



TOWN OF LOS GATOS

CIVIC CENTER
110 E. MAIN STREET
LOS GATOS, CA 95030

May 6, 2016

Honorable Mayor and Town Council:

I am pleased to submit to you the Proposed Fiscal Year (FY) 2016/17-2020/21 Five-Year Capital Improvement Program (CIP) for the Town of Los Gatos. The CIP is a comprehensive five-year capital improvement plan designed to identify projects to develop and maintain the Town's infrastructure, which is consistent with the Town Council Core Goal of maintaining the condition and availability of public facilities. Guidance for developing priorities for capital improvement projects is also derived from key plans, including the General Plan and the Council's Strategic Priorities.

This CIP budget message contains:

- Town's Core Goals and Strategic Priorities
- CIP Financial Summary - Funding Sources
- Proposed FY 2016/17 - 2020/21 CIP Overview
- Proposed FY 2016/17 CIP Overview
- FY 2015/16 Completed Projects

In September 2015, the Town Council reaffirmed its Core Goals and established the 2015-17 Strategic Priorities. The Town Council identified several new Strategic Priorities that guide the capital budget priorities in the future, including Almond Grove Street Rehabilitation Project funding, significant work in the area of downtown parking, traffic and parking around the schools, and other capital initiatives. Progress in terms of percent complete for the FY 2014-16 and FY 2015-17 Strategic Priorities is summarized below and on the next page.

Strategic Priorities FY 2014-2016 (Percent Complete)

- Phase I of Almond Grove Streets Project (75%)
- Planned Development Policies & Procedures (75%)
- Facilitate Privately-led Effort to Address Downtown Parking (25%)
- Diversity of Businesses in the Downtown (60%)
- Funding Mechanisms to Provide Ongoing Street Maintenance Funding (50%)
- Complete Streets Policy Implementation Plan/Bicycle Pedestrian Master Plan (10%)

Strategic Priorities FY 2015-2017 (Percent Complete)

- Almond Grove Street Project Funding (95%)
- Transportation and Parking Around Schools (35%)
- Downtown Parking (10%)

CORE GOALS AND STRATEGIC PRIORITIES

CORE GOALS

COMMUNITY CHARACTER
• • •

GOOD GOVERNANCE
• • •

FISCAL STABILITY
• • •

QUALITY PUBLIC INFRASTRUCTURE
• • •

CIVIC ENRICHMENT
• • •

PUBLIC SAFETY



STRATEGIC PRIORITIES FY 2015-2017 - (% Complete)

- Smoking Restrictions Expanded (95%)
- Almond Grove Street Project Funding (95%)
- Transportation & Parking Around Schools (35%)
- Downtown Parking (10%)

COMPLETED PRIORITIES

- ✓ Library Strategic Plan
- ✓ Use of Social Media to enhance Civic Engagement and Communication
- ✓ Electric Vehicle Charging Stations
- ✓ Traffic Speed Monitoring Signs
- ✓ Leaf Blower and Polystyrene Regulation
- ✓ North 40 Specific Plan
- ✓ Housing Element
- ✓ Community Benefit
- ✓ Consulting Architect Role
- ✓ Update Town Website
- ✓ Public CUP Database
- ✓ Home Business Ordinance
- ✓ Technology Priorities Plan & Digital Council Packets
- ✓ Employee Benefit Cost Containment
- ✓ Update Tree Ordinance
- ✓ Regulate On-Street Vehicle Sales & Advertising
- ✓ Senior Services Needs Assessment

STRATEGIC PRIORITIES: FY 2014-2016 IN-PROGRESS (% COMPLETE)

- General Plan Implementation (25%)
- Planned Development Policies & Procedures (75%)
- Alcohol & Entertainment Policies (30%)
- Facilitate Privately-led Effort to Address Downtown Parking (25%)
- Diversity of Businesses in the Downtown (60%)
- Sale or Lease of Town Properties (25%)
- Phase I of Almond Grove Streets Project (75%)
- Funding Mechanisms to Provide Ongoing Street Maintenance Funding (50%)
- Complete Streets Policy Implementation Plan/Bicycle Pedestrian Master Plan (10%)
- Veterans Memorial (25%)
- Civic Center as a Community Resource (10%)
- Regional Communications & Interoperability (50%)
- Evacuation Plans for Areas Subject to Flooding & Fire (75%)
- Community Partnerships for Crime Prevention and Response (60%)

