



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: MARCH 15, 2018**

FROM: FINANCE DEPARTMENT **WARD: ALL**

**SUBJECT: REVIEW OF PROPOSED FISCAL YEAR 2018-20 CAPITAL IMPROVEMENT
PROGRAM BUDGET AND 2018-23 FIVE-YEAR CAPITAL IMPROVEMENT
PROGRAM PLAN**

ISSUE:

Receive and provide feedback on the proposed Fiscal Year 2018-20 Capital Improvement Program Budget and 2018-23 Five-Year Capital Improvement Program Plan.

RECOMMENDATIONS:

That the Budget Engagement Commission (BEC) receive and provide feedback on the proposed Fiscal Year 2018-20 Capital Improvement Program Budget and 2018-23 Five-Year Capital Improvement Program Plan.

BACKGROUND:

The City's Capital Improvement Program (CIP) is a multi-year plan for the renovation, expansion, and repair of existing City facilities such as roads, bridges, government buildings, parks, and utility infrastructure. The CIP proposes new projects that will improve the quality of life for the citizens, businesses, and visitors of the City.

On February 14, 2018, the Office of Organizational Performance and Accountability presented fiscal policies for multi-year capital planning and the prioritization of capital improvement projects. The framework of those policies has been incorporated into the development of the capital improvement budget and plan. The Planning Commission will review the proposed FY 2018-20 Capital Improvement Program Budget on March 22, 2018 to ensure that the projects conform to the General Plan 2025.

DISCUSSION:

Development of the Capital Improvement Budget and Plan

Two fiscal policies (Attachment 4) provided a foundation for the departments during the development of the City's CIP. These policies were presented to the Finance Committee on February 14, and will be presented to the City Council on March 20, 2018.

Multi-Year Capital Planning Policy: A multi-year capital plan is intended to identify and prioritize expected capital needs based on the strategic priorities and operational needs of the City, establish project scope and cost, identify funding sources, and project future operating and maintenance costs. This policy further defines the elements to be included in the CIP.

Prioritization of Capital Improvement Projects: The City applies the following factors to identify and prioritize capital projects:

- Risk to Health, Safety and Environment
- Regulatory or Mandated Requirements
- Asset Condition, Annual Recurring Costs and Asset Longevity
- Community Investment and Economic Prosperity
- Level and Quality of Service
- Sustainability and Conservation
- Funding Availability
- Project Readiness
- Multiple Category Benefit and Bundling Opportunities

The projects presented in Attachment 1 have taken these policies into consideration.

FY 2018-20 Proposed Capital Improvement Program Budget

Attachment 1 provides a complete listing of projects planned for the next five years. These projects are of the highest priority for the City and have identified funding sources available or are anticipated to be paid by Measure Z bond proceeds. The potential operational impacts of new projects are also included on the schedule. This information is used to anticipate annual ongoing maintenance and operating costs associated with the project.

Proposed funding for the 2018-23 Five-Year CIP Plan totals \$533,698,726; the 2018-20 CIP budget totals \$231,648,232. Priority projects are scheduled in FY 2018-19 and 2019-20. During the budget development process for the next biennial budget, the projects in the following three years will be re-evaluated and prioritized based on the City's needs at that time. However, anticipating the need for these projects and forecasting the five-year outlook will provide better insight on what capital improvements are needed and allows the City to better plan for the use of limited resources. The table below provides a summary of the cost of projects by category.

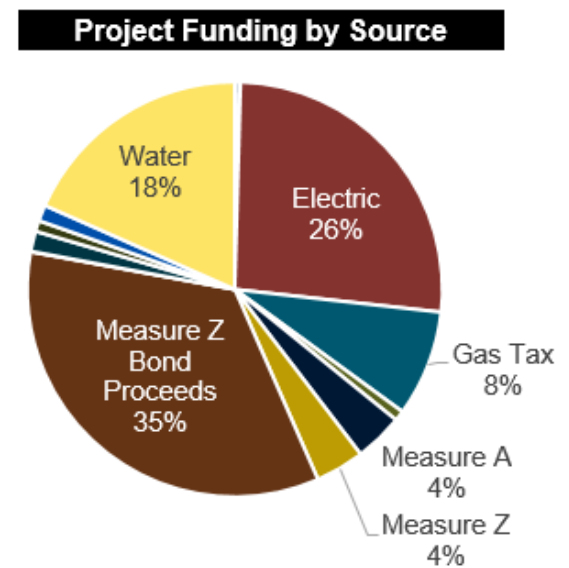
Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Totals
Airport	415,000	-	1,545,000	750,000	100,000	2,810,000
Electric	32,390,952	34,416,523	38,468,201	42,717,438	48,432,978	196,426,092
General Services	44,895,370	35,500,000	14,700,000	14,500,000	1,000,000	110,595,370
Innovation & Technology	1,356,097	1,195,256	420,383	-	-	2,971,736
Railroad	1,065,669	757,500	772,700	788,200	804,000	4,188,069
Sewer	1,900,000	650,500	3,000,000	-	-	5,550,500
Storm Drains	1,050,000	100,000	100,000	100,000	100,000	1,450,000
Transportation	18,346,724	16,091,724	15,668,366	15,318,366	15,168,366	80,593,546
Water	22,700,651	18,816,266	33,854,339	23,652,419	30,089,738	129,113,413
Grand Total	\$124,120,463	\$107,527,769	\$108,528,989	\$97,826,423	\$95,695,082	\$533,698,726

