



## MEMORANDUM

**TO:** City Council

**FROM:** Whitney McDonald, City Manager  
Bill Robeson, Assistant City Manager/Public Works Director  
Nicole Valentine, Administrative Services Director  
Jill McPeck, Capital Improvement Project Manager

**SUBJECT:** Discussion and Consideration of the 5-Year Capital Improvement Program and 5-Year Local Sales Tax Fund Expenditure Program

**DATE:** May 24, 2022

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### **SUMMARY OF ACTION:**

Provide direction on the 5-year Capital Improvement Program (CIP) budget and the 5-Year Local Sales Tax Fund Expenditures Program.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

The proposed CIP budget allocates \$69.9 million for projects, from various funding sources, over a 5-year period. During the future Council consideration of the FY 2022-23 Mid-Cycle Budget, it is anticipated that \$10.6 million will be allocated for CIP projects, with \$5.1 million of the Local Sales Tax Fund allocated for CIP projects.

### **RECOMMENDATION:**

It is recommended the City Council provide direction on priorities for the CIP as well as expenditures funded by the Local Sales Tax Fund for the upcoming 5-year programs.

### **BACKGROUND:**

The City's budget provides funding for all City services, infrastructure investments and activities performed during each fiscal year. The two major components of the budget are ongoing operations and capital or one-time expenditures. Capital projects often involve a multi-year approach, with design and survey work occurring in one year, followed by construction in the following year or two. Depending on complexity, capital projects can span several years. Utilizing a five-year plan, the City can identify and fund preliminary phases of a project with the reasonable expectation that future years will fund subsequent project phases. However, identifying a project in future years does not mean it will automatically be funded in those years. During each budget cycle, all capital projects are reviewed and prioritized against then-current needs and available funding.

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On May 11, 2021, the City Council reviewed the 5-Year CIP as part of the Biennial FY 2021-23 Budget process. Council expressed support for the presentation and the 5-Year CIP was formally adopted as part of the Biennial FY 2021-23 Budget on June 8, 2021. The City is entering the second year of a two-year budget, referred to as the Mid-Cycle Update. The purpose of this Mid-Cycle Update is to: 1) update revenue projections as economic data becomes available; 2) update expenditures as more accurate costs become available; and 3) to provide adjustments for projects that have been funded through other sources, for example ARPA. After receiving input regarding the updated 5-Year CIP presented in this report, the final document will be included as part of the Mid-Cycle Update on June 14, 2022.

Enterprise Funds for water and sewer are included in this report to the degree that their budgets reflect the capital improvements necessary to sustain those operations. Enterprise budgets are developed in close coordination with the ten-year water and sewer master plans and the projected revenue generation of the funds based on adopted rates. Enterprise operating budgets will be presented to the City Council with the draft operating budgets of other funds on June 14, 2022 as part of the Mid-Cycle FY 2022-23 Budget.

The Local Sales Tax Fund provides for both operating and capital needs, with approximately 85% of the revenue generated by this half-percent tax allocated for capital projects. The attached 5-year revenue and expenditure plan is prepared in order to support the multi-year nature of the capital projects and also for consistency with the 5-year forecast that is prepared for the General Fund. Like the capital program, the projects and programs currently identified in years outside of the Biennial Budget period could change and are not automatically guaranteed to be funded as proposed. Each budget cycle, the projects are prioritized against current needs and available funding. Attachment 1 provides information about each proposed project during the 5-year period.

With this agenda item, staff requests input and direction from the City Council on the 5-year Capital Improvement Program and the 5-year Local Sales Tax Expenditures Program described below. This direction will then be incorporated into the mid-cycle update for FY 2022-23 of the current Biennial Budget that is scheduled to be presented to Council for review and adoption on June 14, 2022.

#### **ANALYSIS OF ISSUES:**

##### **Projects Completed in FY 2021-22**

Many projects in the CIP program take more than one fiscal year to complete and each year progress is made toward completion of these projects. The following CIPs included in the current CIP program have been completed or are anticipated to be completed during the 2021-22 fiscal year.