Town of Los Gatos

CAPITAL IMPROVEMENT PROGRAM

Introduction Section

CIP FINANCIAL SUMMARY – FUNDING SOURCES

As in the past, the Town continues to be challenged in its attempts to find a reliable ongoing source of revenue for the Capital Improvements Program. The proposed five-year CIP reflects only \$2.8 million in ongoing Gas Tax dedicated sources to help fund the proposed \$42.9 million of planned capital improvements. The balance of CIP funding of \$40.1 million is expected to be funded by one-time appropriations from the General Fund Appropriated Reserves (GFAR), Utility Undergrounds Funds, Traffic Mitigation Funds, Grant Funds, Storm Drain Funds as follows:

Funding Sources for the FY 2016/17 - 2020/21 CIP		
Ongoing	Gas Tax	\$ 2,750,000
One-Time	GFAR	29,796,955
	Utility Underground Funds	6,766,000
	Traffic Mitigation Funds	2,412,151
	Grant Funds	1,110,000
	Storm Drain Funds	65,000
Total Funding Available		\$ 42,900,106

GAS TAX

State Gasoline Tax revenue, the only ongoing revenue source for capital improvements, is distributed to the Town from the State of California and recorded in the Gas Tax Fund. This tax is also known as the “Highway Users Tax or the “Motor Vehicle Fuel License Tax.” The gasoline tax is an 18-cent per gallon tax on fuel used to propel a motor vehicle or aircraft. Gas Tax revenue is allocated to the Town based on a per gallon of gas purchased within the Town limits and based on population and estimated to be \$630,000 annually. These funds can only be used for new construction and reconstruction of Town streets.

GFAR

The primary source of funding for the Town’s capital program is the Town’s General Fund Appropriated Reserves (GFAR). By Council direction, this fund receives transfers from the General Fund’s designated Reserve for Future and Special Projects, which receives most of the Town’s annual revenues above operating expenditures after funding all legally restricted reserves at their required levels, including receipt of one-time funds from grants, property, and other reserves. Because of the availability of General Fund “one-time” funding sources identified and allocated at the January 2013 Council study session on capital priorities, a General Fund transfer to the GFAR fund was recommended in the amount of \$2.7 million for FY 2013/14 and an additional “one-time” source allocation of \$6.6 million for FY 2014/15.

After these allocations the Reserve for Future Capital and Special Projects forecasted June 30, 2016 balance is \$4.8 million. Sufficient balances are anticipated for the following five years of the Plan to allocate approximately \$400,000 from the General Fund Reserve for Capital and Special Projects for FY 2016/17 through FY 2020/21. The other revenue source for GFAR is the Construction Impact Fee. This fee is assessed on construction projects based on the square foot size of the project at a rate of \$1.14 per square foot. These fees are intended to recover the damage caused to Town streets by construction traffic. Construction Impact fees generate at least \$80,000 annually.

The funding from this reserve greatly enhances the Town’s ability to implement the CIP; however, it is not enough to support future annual infrastructure maintenance or construct new facilities. Establishing a reliable, dedicated source of funding for basic capital improvements beyond the use of accumulated reserves remains a long-term need and important goal for the Town.

CAPITAL IMPROVEMENT PROGRAM

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UTILITY UNDERGROUND FUNDS

The Utility Undergrounding Fund serves as a funding source for activities generally undertaken in conjunction with street improvement projects. The Town receives approximately \$15,000 annually in Utility Undergrounding funding which is derived from a Town construction tax of 18 cents charged for each square foot of building addition or alteration within the Town. Total cash balances currently on hand from the utility undergrounding construction tax are approximately \$2.7 million at FY 2015/16 year-end. In addition, the Town may have access to over \$3.8 million in Rule 20A funds allocated from a percentage of electric bills. PG&E retains and tracks these monies. The Town has begun a project to underground along Los Gatos Boulevard south of Lark Avenue. These projects rely on PG&E for scheduling and have long lead times. Staff expects a six year project design timeline, and is tracking the project construction in FY 2020/21.

