



# City of Emeryville

CALIFORNIA

## MEMORANDUM

**DATE:** June 4, 2019

**TO:** Christine Daniel, City Manager

**FROM:** Susan Hsieh, Finance Director  
Andrew Clough, Public Works Director

**SUBJECT:** Resolution Of The City Council Of The City Of Emeryville Adopting The Capital Improvement Program For The City Of Emeryville For The 2019-20 Through 2023-24 Fiscal Years

**Resolution Of The City Council Of The City Of Emeryville Authorizing Appropriations For The 2019-20 And The 2020-21 Funding Cycles Of The City Of Emeryville Five Year Capital Improvement Program**

### RECOMMENDATION

Staff recommends that the City Council approve the Five Year Capital Improvement Program (CIP) for the 2019-20 through 2023-24 fiscal years; and authorize appropriations for the 2019-20 and 2020-21 funding cycles of the City's Five Year Capital Improvement Program.

### BACKGROUND

#### Overview

City staff have prepared a \$91 million Five-year Capital Improvement Program with 85 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.

On May 7, 2019 the draft CIP was presented to the City Council. The City Council asked that one additional new project be added to the CIP (Project ST-17 Village Greens). The Village Greens project is an unfunded project that would review existing City owned properties, including dedicated right of way, to identify potential new and

generally smaller park sites that may be feasible to develop into small parks or "village greens". In addition, some changes were made to the narrative section of Project CF-05 (Corporation Yard) to more accurately reflect the current project description.

### **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 \$9.1 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 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.

## **DISCUSSION**

### **Funding Strategies**

The CIP reflects the funding strategies described below.

- The CIP 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 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 CIP, the projected amount of commercial transfer tax available for capital projects has been increased to \$1.0 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 CIP.

### **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 \$9.1 million. The draft 2019-24 CIP presented to the City Council on May 7, 2019 reflected 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. As discussed below, the City Council approved a \$9.1 million appropriation to the FY 2018-19 budget year on May 21, 2019. Therefore, the prior proposed appropriations of \$7.5 million and \$1.5 million for FY 2019-20 and FY 2020-21 have been removed from the 2019-24 CIP to reflect the appropriation in FY 2018-19. The fund balance in the Capital Projects Fund is expected to be reduced to \$1.9 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 \$9.1 million to the project budget.

On May 21, 2019 the City Council appropriated in FY 2018-19, \$9.1 million from Capital Projects Fund 475 (\$7.5 million from capital reserve and \$1.6 million from general capital fund balance) to provide the funding required to complete construction of the South Bayfront Bridge and Horton Landing Park.