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- 2019 Street Repairs Project – Annual street repairs on various streets throughout the City;
- Corporation Yard Roof Repairs – Roof repairs to Buildings A and B at the City's Corporation Yard;
- 2021 Concrete Repairs – Annual replacement of damaged/uplifted sidewalks at various locations throughout the City;
- Brick Walkway between 208 and 214 East Branch Street – Remove lifted and damaged brick walkway and replace with Village style sidewalk;
- Manhole Rehabilitation – The project consisted of cleaning and coating 4 existing sewer manholes.
- Castillo del Mar Extension – The project consisted of roadway extension, multi-use path, drainage improvements, waterline relocation, landscaping, street trees and lighting;
- 2021 Striping Refresh – The project consisted of restriping sections of various streets within the City;
- 2022 Pavement Management Program Update – Updates to the Pavement Management Program included inventory tracking, , work history, and budget estimates to optimize funding for improving the City's pavement system;
- 2021 Street Repairs Project – Annual street repairs on various streets throughout the City;
- Storm Drain System at 251 East Grand Avenue (Chevron Station) – The project consisted of plugging and filling an existing failed CMP storm drain, installation of new storm drain pipe, site restoration, fencing, and barricade rental, and extra work due to new storm drain obstructions found while placing new pipe;
- Soto Sports Complex Tennis and Pickleball Resurfacing Project – The project consisted of preparation and resurfacing of four tennis courts and four pickleball courts, and new sleeves on the tennis courts net poles.

#### **Major Projects Proposed for the 5-Year CIP Beginning FY 2022-23**

A full list of all projects with proposed funding in the upcoming 5-year cycle is included as Attachment 1. Significant projects are discussed below, and an \* indicates that the project is part of the Council Goals and Priorities for Fiscal Year 2022-23.

- **Brisco Road/US 101 Interchange\***  
This capital project is expected to address existing congestion on Brisco Road at the Highway 101 Undercrossing and the predicted growth occurring in accordance with the City's General Plan. The Final Project Report and environmental documents for this project were approved and signed by Caltrans on April 27, 2021. This report estimates a total project cost for all phases of the project, including project approval & environmental determination, design, right of way, construction, construction support, and cost escalation of \$38.2M. This total,

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however, includes not only the roundabout construction, but also an estimated \$6.1 million for the proposed sound walls and the East Grand Avenue/US 101 southbound ramp. On March 26, 2019, Council directed staff to phase in, defer, or remove these two elements of the project in order to reduce the overall cost. As a result, the FY 2021-26 CIP reflected a total project cost of \$32.1 million. On April 26, 2022, Council received an update regarding the project and consideration of design services proposals and provided direction to staff to pursue a funding from the United States Department of Transportation's Multimodal Project Discretionary Grant program. In preparation of that grant application, staff proposes to seek funding for the entire project, including the proposed sound walls, the East Grand Avenue/US 101 southbound ramp and expenditures to date of \$2.6M for project approval & environmental determination. Therefore, the revised 5-Year CIP presented in Attachment 1 reflects a total project cost of \$35.6 million to complete the project (\$38.2M total cost - \$2.6M work completed = \$35.6M to complete. Additionally, the revised CIP removes the previously identified local sales tax revenue allocated to the project, as the intent of the grant application is to fully fund the project through grants and otherwise-identified impact fee revenue.

- **Traffic Way Bridge\***

The Traffic Way Bridge was built in 1932 and has been evaluated for structural and functional integrity. It has been determined that the bridge is in need of replacement. The City has secured grant funding that will pay 88.53% of the project costs. Nevertheless, over \$1.4 million is required from the City to pay for the remainder of the costs. The design, environmental determination, and permitting is expected to be completed in fiscal year 2023-24, and construction is expected to begin in 2024-25.