TRAFFIC MITIGATION FUNDS

The traffic impact mitigation fee assures that each new development or expansion of use pays its fair share of the transportation improvements needed to accommodate the cumulative traffic impacts. The fee is paid in full prior to issuance of the building permit for new development or expansion of use. In FY 2013/14, the Town Council approved an increased Traffic Impact Fee, expected to generate \$2 million over five years for local transportation improvements. Traffic Mitigation Funds should be used solely for construction of identified traffic and transportation improvement projects

GRANT FUNDS

The Town receives several grants from various sources that help address some of the maintenance and improvement costs associated with Town streets. Grants include federally funded Surface Improvement Program (STP) funds which pay for general roadway capital improvements, Community Development Block Grant (CDBG) funds, which pay for improvements that benefit the disadvantaged, and Highway Safety Improvement Program funds, which are being used to complete the Highway 9 and University project. Total grant funding for FY 2016/17 is estimated at \$645,000.

STORM DRAIN FUNDS

The Town also receives funding from its Storm Drain Fund, which relies on an established charge of \$0.75 per square foot of impervious surface created by new development. Depending on development activity, this fee produces approximately \$100,000 in revenue annually. This fee has not been adjusted for several years and should be evaluated in the future as part of the NPDES storm water permit process and as part of a continuous review of development related fees.

The remaining sources are primarily one-time funds from State or Federal government or from special revenue funds that have often fluctuated in tandem with the economy and the state budget. Examples of one-time funds include Valley Transportation Authority/Transportation Fund for Clean Air (VTA/TFCA) funds and State Proposition 42 Gas Tax funds.

PROPOSED FY 2016/17 – 2020/21 CIP OVERVIEW

The Capital Improvement Program is broadly grouped into the following categories:

- Streets Program, which maintains and ensures functional streets, pedestrian, and bike systems.
- Parks Program, which repairs or improves parks, park buildings, trails, and urban forestry.
- Public Facilities Program, which constructs and repairs public buildings, and purchases equipment.

CAPITAL IMPROVEMENT PROGRAM

Introduction Section

The proposed CIP projects include both new and carry-forward projects from the prior year as part of the multi-year programming of \$42.9 million. Approximately \$40.4 million (94%) is allocated to the streets, retaining walls, sidewalks, and curbs category; \$1 million (2%) is allocated to parks and trails projects; and \$1.6 million (4%) is allocated to public facility projects. Allocations are summarized below by type of major improvements within the program categories.

FY 2016/17 - 2020/21 CIP by Program										
Five Year CIP Summary	Carry-forward from		Carry-forward and New FY				Total By Category		Total By Program	
	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20				2020/21
<i>Streets</i>										
Reconstruct/Resurfacing	\$ 9,269,721	\$ 9,695,592	\$ 18,965,313	\$ 1,235,000	\$ 1,235,000	\$ 1,235,000	\$ 1,235,000	\$ 23,905,313		
Maintenance & Safety	1,028,283	455,000	1,483,283	385,000	385,000	385,000	385,000	3,023,283		
Street Improvements	3,565,616	1,436,869	5,002,484	884,895	632,027	42,000	6,635,000	13,196,406		
Bridges	235,087	-	235,087	-	-	-	-	235,087		\$ 40,360,089
<i>Parks</i>										
Park Improvements	480,838	200,000	680,838	25,000	-	25,000	-	\$ 730,838		
Trail Improvements	250,000	-	250,000	-	-	-	-	250,000		\$ 980,838
<i>Public Facilities</i>										
Infrastructure Projects	436,889	185,000	621,889	25,000	25,000	-	-	\$ 671,889		
Equipment Projects	561,538	172,876	734,414	152,876	-	-	-	887,290		\$ 1,559,179
TOTALS	\$ 15,827,972	\$ 12,145,337	\$ 27,973,308	\$ 2,707,771	\$ 2,277,027	\$ 1,687,000	\$ 8,255,000			\$ 42,900,106

Total funding for street reconstruction and resurfacing for the next five years is planned at \$23.9 million with approximately \$9.2 million allocated in FY 2016/17 including carryovers. Over the five-year period, the CIP proposes \$16.5 million for various other street-related infrastructure improvements including street maintenance and resurfacing; curb, gutter and sidewalk maintenance; street intersection improvements; retaining wall reconstruction; crosswalk ramps and safety devices; and storm drain improvements.

Total funding for parks and trail improvements for the next five years is planned at \$1 million with approximately \$0.9 million allocated in FY 2016/17 including carryovers.

Total funding for public facilities infrastructure improvements and equipment projects for the next five years is planned at \$1.6 million with approximately \$1.4 million allocated in FY 2016/17 including carryovers.

