11,588,824	

Use of Fund Balance Reserves

In June 2016, the City Council established a \$5 million Infrastructure Reserve and a \$2.5 million Implementation Reserve in the Capital Projects Fund using General Fund one-time contribution and existing fund balance. The two fund balance reserve policies were intended to strengthen the financial capacity of the CIP program and to provide

stewardship for the City's investment in capital assets. As discussed above, the South Bayfront Bridge project is expected to exceed the budget authorized in the FY 2016-17 through 2020-21 Capital Improvement Program by \$9 million. The proposed 2019-24 CIP reflects the use of the \$7.5 million capital reserve as well as \$1.5 million in available general capital fund balance to bridge the gap. The fund balance in the Capital Projects Fund is expected to be reduced to \$2 million at the end of fiscal year 2023-24.

Project Priorities

The proposed capital projects were assigned an initial priority level based on four factors. They were used to evaluate potential projects in terms of mandates, maintenance need, safety, and value to the Community.

These factors are noted for each project on the project detail sheets.

- Mandated Program
- Preventive Maintenance
- Safety Improvement
- Discretionary

After the initial priority level identification, the following criteria were used to evaluate the proposed projects and to determine an implementation schedule.

- a) Is this project consistent with the General Plan?
- b) Is this project a continuation of an existing project?
- c) Is this project partially or fully funded by grant funds that may expire soon?
- d) Does this project further the City's climate action goals?
- e) Is this project consistent with identified Council Goals and priorities?

South Bayfront Bridge and Horton Landing Park

The project includes a steel tied-arch pedestrian /bicycle bridge over the Union Pacific Railroad tracks that connects with the Bay Street parking structure bridge and the planned Horton Landing Park. The park consists of a mixed use pedestrian/bicycle path with landscaping and seating areas beginning at the intersection of Horton/Stanford Avenue and terminating near the Temescal Creek culvert at Horton Street. The project was re-started in 2016 with the design updated to conform to current standards and Pedestrian Bicycle Advisory Committee suggestions. The construction estimate included in the previous CIP for these projects was \$15.1 million. The low bid received on April 11, 2019 was approximately \$21.4 million. The additional design costs, land and property right acquisitions, construction contingency, and increased construction costs due to higher labor and materials costs have resulted in the proposal to use the capital reserves and general capital fund balance to add \$9 million to the project budget.

Project Categories

Capital projects are arranged into eleven categories as described below.

Community Facilities, Facilities Maintenance, and Marina

These three categories include projects to construct, improve or rehabilitate City-owned facilities, including buildings, parks, parking facilities, street lights, and the public marina.

Housing

This category includes projects to develop affordable housing throughout the City.

Information Technology

This category includes projects to enhance and upgrade the information and communication systems capacity of the City.

Pedestrian/Bicycle

This category consists of projects to improve circulation through the construction of new pedestrian and bike ways, modification of existing infrastructure and reconstruction of sidewalks and curb cuts.

Public Art

This category consists of projects that help in creating visual identities that distinguishes the City for its residents and visitors alike.

Sanitary Sewer

This category includes projects to improve the City's sanitary sewer infrastructure.

Streetscape System

This category includes projects to improve the appearance of city streets with landscaping, street trees, street lights, and trash receptacles.

Transportation

This category includes projects to enhance transportation facilities and services, install traffic signals, and reconstruct or resurface existing streets.

Vehicles

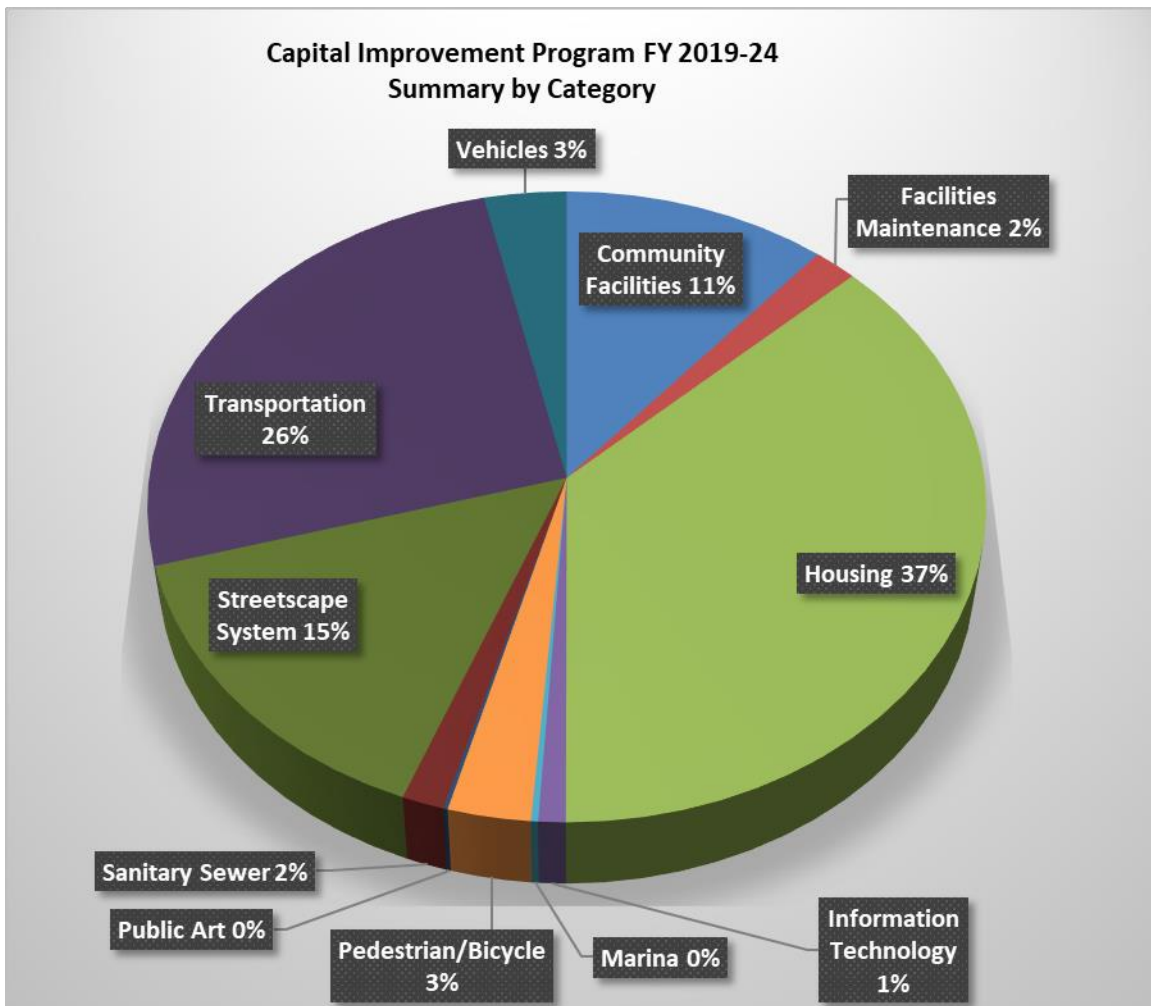
This category includes projects to replace aging vehicles and invest in a more efficient city vehicle fleet.