- **Swinging Bridge Retrofit Project\***

This capital project will remove and replace the existing cables and helical anchors, reinforce the existing concrete abutments, clean and paint the existing towers, replace deteriorated wood members, replace wood planks, and tighten and/or install bolts at the suspension bridge wood connections. The projected cost of this item is \$1.2 million and is currently budgeted with Local Sales Tax Funds. City staff submitted a FY23 Community Project Funding Request to Congressman Salud Carbajal's office on April 14, 2022, seeking funding for this project from the federal government.

- **Active Transportation Plan\***

This capital project is a comprehensive collection of policies, programs, and infrastructure recommendations aiming to increase the number of people bicycling and walking in the City. By improving sustainable transportation such as walking and bicycling, the City can reduce vehicle use and place the City on a better path to achieving climate neutrality. The Active Transportation Plan takes a new

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approach to implementing projects, supporting a more resilient economy, equity, and using resources more effectively. Completion of the Plan will increase the likelihood that the City may receive grant funding from other agencies to complete projects identified in the Plan. The projected cost of this item is \$250,000. The City has secured grant funding that will pay approximately 88.53% of the Plan costs, with the Local Sales Tax Fund paying the remaining amount of approximately \$28,675.

- **Stormwater Infrastructure\***

The proposed 5-year CIP includes \$1.4 million for the continuation of replacing, rehabilitating, and maintaining the City's stormwater infrastructure. This includes rehabilitating deteriorating Corrugated Metal Pipes (CMPs), replacing the storm drain system in the vicinity of Oak Park Boulevard and El Camino Real, replacing, enlarging and installing Trash Capture Devices, and updating the Stormwater Master Plan. Approximately \$1.2 million of ARPA Funding has been allocated to these projects, with the remaining funds coming from the Local Sales Tax Fund. The proposed CIP budget does adjust two ARPA funded projects by \$55,800 as shown in the table below:

<b>Stormwater Infrastructure Projects</b>	<b>Current</b>	<b>Proposed</b>
Trash Capture Devices	214,000	158,200
Stormwater Master Plan Update/Watershed Management Plan	116,700	172,500
Stormwater GIS Layer (incorporate into the Stormwater Master Plan Update)	50,000	50,000
	380,700	380,700

This shift in funding is related to the timing of projects. The Stormwater Master Plan Update will be completed in FY 2022-23 and the results of this update will help facilitate where and when to place the Trash Capture Devices. The Trash Capture Devices will be fully funded at \$214,000 with the remaining \$55,800 included in the Local Sales Tax Fund Budget.

- **Sewer and Water Infrastructure \***

The proposed 5-year CIP includes \$3.6 million for the continuation of replacing, rehabilitating, and maintaining the City's water and sewer infrastructure. This includes rehabilitating deteriorating sewer manholes, rehabilitating sewer mains through trenchless lining techniques, replacing, enlarging and installing interconnect water mains, water reservoir recoating, and updating both the Water and Sewer System Master plans. Approximately, \$1.4 million of ARPA Funding has been allocated to Water and Sewer projects during FY 2022-23 through FY 2026-27 as shown in the table below:

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Project Number	Request Title	Funding Sources	Budget FY 2021-22	2021-22 Anticipated to Complete or Carryover	Budget FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	5-Year Total
<b>WATER PROJECTS</b>										
640-5911	Phased Mains Replacement - Cornwall Street, South Halcyon Road to El Camino Real	4965 - ARPA	-	-	-	578,700	-	-	-	578,700
640-5911	Phased Mains Replacement - South Halcyon Road, Cornwall Street to Fair Oaks Avenue	4942 - Water Facility	-	-	269,750	-	-	-	-	-
		4965 - ARPA	232,750	232,750	247,500	-	-	-	-	517,250
640-5948	Reservoir No. 4 Exterior Coating	4965 - ARPA	147,500	-	-	-	-	-	-	-
640-5973	Phased Main Replacement - Highway 101 Crossing Upgrade, El Camino Real to West Branch Street	4965 - ARPA	-	-	291,200	-	-	-	-	291,200
640-5976	Andre Drive / Los Ciervos Court Interconnect	4965 - ARPA	100,000	-	-	-	-	-	-	-
Total Water Projects			480,250	232,750	808,450	578,700	-	-	-	1,387,150
<b>SEWER PROJECTS</b>										
612-5821	Trenchless Sewer Rehabilitation - Wood, Sandalwood, Cameron, Woodland Backyards	4965 - ARPA	267,200	267,200	-	-	-	-	-	-
612-58XX	Trenchless Sewer Rehabilitation - Pilgrim Way, Orchard Avenue, West Cherry Avenue and California Street	4965 - ARPA	-	-	-	282,000	-	-	-	282,000
Total Sewer Projects			267,200	267,200	-	282,000	-	-	-	282,000
Grand Total, All Water & Sewer Projects			11,378,409	8,421,772	808,450	860,700	-	-	-	1,669,150