Although the Proposed FY 2016/17-2020/21 CIP is a five-year plan, only the first year of the plan is formally adopted with funds appropriated by the Town Council as part of the budget process. Future year projects are funded with designated cash reserves on hand, supplemented by estimated annual revenues for capital funding purposes such as Gas Tax funds and state transportation bond funds. The scope and funding estimates may change based on the fiscal situation and evolving priorities.

PROPOSED FY 2016/17 CIP OVERVIEW

\$27.9 million is being proposed in the first year of the CIP and is comprised of approximately \$15.8 million in carryover funds from FY 2015/16 and approximately \$12.1 million in new funding including a transfer in from the Almond Grove Reserve.

The first year of the five year plan, FY 2016/17, continues funding for the Town Council Strategic Priorities, including basic infrastructure needs. The first phase of the Almond Grove project, the reconstruction Broadway and Bachman Avenues, is scheduled to begin in the summer of 2016 and bidding for the remaining eight streets is anticipated in early 2017 to allow for the next phase of construction in the summer of 2017.

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The CIP also continues ongoing funding in areas that require consistent investments to ensure the stability of existing infrastructure, such as retaining walls, sidewalk repair, and street maintenance. The latter item, street maintenance, warrants specific attention as the Town Pavement Condition Index (PCI), a standard rating of street conditions, has fallen. The PCI reached a recent high rating of 74 in 2008 due to concentrated investments and is now at the level of 67 (2015 data). At the current investment level, the PCI is estimated continue to decrease by one to two points a year. An additional annual investment in excess of \$1,075,000 is necessary to retain the current condition level.

The complete list of the proposed FY 2016/17 carry-forward and proposed projects (categorized by funds and programs) can be found on page A-8 of the Transmittal Letter. Projects are listed in the Financial Summary section and further described in the project detail pages by category. Below is a summary by category.

Carry-forward & New FY 2016/17 CIP Projects					
	GFAR	Grant and Awards	Gas Tax	Other *	Total Estimated
Street Projects	\$ 22,976,938	\$ 685,000	\$ 550,000	\$ 1,474,229	\$ 25,686,168
Park Projects	930,838	-	-	-	\$ 930,838
Public Facilities Projects	1,356,303	-	-	-	\$ 1,356,303
TOTAL OF CARRY-FORWARD & NEW PROJECTS	\$25,264,079	\$ 685,000	\$ 550,000	\$1,474,229	\$27,973,308

** Other Funds include Storm Drain Fund, Traffic Mitigation Funds, Utility Underground Funds*

The reconstruction of the Almond Grove streets is a high priority. The concrete pavement of all ten streets is estimated to cost \$16.7 million (see February 16, 2016 Report to Town Council). Based on Council's interest to bid the remaining eight streets in FY 2016/17, funding for the entire balance must be budgeted. Below is a table summarizing the proposed sources to fund the entire project.

Proposed Funding Sources for Almond Grove Street Rehabilitation Project	
Almond Grove Reserve (Includes Existing Funding)	\$ 12,155,973
Current Projects on Hold	2,107,700
Additional from FY 2014/15 Savings to AG	1,000,000
Additional from GFAR	1,478,034
Total	\$ 16,741,707

A significant amount of the funding for the Almond Grove Street Rehabilitation project has been set aside from reserves and from year end savings. In addition to the currently available Almond Grove Reserve, staff recommends using the funding balance of projects currently on-hold, additional FY 2014/15 savings, and additional new funding from GFAR to fund fully the Almond Grove Street Rehabilitation project in FY 2016/17.

In FY 2015/16, the Council placed several CIP projects on hold. To meet the funding needs of Almond Grove, the projects are now proposed to be moved to an unfunded needs list (see table on the next page for details).

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Proposed Unfunded Project List				
Projects	Estimated Cost	Current Status	Recommended FY 2016/17 - 2020/21 CIP	Added to the Unfunded List
Parking Lot #4	\$ 400,000	On Hold	Add to unfunded needs list.	\$ 400,000
Street Repair - 1/2 2014/15 allocation	\$ 900,000	On Hold	Add to unfunded needs list.	900,000
Building Replacement at Corp Yard	\$ 200,000	On Hold	Add to unfunded needs list.	200,000
Worcester Park Improvements	\$ 28,150	On Hold	Add to unfunded needs list.	28,150
Downtown Parking Sign Enhancements	\$ 50,000	On Hold	Add to unfunded needs list.	50,000
Montebello Way Island Removal	\$ 19,550	On Hold	Add to unfunded needs list.	19,550
Oak Meadow Park	\$ 330,000	On Hold	Add to unfunded needs list.	330,000
Los Gatos Creek Trail Improvements - Charter Oaks	\$ 30,000	On Hold	Add to unfunded needs list.	30,000
Civic Center Improvements	\$ 150,000	On Hold	Add to unfunded needs list.	150,000
Total Estimated Project Cost				\$ 2,107,700

In addition to Almond Grove, the FY 2016/17 CIP includes projects carried forward from the previous CIP and new projects as listed in the detailed table on the next page. The total FY 2016/17 CIP is \$27.9 million.

