



TOWN OF LOS GATOS

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

May 8, 2019

Honorable Mayor and Town Council:

I am pleased to submit to you the Proposed Fiscal Year (FY) 2019/20 – 2023/24 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, 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 2019/20 – 2023/24 CIP Overview
- Proposed FY 2019/20 CIP Overview
- FY 2018/19 Completed Projects
- Budget Process Overview

In January 2019, the Town Council established the 2019-21 Strategic Priorities (see page A-2). The Core Goals and Strategic Priorities guide the preparation of both the Capital and Operating Budgets. In terms of capital projects, the Town Council affirmed its interest improving the condition of the Town's streets, enhancing community vitality through events and other efforts in addition to continuing/completing the ongoing commitments of traffic/transportation, public safety, quality of life, and prosperity.

All proposed capital projects are described in this document. The reserves and operating expenditures are discussed in more detail in the Proposed FY 2019/20 Operating Budget.

**STRATEGIC
PRIORITIES
FY 2019-2021**



CORE GOALS: COMMUNITY CHARACTER • GOOD GOVERNANCE • FISCAL STABILITY • QUALITY PUBLIC INFRASTRUCTURE • CIVIC ENRICHMENT • PUBLIC SAFETY

ONGOING COMMITMENTS

TRAFFIC/TRANSPORTATION

Comprehensive Parking Study

- Parking Garage

Transportation Demand Management

- One-way Downtown Street Pilot
- Summer/Rush Hour/School Traffic
- Develop Measure B Transportation Projects
- Install Bicycle and Pedestrian Improvements
- Community Shuttle/School Bus Pilot

QUALITY OF LIFE

Community Vitality

- Events and Other Efforts

Streamline Policies

- Land Use/Economic Vitality Measures

General Plan 2040

- Objective Standards
- Environmental Sustainability
- Ordinances

SAFETY

Emergency Preparedness

- CERT Recruitment and Training
- EOC Upgrades
- Community communication

Fire Protection

- Vegetation management on Town properties
- Enhanced community education

Infrastructure Improvements

- Guard Rails
- Pavement

PROSPERITY

Address Pension and OPEB Obligations

- Additional Discretionary Payments (ADPs)
- Reduced Amortization Strategies
- Pension Contribution Management Strategies

Annexation of County Pockets

- Sell or Lease Certain Town Properties
- Short Term Rentals

NEW

Additional Vegetation Management Practices

- Complete ecological study to determine the best management practices to protect life and property and maintain healthy ecosystems

IN PROGRESS

Reconstruct remaining Almond Grove Streets

Create a Complete Streets Policy

Measure G (Sales Tax) Implementation

RECENTLY COMPLETED

North 40 Specific Plan Amendments

Streamline certain policies affecting Town businesses

SMALL TOWN SERVICE, COMMUNITY STEWARDSHIP, FUTURE FOCUS

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CIP FINANCIAL SUMMARY – FUNDING SOURCES

As in the past, the Town continues to be challenged in its attempts to secure a reliable ongoing source of revenue for the Capital Improvements Program. The proposed five-year CIP reflects \$6.0 million in ongoing Gas Tax dedicated sources to help fund the proposed \$32 million of planned capital improvements. The balance of CIP funding of \$26 million is expected to be funded by one-time appropriations from the General Fund Appropriated Reserve (GFAR), Utility Undergrounding Funds, Traffic Mitigation Funds, Grant Funds, Storm Drain Funds as follows:

Funding Sources for the FY 2019/20 - 2023/24 CIP		
Ongoing	Gas Tax	\$ 6,050,270
	GFAR	18,638,828
	Utility Underground Funds	4,555,204
One-Time	Traffic Mitigation Funds	1,347,551
	Grant Funds	1,987,200
	Storm Drain Funds	365,000
Total Funding Available		\$ 32,944,053

GAS TAX

State Gasoline Tax revenue 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. The estimated Gas Tax revenue totals approximately \$1.2 million for FY 2019/20 due to the Road Recovery and Repair Act of 2017 (SB1). These funds can only be used for new construction and reconstruction of Town streets.

LOCAL 2010 AND 2016 MEASURE B

As part of a voter-approved measure from 2010, the Santa Clara Valley Transportation Agency (VTA) assesses a \$10 per vehicle registration surcharge to repair and rehabilitate streets. This funding source is expected to generate approximately \$180,000 annually for Los Gatos, which will be used for street rehabilitation Town-wide.