Summary of Capital Improvement Program Funding

The CIP proposes capital investment of \$100 million through 84 projects over five years as shown in the CIP Project Summary. Of the 84 projects, 12 are new projects. The proposed funding plan includes appropriations of \$15 million in fiscal year 2019-20 and \$19 million in fiscal year 2020-21. As presented in the CIP Project List, some projects are only partially funded pending potential housing bond funds and other funding sources. The unfunded amount totaled \$55 million with \$0.8 million in fiscal year 2019-20 and \$8 million in fiscal year 2020-21.

The table below summarizes proposed CIP projects by category and the pie chart depicts the percentage allocation to each category.

CIP Summary by Category						
Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
Community Facilities	\$ 8,580,527	\$ 1,750,000	\$ 525,000	\$ 125,000	\$ 125,000	\$ 11,105,527
Facilities Maintenance	680,516	400,000	250,000	250,000	250,000	1,830,516
Housing	678,300	7,075,000	6,420,000	150,000	22,650,000	36,973,300
Information Technology	150,000	205,000	205,000	250,000	150,000	960,000
Marina	-	250,000	-	-	-	250,000
Pedestrian/Bicycle	761,000	395,000	460,000	1,034,000	284,000	2,934,000
Public Art	155,000	-	-	-	-	155,000
Sanitary Sewer	300,000	300,000	300,000	300,000	300,000	1,500,000
Streetscape System	535,000	143,000	13,700,000	58,000	250,000	14,686,000
Transportation	1,925,147	8,249,500	2,436,436	12,289,000	990,000	25,890,083
Vehicles	672,000	330,000	166,000	1,239,000	1,066,000	3,473,000
Total	\$14,437,490	\$19,097,500	\$24,462,436	\$15,695,000	\$26,065,000	\$ 99,757,426



ADVISORY BODY RECOMMENDATION

The elements of the proposed CIP were presented to the Public Works Committee on March 14, 2019 and to the Parks and Recreation Committee on March 20, 2019.

Committee comments and recommendations include:

Public Works: accepted proposed CIP projects with an emphasis on coordinating with City Council Goals and ensuring that projects already underway continue and are completed before any outside grant funding sources are set to expire.

Parks & Recreation: accepted proposed CIP projects with emphasis on the Davenport Park Improvements, Temescal Creek Park Improvements and for the continuation of the Point Emery Shoreline Protection project. The Committee also expressed an interest in having Doyle Street between 61st and 62nd (through Doyle-Hollis Park) turned into a bicycle and pedestrian only section. Public Works will include a pilot project in the Annual Paving rehabilitation Project in 2019 that places temporary bollards and paint markings on this section. The pilot will be monitored for one year and if successful may be considered as a permanent improvement in the future.

The draft CIP was presented to the Planning Commission on April 25, 2019 and will be presented to the Budget & Governance and Budget Advisory Committees on May 16, 2019.

NEXT STEPS

Staff will finalize the CIP after receiving comments from the City Council, taking into account the input from the City's advisory bodies. Staff will present the five-year Capital Improvement Program to the City Council for consideration and approval on June 4, 2019.

LEGAL CONSIDERATIONS

The Planning Commission reviewed the CIP for consistency with the General Plan on April 25, 2019 and made the requisite findings that the CIP is consistent with the General Plan.

CONCLUSION

The Capital Improvement Program reflects the City Council's goals and priorities. It promotes long-term planning and effective use of resources. The CIP provides a blueprint for the Community to build infrastructure to support a livable and sustainable City.

PREPARED BY: Susan Hsieh, Finance Director
Andrew Clough, Public Works Director
Charles S. Bryant, Community Development Director
Chad Smalley, Economic Development and Housing Manager

APPROVED AND FORWARDED TO THE CITY COUNCIL OF THE CITY OF EMERYVILLE:



Christine Daniel, City Manager

ATTACHMENT

- Draft Capital Improvement Program