Several additional items are not included in the CIP at this time, including new green bike lanes, improvements to manage traffic around the schools, and Civic Center wayfinding signs. Once specific projects are identified through the Bicycle and Pedestrian Master Plan (underway), and the Traffic and Parking around Schools Study (underway), projects are expected to be proposed in future CIPs with funding identified at that time.

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Carry-forward & FY 2016/17 CIP Projects						
CARRY-FORWARD PROJECTS		GFAR	Grants and Awards	Gas Tax	Other	Total
<i>Streets</i>	Street Repair & Resurfacing	\$ 910,933	\$ -	\$ 550,000	\$ -	\$ 1,460,933
	Almond Grove Street Rehabilitation Project	16,741,710	-	-	-	16,741,710
	Pavement Rehabilitation - Crack Seal	674,107	-	-	-	674,107
	Hillside Road Repair & Resurfacing Project	88,563	-	-	-	88,563
	Traffic Calming Projects	32,941	-	-	-	32,941
	Curb, Gutter & Sidewalk Maintenance	601,264	-	-	-	601,264
	Retaining Wall Repairs	343,304	-	-	-	343,304
	Annual Street Restriping	96,002	-	-	-	96,002
	Public Access Infrastructure Improvement Projects	-	70,000	-	-	70,000
	Guardrail Replacement Projects	100,143	-	-	-	100,143
	Electrical Panel Replacement on Pageant Way	45,000	-	-	-	45,000
	Winchester Blvd/Lark Ave. Intersection	-	-	-	316,194	316,194
	Downtown Parking Lots Seal Coat & Restriping	100,000	-	-	-	100,000
	Hernandez Avenue Storm Drain Improvements	-	-	-	-	-
	Los Gatos Blvd/Shannon Improvements	-	-	-	20,000	20,000
	224 W. Main Street Property Acquisition (Parking Lot 6)	1,196,000	-	-	-	1,196,000
	Shannon/LGB/Cherry Blossom Sidewalk Improvements	129,896	-	-	-	129,896
	Stonybrook & Kennedy Sidewalk Improvements	287,192	-	-	-	287,192
	Intersection Safety & Traffic Flow Improvements	11,304	-	-	8,038	19,342
	Sidewalk Improvements - Multiple Locations	60,000	-	-	-	60,000
	Montebello Way Island Removal	-	-	-	-	-
	LED Streetlights	504,648	-	-	-	504,648
	Pageant Way Parking Lot Reconstruction	175,550	-	-	-	175,550
	PG&E Undergrounding	-	-	-	70,000	70,000
	Bicycle & Pedestrian Master Plan	7,500	40,000	-	72,500	120,000
	Traffic Around Schools	78,794	-	-	-	78,794
	Quito Road - Bridge Replacement	235,087	-	-	-	235,087
	Blossom Hill Rd/Cherry Ln Intersection	-	-	-	500,000	500,000
	Monument Control Network Update	20,000	-	-	10,000	30,000
	Downtown Parking Signs Enhancements	-	-	-	-	-
	Parking Lot 4	-	-	-	-	-
	Crosswalk Add - Santa Cruz Ave	60,000	-	-	50,000	110,000
	Crosswalk Lighting Upgrade	50,000	-	-	34,629	84,629
<i>Parks</i>	Oak Meadow Park Upgrades	-	-	-	-	-
	Open Space Trail Upgrades	250,000	-	-	-	250,000
	Parks Playground Fibar Project	32,501	-	-	-	32,501
	Plaza Park Improvements	33,338	-	-	-	33,338
	Park Rehabilitation - Bachman Park	325,000	-	-	-	325,000
	Blossom Hill Park Restroom Building Upgrades	40,000	-	-	-	40,000
	Los Gatos Creek Trail Improvements at Charter Oaks	-	-	-	-	-
	Worcester Park	-	-	-	-	-
	Blossom Hill Park Little League Backstop	110,000	-	-	-	110,000
<i>Public Facilities</i>	Town Beautification Projects	10,160	-	-	-	10,160
	Audio/Video System Upgrade	58,160	-	-	-	58,160
	Information System Upgrade	82,019	-	-	-	82,019
	Town-wide Document Imaging Project	16,990	-	-	-	16,990
	Tiburon CAD/RMS Upgrade	42,000	-	-	-	42,000
	Building Replacement at Corporation Yard	208,443	-	-	-	208,443
	Old Library Re-use Project	28,286	-	-	-	28,286
	Former Library Roof Improvements	90,000	-	-	-	90,000
	Fuel System Enhancement	75,000	-	-	-	75,000
	Police Interoperability Radio Project	150,000	-	-	-	150,000
	Engineering Document Archiving	59,093	-	-	-	59,093
	Civic Center Energy Assessment	25,000	-	-	-	25,000
	PPW Interoperability Radio Project	150,000	-	-	-	150,000
	Silicon Valley Interoperability Project (SVRIP) Service Fee	176,152	-	-	-	176,152
	Civic Center Improvements	-	-	-	-	-
TOTAL OF CARRY-FORWARD PROJECTS (INCLUDES NEW ALLOCATIONS)		\$ 24,512,079	\$ 110,000	\$ 550,000	\$ 1,081,361	\$ 26,253,440
* These carry-forward projects include new money for FY 2016/17 in the amount of \$10,425,468.						
NEW PROJECTS						
<i>Streets</i>	Traffic Signal Modernization	-	75,000	-	177,869	252,869
	Intelligent Parking Infrastructure	427,000	500,000	-	-	927,000
	Cut-Through Traffic Mitigation	-	-	-	215,000	215,000
<i>Parks</i>	Tennis Courts Repairs - Various Town Parks	140,000	-	-	-	140,000
<i>Public Facilities</i>	HVAC System Upgrade - Civic Center	100,000	-	-	-	100,000
	Exterior Lighting Replacement - Civic Center	25,000	-	-	-	25,000
	Civic Center Fountain Modification	35,000	-	-	-	35,000
	Energy Efficiency Upgrade - Town-wide	25,000	-	-	-	25,000
TOTAL OF NEW PROJECTS		\$ 752,000	\$ 575,000	\$ -	\$ 392,869	\$ 1,719,869
TOTAL OF CARRY-FORWARD & NEW PROJECTS		\$ 25,264,079	\$ 685,000	\$ 550,000	\$ 1,474,229	\$ 27,973,308