In 2016, Santa Clara County voters approved Measure B, a transportation focused sales tax measure. After several years of legal challenges, the funding from Measure B has begun to flow. The most important element of this measure is ongoing road maintenance funding to the Town of \$580,663. Additional funds may be distributed to local projects on a competitive basis.

GFAR

The primary source of funding for the Town’s capital program is the Town’s General Fund Appropriated Reserve (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

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receipt of one-time funds from grants, property sales, and other reserves. Because of the availability of General Fund “one-time” funding sources in recent years, the Council approved a General Fund transfer to the GFAR fund in the amount of \$2.7 million for FY 2013/14, an additional “one-time” source allocation of \$6.6 million for FY 2014/15, and additional funding of \$6.9 million for the Almond Grove Street Rehabilitation project in FY 2016/17, \$2.8 million funding in FY 2017/18, \$2.4 million transfer in FY 2018/19, and \$5.7 million transfer in FY 2019/20.

After these allocations, the Reserve for Future Capital and Special Projects forecasted June 30, 2019 balance is \$2.4 million. Sufficient balances are anticipated for the following four years of the Plan to allocate approximately \$550,000 from the General Fund Reserve for Capital and Special Projects for FY 2020/21 through FY 2023/24.

The other revenue source for GFAR is the Construction Impact Fee and a Refuse Vehicle Road Impact Fee. This Construction impact 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 \$110,000 annually. Refuse Vehicle Road impact Fee estimated to generate \$610,000 for FY 2019/20.

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.

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 \$30,000 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 \$3.8 million at FY 2018/19 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 identified a project to underground utilities 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 expecting 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 grant funds from various sources that help address some of the maintenance and improvement costs associated with Town infrastructure. Grants include federally funded Surface Transportation Program (STP) funds which pay for general roadway capital improvements, and a

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combination of Federal Innovative Deployment to Enhance Arterials (IDEA) grant funds and State Vehicle Registration Fee (VRF) grant funds are contributing to the Traffic Signal Modernization project. In addition, the Town utilizes Community Development Block Grant funds for specific qualifying projects, usually focused on accessibility. Total grant funding for FY 2019/20 is estimated at \$1,047,100. The addition of the Transportation and Mobility Manager in last year's budget has allowed for staff to dedicate more attention to grant funding opportunities.

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 2019/20 – 2023/24 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.

The proposed CIP projects include both new and carry-forward projects from the prior year as part of the multi-year programming of \$49.2 million. Approximately \$43.5 million (88.4%) is allocated to the streets, retaining walls, sidewalks, and curbs category; \$1.7 million (3.5%) is allocated to parks and trails projects; and \$4.0 million (8.1%) is allocated to public facility projects. Allocations are summarized below by type of major improvements within the program categories.

FY 2019/20 - 2023/24 CIP by Program										
Five Year CIP Summary	Carry-forward from		Carry-forward and New FY				Total By Category		Total By Program	
	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24			
Streets										
Reconstruct/Resurfacing	\$ 4,233,230	\$ 4,237,770	\$ 8,471,000	\$ 2,836,393	\$ 2,962,517	\$ 2,962,517	\$ 2,962,517	\$ 20,194,944		
Maintenance & Safety	896,551	2,465,100	3,361,651	435,000	435,000	435,000	435,000	5,101,651		
Street Improvements	8,180,526	3,464,908	11,645,434	6,060,331	-	-	65,000	17,770,765		
Bridges	435,087	-	435,087	-	-	-	-	435,087		\$ 43,502,448
Parks										
Park Improvements	349,540	260,000	609,540	25,000	-	25,000	-	659,540		
Trail Improvements	701,051	350,000	1,051,051	-	-	-	-	1,051,051		\$ 1,710,591
Public Facilities										
Infrastructure Projects	890,533	1,862,000	2,752,533	35,000	35,000	35,000	35,000	2,892,533		
Equipment Projects	581,324	525,000	1,106,324	-	-	-	-	1,106,324		\$ 3,998,856
TOTALS	\$ 16,267,842	\$ 13,164,778	\$ 29,432,620	\$ 9,391,724	\$ 3,432,517	\$ 3,457,517	\$ 3,497,517			\$ 49,211,895

Total funding for street reconstruction and resurfacing for the next five years is planned at \$20.1 million with approximately \$8.4 million allocated in FY 2019/20 including carryovers. Over the five-year period,

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the CIP proposes \$23.3 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 \$1.7 million with approximately \$1.6 million allocated in FY 2019/20 including carryovers.