The table below provides a brief description of major projects planned in FYs 2018-20:

Project	Description	2018-20 Project Total
Downtown Library	Construction of a new 42,000 sq. ft. library in Downtown to replace the outdated library on Mission Inn.	\$40,795,370
Police Headquarters	Construction of a new Police Department headquarters	\$35,000,000
City Buildings Deferred Maintenance	Maintenance and repair of core government facilities such as City Hall, libraries, museum, fire and police stations.	\$2,000,000
Data Network Replacement	Replace and upgrade equipment responsible for the storing, processing and distribution of large amounts of data for the City.	\$2,551,353
Pavement Rehabilitation & Pedestrian Facilities Improvements	Asphalt and concrete rehabilitation of arterial and minor streets includes ensuring ADA compliance throughout the City, such as reconstruction of pedestrian ramps.	\$16,603,448

Overall, most capital projects are funded by enterprise funds such as water and electric. Special revenues, such as Gas Tax, also provide funding for projects; however those funds are designated for a specific purpose. The approval of the Measure Z spending plan has infused more funding that will allow for the construction and maintenance of City facilities, such as the Downtown Library and Police Headquarters in the next two years. The table and chart below provide a summary of the project funding by source.

Funding Source	FY 2018-19 Proposed	FY 2019-20 Proposed
Airport	419,672	4,118
Central Garage	122,699	20,007
Central Stores	5,341	4,707
Electric	32,657,665	34,651,602
Gas Tax	10,284,793	9,751,724
Grants & Special Programs	1,000,000	-
Measure A	4,692,600	4,222,500
Measure Z	4,729,553	4,628,198
Measure Z (Future) Bond Proceeds	42,795,370	34,500,000
Refuse	36,551	32,216
Sewer	1,966,761	709,343
Storm Drain	1,050,000	100,000
Transportation DIF	1,560,000	-
Water	22,799,458	18,903,354
Total	124,120,463	107,527,769



Active Projects

Attachment 2 provides a comprehensive list of current active projects. These projects were approved and budgeted in previous years. Departments continue to work on these projects until completion.

Unfunded Projects

Attachment 3 provides a listing of all unfunded projects in priority order by category. Although the projects have been identified, no current funding exists. These unfunded CIP projects capture the CIP needs of the City to the extent that they can be utilizing Master Plans. Unfunded CIP projects total \$601,840,076. The table below provides a summary of the amount of unfunded projects by category:

Category	Amount
Airport	60,000
Municipal Buildings and Facilities	33,740,157
Innovation and Technology	28,327,681
Parks, Recreation, and Community Services	25,447,150
Electric	34,515,000
Water	37,216,305
Public Parking	33,265,000
Railroad	154,963,931
Sewer	32,044,500
Storm Drain	4,600,000
Transportation	217,660,352
Total	\$ 601,840,076

BEC Review

The BEC's input is sought on proposed capital projects.

Next Steps

The proposed FY 2018-20 Capital Improvement Program Budget will be presented to the Planning Commission on March 22, 2018 to ensure conformity with the General Plan 2025. The proposed FY 2018-20 Capital Improvement Program Budget and 2018-23 Five-Year Capital Improvement Program Plan will be presented to the City Council on May 1, 2018.

FISCAL IMPACT:

The proposed FY 2018-20 CIP has minimal impact on the General Fund; alternative funding sources, such as Measure Z, grants, and other funding sources, have been identified for all planned projects. The appropriation of funds will occur with the adoption of the 2018-20 Capital Improvement Program Budget. However, certain projects, such as the construction of the Downtown Library will have funds appropriated, when available, and approved by the City Council.

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Attachments:

1. Proposed FY 2018-20 Capital Improvement Program Budget and FY 2018-23 Capital Improvement Program Plan
2. Active Capital Improvement Projects approved in previous years
3. Unfunded Capital Improvement Projects
4. CIP Fiscal Policies
5. Presentation