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FY 2015/16 COMPLETED PROJECTS

Several projects are expected to be completed by the end of FY 2015/16. The table below outlines the projects, funding source, and total expense of the completed projects, which is estimated to be \$223,664.

Projects Completed in FY 2015/16					
	GFAR	Grant & Awards	Traffic Mitigation	Other *	Total Estimated
Street Program					
Frank Avenue Storm Drain	\$ -	\$ -	\$ -	\$ 94,270	\$ 94,270
Park Program					
	-	-	-	-	\$ -
Public Facilities Program					
Cartograph System Updates	5,763	-	-	-	\$ 5,763
PPW Building Improvement	16,302	-	-	-	\$ 16,302
Town Digital Aerial Photo/Topographic Map	32,187	-	25,142	-	\$ 57,329
Youth Recreation Center - Cable & Control System Repair	25,000	-	-	-	\$ 25,000
Civic Center Imp (Noise)	25,000	-	-	-	\$ 25,000
TOTAL OF COMPLETED PROJECTS	\$ 104,252	\$ -	\$ 25,142	\$ 94,270	\$ 223,664

* Other Funds include Storm Drain Fund, Gas Tax Funds, Utility Underground Funds

CONCLUSION

The challenge of finding a reliable ongoing revenue stream available for capital projects continues to be a Town priority. Recognizing the realities of funding challenges and uncertain local economic trends, the Town's FY 2016/17 – 2020/21 Capital Improvement Plan continues a strategy of funding the Town's most urgent capital needs.