Total funding for public facilities infrastructure improvements and equipment projects for the next five years is planned at \$4.0 million with approximately \$3.8 million allocated in FY 2019/20 including carryovers.

Although the Proposed FY 2019/20-2023/24 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 funds. The scope and funding estimates may change based on the Town's fiscal situation and evolving priorities.

PROPOSED FY 2019/20 OVERVIEW

\$28.4 million is being proposed in the first year of the CIP and is comprised of approximately \$16.2 million in carryover funds from FY 2018/19 and approximately \$13.1 million in new funding.

The first year of the five year plan (FY 2019/20) continues funding for the Town Council Strategic Priorities, including basic infrastructure needs. Project completion of the Almond Grove Street Construction is expected in June 2019. Street maintenance remains high Council priority as the Town is making progress to improve its Pavement Condition Index (PCI), a standard rating of street conditions. The PCI reached a recent high rating of 74 in 2008 due to concentrated investments and is now at the level of 69 (2018 survey data). With the new County and State Transportation Funds, the investment in street maintenance of \$2,962,517 per year will allow the Town's PCI to increase to 72 within the next five years. This investment continues to leave a deferred maintenance backlog in excess of \$10M.

In FY 2015/16, the Council placed several CIP projects on hold and transferred the funding of these projects to the Almond Grove Project. The following projects have been moved to an unfunded needs list:

- Parking Lot 4 Repair and Resurfacing
- Downtown Parking Sign Enhancements
- Montebello Way Island Removal
- Oak Meadow Park Upgrades
- Civic Center Improvements
- Plaza Park Improvements

The complete list of the proposed FY 2018/19 carry-forward and proposed projects (categorized by funds and programs) can be found on page A-8. Projects are listed in the Financial Summary section and further described in the project detail pages by category. Below is a summary by category. The total FY 2018/19 CIP is \$29.4 million.

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Carry-forward & New FY 2019/20 CIP Projects					
	GFAR	Grant and Awards	Gas Tax	Other *	Total Estimated
Street Projects	\$ 15,371,395	\$ 3,090,163	\$ 1,210,054	\$ 4,241,560	\$ 23,913,173
Park Projects	1,242,373	418,218	-	-	1,660,591
Public Facilities Projects	3,791,856	67,000	-	-	3,858,856
TOTAL OF CARRY-FORWARD & NEW PROJECTS	\$ 20,405,624	\$ 3,575,381	\$ 1,210,054	\$ 4,241,560	\$ 29,432,620