- Phased Main Replacement Fair Oaks Avenue - South Elm Street to Alder Street\***

This project will replace the existing 8-inch water main from 1929 with a new 8-inch water main along Fair Oaks Avenue between South Elm Street and Alder Street. The projected cost of this project is \$750,000 and will be funded by \$480,250 of ARPA and \$269,750 of Water Facility Funds. The proposed CIP budget adjusts three ARPA funded projects by \$247,500 as shown in the table below:

Water Infrastructure Projects	Current	Proposed
Phased Main Replacement		
Fair Oaks - Elm to Alder	232,750	480,250
Reservoir No. 4 Exterior Coating	147,500	
Andre Drive/Los Ciervos Ct. Interconnect	100,000	
	480,250	480,250

The Reservoir No. 4 Recoating Project is being placed on hold due to the opinion of probable cost from the City's consultant Engineer. The current projected cost is \$510,000, while the budget was originally \$147,000. Staff will evaluate this project in approximately one year to see if the current bidding climate returns to greater normality. In the interim, staff will spot repair any coating issues in-house. Similarly, the Andre Drive/Los Ciervos Court Interconnect project, to help provide redundancy of the Rancho Grande pressure zone distribution system, is also being

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placed on hold until the current bidding climate returns to normality. The current cost estimate for this project is \$175,000, \$75,000 higher than the previously budgeted estimate, due to the costs per square foot of materials.

- **Central Coast Blue\***

Central Coast Blue is a regional recycled water project that will purify wastewater and inject it into the groundwater basin in order to protect the basin against seawater intrusion and to provide a reliable supplemental water supply for the participating agencies. The total capital cost to the City for this project is estimated to be \$12.9 million (including pre-construction and construction costs). The pre-construction costs for this project are included in the CIP budget. However, because the construction costs will be debt-financed or grant-funded and are included in the water financial plan that is supported by the adopted rates that went into effect April 19, 2022, only the pre-construction costs are included in the CIP.

- **Public Safety Video Cameras\***

This project will replace the current failed public safety video system with a system installed by a local vender in order to monitor City facilities, parks, open spaces, and certain intersections. The projected cost of this item is \$500,000 and would be funded by the Citizens Option for Public Safety (COPS) grant program and Local Sales Tax Funds.

- **Financial Management Software\***

In order to improve staff efficiency, enhance financial transparency, and provide the community with more easily accessible financial data, staff is seeking to replace the City's current Financial Management Software. Transition of the general ledger, payroll, human resources, utility billing, accounts payable, accounts receivables, and cashiering functions is anticipated to cost \$450,000, which will be allocated between the Water, Sewer and Local Sales Tax Funds. Staff issued a Request For Proposals (RFP) for the software services on April 28, 2022, and it is anticipated that the City will select a vendor in the Fall.

- **Pavement Management Program\***

The proposed 5-year CIP includes a total of \$11.5 million for maintaining the City's public streets, alleys, and parking lots. This includes maintenance applications such as digouts, slurry seals, mill and fill, and pavement overlays to the extent that funds are available. This program also includes providing Americans with Disabilities Act (ADA) compliant pedestrian facilities such as curb ramps when triggered by certain maintenance applications that are considered an alteration of a street (e.g., overlays).