I wish to thank all of the Departments, in particular Department Directors and members of their management and support staff, for their many hours of work and tireless efforts to present this Capital Improvement Program to the Town Council, as well as the following staff members:

- Stephen Conway, Finance Director
- Gitta Ungvari, Administrative Analyst
- Matt Morley, Parks & Public Works Director
- Lisa Petersen, Town Engineer
- Linda Isherwood, Accountant/Administrative Analyst
- Mark Gaeta, Accountant
- Bobby Gonzalez, Administrative Analyst
- Melissa Ynegas, Account Technician

Respectfully submitted,



Laurel Prevetti
Town Manager

CAPITAL IMPROVEMENT PROGRAM
Introduction Section



BUDGET PROCESS OVERVIEW

The Town of Los Gatos adopts an annual Operating and Capital Budget and an annual budget update of the five year Capital Improvement Program (CIP) for the Town of Los Gatos. The budgets contain summary level information for revenue and expenditure appropriations for the fiscal year beginning July 1st and ending June 30th. The budget documents are prepared in accordance with generally accepted accounting principles (GAAP).

Budget Purpose

The Operating and Capital Summary Budget and the Capital Improvement Program serve as the Town's financial plan, as well as a policy document, a communications tool, and an operations guide. Developed with an emphasis on long range planning, service delivery, and program management, a fundamental purpose of these documents is to provide a linkage between the services and projects the Town intends to accomplish, and the resources committed to get the work done.

The format of the budget facilitates this linkage by clearly identifying program purpose, key projects, and work plan goals, in relation to revenue and expenditures appropriations.

CIP Purpose

In particular, the CIP is designed to identify projects and funds required to adequately develop and maintain the Town's infrastructure, which is consistent with the Town Council strategic goal of maintaining the condition and availability of public facilities. The following plans provide additional guidance in developing priorities for capital improvement projects:

- General Plan
- Street Improvement Program
- Storm Drain Master Plan

In addition, project prioritization criteria such as health and safety issues, infrastructure or system condition, short-term versus long-term impacts and availability of external funding sources are assessed as part of the process that staff uses to rank projects from high to low in preparing the proposed CIP. As it develops and matures in its application, the Town's Infrastructure

Assessment Program will further support the Town's long-range Capital Improvement Program, focusing attention on the current and future infrastructure needs of the community and balancing the community's needs with funding requirements and financial resources. Other technology tools used in CIP development include the use of the geographic information system, the traffic monitoring system, electronic files for tracking unfunded projects and replacement schedules, and an asset management program to track work requests.

The Town's capital projects are categorized as follows:

The Streets Program provides funding for maintaining a functional street and pedestrian system. Proposed projects are consistent with the General Plan, provide for a safe and efficient traffic flow through intersections while minimizing unnecessary traffic movement and noise through residential neighborhoods, and provide street lighting for traffic safety at intersections and on public streets. Also included are sidewalk improvements.

The Public Facilities Program includes projects for constructing and repairing public buildings and purchasing equipment. Town buildings include the Civic Center, the new Library, Adult Recreation Center, Service Center, Tait Avenue and Forbes Mill Museums, and partial service to the Recreation Center, which is a Town-owned building leased to Los Gatos-Saratoga Community Education and Recreation. Although the Town owns the three fire stations within town limits, the Santa Clara County Fire District maintains them under contract.

The Parks Program includes projects for parks, park buildings, urban forestry, and urban beautification.

Basis of Budgeting and Accounting

Developed on a program basis with fund level authority, the operating and capital budgets represent services and functions provided by the Town in alignment with the resources allocated during the fiscal year.

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Introduction Section

The Town's Governmental Funds consist of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds for both the Town and the Successor Agency of the Town of Los Gatos Redevelopment Agency (RDA). RDA debt is continuing to be paid for the Certificate of Participation (COPs) used to finance the Library. Basis of Accounting and Budget refers to the timing factor concept in recognizing transactions. This basis is a key component of the overall financial system because the budget determines the accounting system. For example, if the budget anticipates revenues on a cash basis, the accounting system must record only cash revenues as receipts. If the budget uses an accrual basis, accounting must do likewise. The Town's budgeting and accounting systems both use a combination of modified accrual and full accrual basis in the accounting and budget systems.

Governmental Fund types and Successor Agency fund budgets are developed using the modified accrual basis of accounting. Under this basis, revenues are estimated for the period if they are susceptible to accrual, e.g. amounts can be determined and will be collected within the current period. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period.

Proprietary fund budgets are adopted using the full accrual basis of accounting whereby revenue budget projections are developed recognizing revenues expected to be earned during the period, and expenditures are developed for expenses anticipated to be incurred in the fiscal year. The Town maintains one type of proprietary fund: Internal Service Funds.