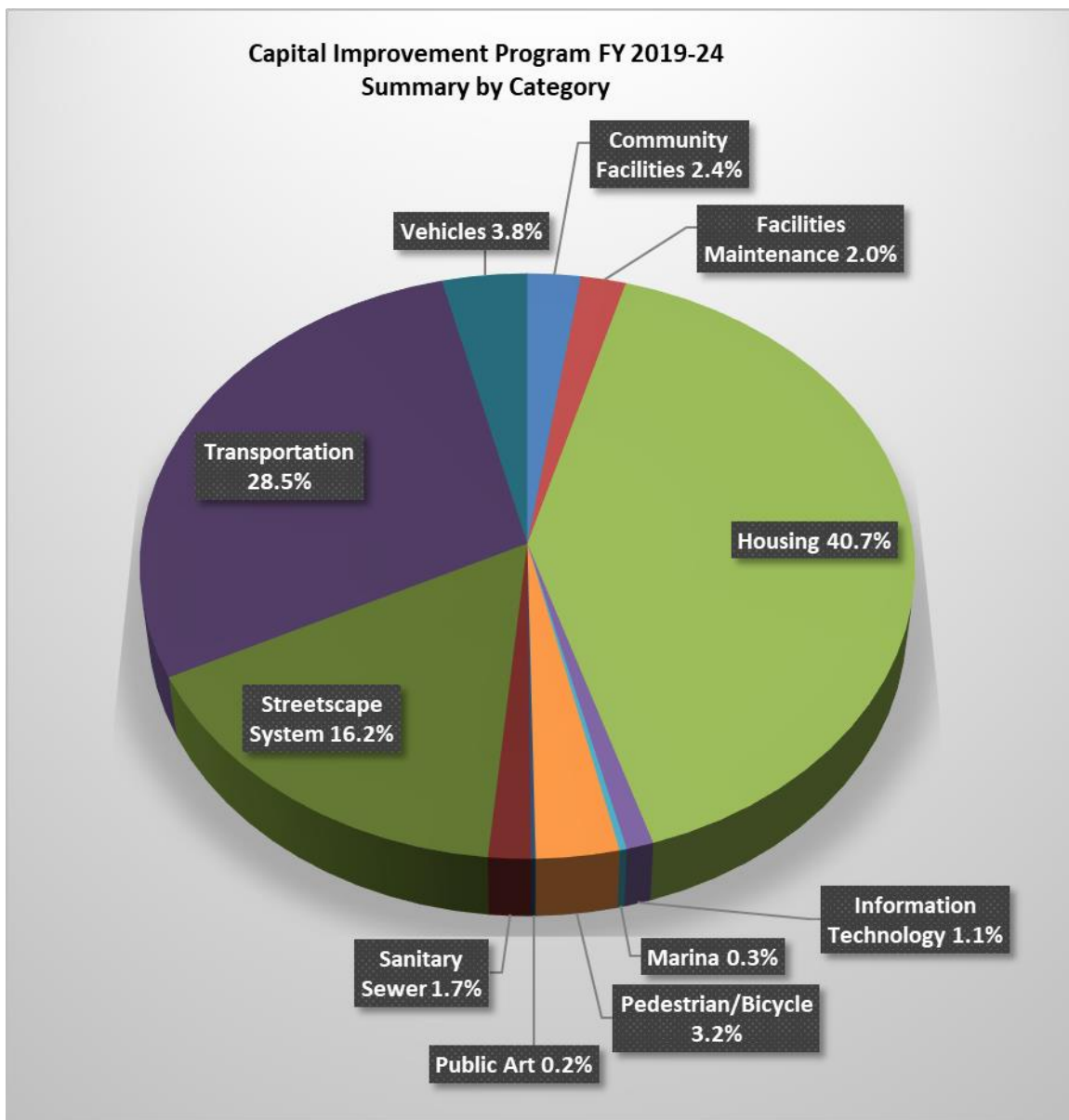
### **Summary of Capital Improvement Program Funding**

The CIP proposes capital investment of \$91 million through 85 projects over five years as shown in the CIP Project Summary. Of the 85 projects, 13 are new projects. The

proposed funding plan includes appropriations of \$7.0 million in fiscal year 2019-20 and \$17.6 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 \$55.1 million with \$0.8 million in fiscal year 2019-20 and \$7.8 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.

<b>CIP Summary by Category</b>						
<b>Category</b>	<b>FY 19-20 Budget</b>	<b>FY 20-21 Budget</b>	<b>FY 21-22 Projection</b>	<b>FY 22-23 Projection</b>	<b>FY 23-24 Projection</b>	<b>Total</b>
Community Facilities	\$ 1,153,000	\$ 250,000	\$ 525,000	\$ 125,000	\$ 125,000	\$ 2,178,000
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
<b>Total</b>	<b>\$ 7,009,963</b>	<b>\$17,597,500</b>	<b>\$24,462,436</b>	<b>\$15,695,000</b>	<b>\$26,065,000</b>	<b>\$ 90,829,899</b>



## REVIEW BY ADVISORY BODY

On May 16, 2019 the draft CIP was presented to the Budget & Governance and Budget Advisory Committees. The Committees did not make any recommended changes.

## 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

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



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Christine Daniel, City Manager

## **ATTACHMENTS**

- Proposed Capital Improvement Program
- Draft Resolution - Five Year Capital Improvement Program FY 19-24
- Draft Resolution - Appropriations for FY 19-20 and FY 20-21  
Appendix A – Project List