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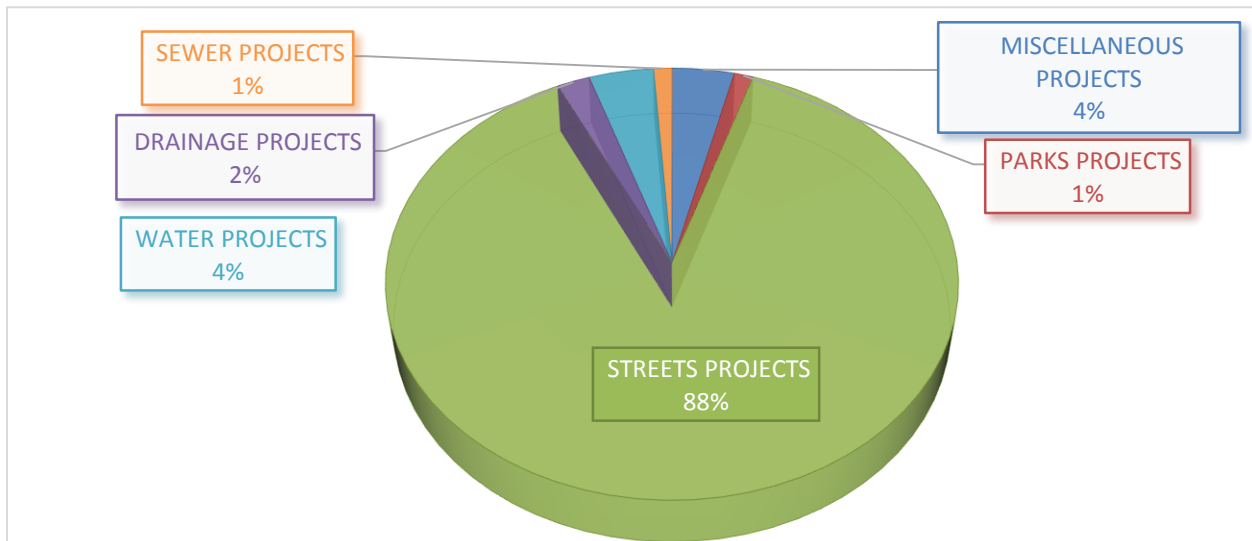
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- **Replace Generator at Fire Station 1**

This capital project will replace the emergency generator at the City-owned fire station. The current generator is unreliable and has cost thousands of dollars in repairs. Public safety facilities are required to have back-up power for continuity of operations. The projected cost of this item is approximately \$680,000, with the San Luis Obispo County Office of Emergency Services, CA Nuclear Power Preparedness (NPP) Program grant program anticipated to provide 50% of the project costs and Local Sales Tax Funds paying the remaining 50%.

As shown on the chart below, the largest focus of the CIP will be related to streets.

**5-Year Capital Improvement Projects by Function**



PROJECT TYPE	TOTAL ALLOCATION
Miscellaneous	\$ 2,699,427
Parks	817,195
Streets	61,360,619
Drainage	1,421,070
Water	2,801,621
Sewer	794,677
	\$ 69,894,609

As summarized below, the City continues to rely on grant funding for a significant portion of its capital projects. In particular, the Federal Highway Bridge Program (HBP) will provide nearly \$10.5 million and the State Transportation Improvement Program (STIP)

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will provide \$6.6 million for the rehabilitation or replacement of critical infrastructure in the City. Additionally, the Local Sales Tax Fund is the other major funding source for the CIP program, providing \$13.9 million in funding over the 5-year plan and \$5.1 million during the 2022-23 Budget. The Local Sales Tax Fund has \$5.1 million in the FY 2022-23 Budget due to the allocation of \$1.8 million in ARPA funds to Stormwater projects originally budgeted with Local Sales Tax funding, as well as lower than estimated costs for the 2021 Streets Repairs Project in FY 2021-22 by approximately \$736,000.