The Town's fiduciary funds are also budgeted under the modified accrual basis. The Town administers five trust funds and one agency fund. Trust funds are subject to trust agreement guidelines, and the Agency Fund is held in a purely custodial capacity involving only the receipt, temporary investment, and remittance of resources.

Summary of Budget Development

The Town develops its budgets with a team-based budgeting approach. Town management and the Finance Department guide the process through budget development; however, program budgets and workplans are developed with each department's Director, Analyst, and Program Manager's oversight and expertise. This approach allows for hands-on planning and creates a clearer understanding for both management and staff of a program's goals and functions to be accomplished in the next budget year.

The Development Process

Typically both the Operating and Capital Budget and Capital Improvement Program processes begin in the fall with the Town Council and Town Manager's collaborative development and refinement of initiatives and directives for the upcoming budget year as reflected in the Council adopted strategic goals.

In January, the budget preparation process begins officially for staff with a budget kickoff meeting. Budget assumptions, directives, and initiatives developed by Town Council and management are provided to set the Town's overall objectives and goals. Department staff identify and analyze program revenue and expenditure projections in coordination with Finance/Budget staff and Town management. Town staff also consult with Town Commissions for their input on specific investments. Capital improvement projects are assessed and refined, and CIP funding and appropriation requirements are finalized.

Through rounds of budget briefings and revisions, staff's final program budget and workplans are developed by the end of April. Operational and capital workplans are finalized, and the Finance/Budget staff prepares financial summary information for Town Council review in addition to departmental budgets and workplans.

CIP Development Process

The long-term Capital Improvement Program includes projects that have a value of \$25,000 or more with a minimum useful life of 5 years at a fixed location. Equipment, operating, and maintenance costs associated with the CIP projects are identified where feasible, and will be included in future operating budgets. Cost estimates for new projects are based on 2016 dollars; however, engineering estimates for carryover projects from the prior year are updated to reflect current industry costs.

Under direction from the Town Manager's Office, the Parks and Public Works Department took the lead in the preparation of the proposed projects for consideration in the FY 2016/17 – 20/21 Capital Improvement Program. In coordination with other Town departments, projects were reviewed to ensure that the Town's priorities are addressed within available resources. In some cases, previously approved projects have been deferred due to reallocation of funding to other priorities and thus have been noted as unfunded projects in each program section of the CIP.

The Town Manager's Office reviews the prioritized list of proposed capital improvement projects and funding sources in conjunction with the preparation of the FY 2016/17 Operating Budget. The Proposed CIP is then presented by the Town Manager to the Town Council. The Proposed CIP is also submitted to the Planning Commission for review to ensure that the proposed projects are consistent with the Town's General Plan. The Planning Commission reviewed the CIP and found it consistent with the General Plan on April 27, 2016.

The CIP is reviewed during this time to determine funding capabilities and project priorities, and to refine project work plans. Although the CIP budget document is prepared separately from the Operating and Capital Budget, CIP program information is incorporated into the Operating and Capital Summary Budget document through the resulting financial appropriations and service level requirements.

Budget Adoption

During the month of May, the Town Council reviews the proposed Operating and Capital Summary Budget, and the Capital Improvement Program for the five year period at a public hearing. Notice of the hearing is published in a local newspaper at least ten days prior to the Council's public hearing date. The public is invited to participate and copies of the proposed budgets are available for review in the Clerk Department and at the budget hearing.

Under requirements established in Section 65401 of the State Government Code, the Town's Planning Commission also reviews the proposed Capital Improvement Program and reports back to the Town Council as to the conformity of the plan with the Town's Adopted General Plan.

Final Council-directed revisions to the proposed budget are made and the budget documents are resubmitted to the Town Council for final adoption, again in a publicized public hearing prior to the beginning of the fiscal year (June).

Section 2.30.295(b) of the Los Gatos Town Code requires the Town Manager to annually prepare and submit a budget to the Town Council. This is accomplished in June, when the final proposed budget is formally submitted to the Town Council in the subsequent public hearing.

Budget Amendments

During the course of the fiscal year, workplan changes and unanticipated needs necessitate adjustments to the adopted budgets. The Town Manager is authorized to transfer appropriations between categories, departments, projects, and programs within a fund in the adopted budget, whereas the Town Council holds the authority for budget increases and decreases, and transfers between funds.

CAPITAL IMPROVEMENT PROGRAM

Introduction Section