#### 5-Year Capital Improvement Projects Summary by Funding Source

Funding Sources	2021-22 Anticipated							5-Year Total
	Budget FY 2021-22	to Complete or Carryover	Budget FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
Park Improvement	161,057	161,057	60,000	140,000	62,000	62,000	62,000	386,000
Sales Tax	3,402,688	2,261,208	5,116,187	2,416,875	2,925,649	1,436,335	2,007,800	13,902,846
Streets Fund (SB 1)	468,072	468,072	307,200	307,200	307,200	307,200	307,200	1,536,000
Sewer	100,940	91,789	217,040	162,500	269,315	45,000	15,000	708,855
Water	1,953,818	1,944,667	882,372	162,500	788,500	45,000	15,000	1,893,372
ARPA	1,673,250	1,041,180	1,645,770	1,018,900	-	-	-	2,664,670
Highway Bridge Program	1,059,707	1,059,707	48,628	707,291	9,683,879	48,628	-	10,488,426
State Transp Improv Prog	-	-	-	-	-	3,312,000	3,312,000	6,624,000
MPDG Grant	-	-	-	1,848,100	2,411,100	11,068,400	11,068,400	26,396,000
Other	4,579,009	3,334,224	2,354,468	2,363,787	83,685	472,500	20,000	5,294,440
<b>Total</b>	<b>13,398,541</b>	<b>10,361,904</b>	<b>10,631,665</b>	<b>9,127,153</b>	<b>16,531,328</b>	<b>16,797,063</b>	<b>16,807,400</b>	<b>69,894,609</b>

#### Local Sales Tax Fund

As previously discussed, the City prepares a 5-year plan for the Local Sales Tax Fund. The City has been diligent in using the local sales tax funds for the four purposes originally identified: infrastructure improvements, including the street, drainage and creek systems; transportation projects; and public safety needs. In 2015, the City Council confirmed that Information Technology (IT) infrastructure is included within the list of infrastructure systems supported by the Local Sales Tax Fund. To ensure accountability, Measure O-06 required: 1) the City to publish and distribute an annual report to each household on the revenues and expenditures from the sales tax proceeds; and 2) a review and public hearing by the City Council every five years to determine whether the sales tax is necessary to remain in effect. The 5-year review and Public Hearing was presented during a companion item on the same agenda as this item is being presented on May 24, 2022 (Item 9.c).

The proposed 5-year plan for the Local Sales Tax Fund is provided as Attachment 2 and was also presented as an attachment to the 5-year report included in Item 9.c. Significant expenditures not previously mentioned include:

- \$301,000 over five years for improvements to the City's information technology infrastructure, including upgrade or replacements to servers, storage, and the City's firewall.
- Storm drainage improvements of \$155,800 over the course of the 5-year program.
- Continued funding for public safety enhancements of approximately \$4.7 million over the 5-year program, including \$2.9 million for services from the Five Cities

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Fire Authority, \$928,900 over five years for a Senior Police Officer position, as well as funding towards a wildland fire engine, ladder truck, and the police firing range.

- Striping and sidewalk improvements totaling \$629,591 over the 5-year program.

#### **Next Steps**

The proposed 5-Year CIP and 5-year Local Sales Tax Fund expenditure plans are being provided for discussion and direction from Council on any requested changes. Following this direction, the 5-year CIP will be presented to the Planning Commission for confirmation that the plan conforms with the City's General Plan. The updated CIP will then be included in the proposed Mid-Cycle FY2022-23 Budget that will be presented for consideration and approval by the City Council on June 14, 2022.

#### **ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. Review and provide direction on the 5-year CIP and 5-year Local Sales Tax Fund expenditure program;
2. Provide other direction to staff.

#### **ADVANTAGES:**

Providing direction will assist staff in developing a 5-year CIP and 5-year Local Sales Tax Fund expenditure program that is responsive to the City Council and community priorities, while maintaining economic feasibility.

#### **DISADVANTAGES:**

There are no disadvantages to providing information for the community, City Council, or staff regarding the CIP and Local Sales Tax Fund budget priorities.

#### **ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

#### **PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

#### **Attachments:**

1. 5-Year CIP for FY 2022-23 through 2026-27
2. Local Sales Tax 5-Year Revenue and Expenditure Plan