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

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Carry-forward & FY 2019/20 CIP Projects						
CARRY-FORWARD PROJECTS		GFAR	Grants and Awards	Gas Tax	Other	Total
<i>Streets</i>	* Street Repair & Resurfacing	\$ 4,759,245	\$ -	\$ 1,210,054	\$ -	\$ 5,969,299
	* Annual Street Restriping	144,772	-	-	-	144,772
	Almond Grove Street Rehabilitation	2,501,701	-	-	-	2,501,701
	* Traffic Calming Projects	19,499	-	-	-	19,499
	* Curb, Gutter & Sidewalk Maintenance	1,237,113	-	-	-	1,237,113
	* Retaining Wall Repairs	437,124	-	-	-	437,124
	Quito Road - Bridge Replacement	235,087	-	-	-	235,087
	* Guardrail Replacement Projects	93,043	980,100	-	-	1,073,143
	224 W. Main Street Property Acquisition (Parking Lot 6)	1,231,100	-	-	-	1,231,100
	Downtown Parking Lots Seal Coat & Restriping	75,085	-	-	-	75,085
	Hernandez Avenue Storm Drain Improvements	-	-	-	-	-
	Los Gatos Blvd/Shannon Improvements	-	-	-	20,000	20,000
	Sidewalk Improvements Shannon/LGB/Cherry Blossom	129,896	-	-	-	129,896
	Downtown Parking Study	200,000	-	-	-	200,000
	Sidewalk Improvements - Multiple Locations	60,000	-	-	-	60,000
	Hwy 17 Bicycle & Pedestrian Bridge-Prelim Design	-	52,995	-	147,005	200,000
	Pilot School Busing Program	63,964	-	-	-	63,964
	* One-Way Downtown Street Pilot	225,686	-	-	-	225,686
	Utility Undergrounding Improvements	-	-	-	2,330,000	2,330,000
	* Traffic Signal Modernization	-	1,775,568	-	563,262	2,338,830
	* Bicycle & Pedestrian Improvements	815,822	281,500	-	2,400	1,099,722
	Cut-Through Traffic Mitigation	86,296	-	-	228,136	314,432
	Bicknell Road Storm Drain Improvements	-	-	-	50,758	50,758
	Stormwater Master Plan	200,000	-	-	-	200,000
	* Annual Storm Drain Improvement Prj	-	-	-	300,000	300,000
	Stormwater System - Pollution Prevention Compliance	298,578	-	-	-	298,578
	Public Art Gateway	25,000	-	-	-	25,000
<i>Parks</i>	Open Space Trail Upgrades	152,000	-	-	-	152,000
	Parks Playground Fibar Project	36,540	-	-	-	36,540
	* Charter Oaks Trail Repair Project	364,891	75,218	-	-	440,109
	Forbes Mill Footbridge Improvements	71,502	-	-	-	71,502
	Town Plaza Turf Repairs	28,000	-	-	-	28,000
	Creek Trail & Parks Path & Parking Lot Seal & Striping	225,000	-	-	-	225,000
	Outdoor Fitness Equipment	60,000	-	-	-	60,000
	Trailhead Connector	44,440	343,000	-	-	387,440
<i>Public Facilities</i>	Audio/Video System Upgrade	42,552	-	-	-	42,552
	Information System Upgrade	172,785	-	-	-	172,785
	Town-wide Document Imaging Project	16,990	-	-	-	16,990
	* Building Replacement at Corporation Yard	975,108	-	-	-	975,108
	Library Carpet Replacement	56,500	-	-	-	56,500
	Engineering Document Archiving	11,716	-	-	-	11,716
	Neighborhood Emergency Preparedness (CERT)	44,090	-	-	-	44,090
	Facilities Assessment	80,000	-	-	-	80,000
	* Town Beautification	16,886	-	-	-	16,886
	Silicon Valley Regional Interoperability Project (SVRIP) Service	63,601	-	-	-	63,601
	Energy Efficiency Upgrade - Town-wide	697,039	-	-	-	697,039
	IT Disaster Recovery Improvements	200,000	-	-	-	200,000
	EOC Communications Upgrade	29,589	-	-	-	29,589
	Police Headquarters Roof Repair	50,000	-	-	-	50,000
TOTAL OF CARRY-FORWARD PROJECTS (INCLUDES NEW ALLOCATIONS)		\$ 16,278,240	\$ 3,508,381	\$ 1,210,054	\$ 3,641,560	\$ 24,638,236
* These carry-forward projects include new money for FY 2019/20 in the amount of \$8,370,394.						
NEW PROJECTS						
<i>Streets</i>	Downtown Revitalization	\$ 1,972,384	\$ -	\$ -	\$ -	\$ 1,972,384
	Massol Intersection Improvements	450,000	-	-	-	450,000
	ADA Transition Plan	110,000	-	-	-	110,000
	Highway 17/9 Interchange and Capacity Improvements	-	-	-	600,000	600,000
<i>Parks</i>	Vegetation Management - Town-wide	200,000	-	-	-	200,000
	Fence Replacement - Shire Court	60,000	-	-	-	60,000
<i>Public Facilities</i>	ADA Upgrade for Public Restrooms - Rec Building	183,000	67,000	-	-	250,000
	Fire Suppression (Halon) for Server Rooms	200,000	-	-	-	200,000
	Plaza Level Railings - Code Upgrade	30,000	-	-	-	30,000
	Waterproofing Town-wide	75,000	-	-	-	75,000
	ADA Upgrade Staff Restroom - Civic Center	300,000	-	-	-	300,000
	Sound Mitigation in Library Lobby	22,000	-	-	-	22,000
	Computer-Aided Dispatch and Records Management System	525,000	-	-	-	525,000
TOTAL OF NEW PROJECTS		\$ 4,127,384	\$ 67,000	\$ -	\$ 600,000	\$ 4,794,384
TOTAL OF CARRY-FORWARD & NEW PROJECTS		\$ 20,405,624	\$ 3,575,381	\$ 1,210,054	\$ 4,241,560	\$ 29,432,620

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FY 2018/19

COMPLETED, CONSOLIDATED, OR WITHDRAWN PROJECTS

Several projects are expected to be completed by the end of FY 2018/19. The table below outlines the projects, funding sources, and total expenses of the completed projects, which is estimated to be \$0.6 million. More details about the completed projects can be found beginning on page A-11.

Projects Completed, Consolidated, or Withdrawn in FY 2018/19					
	GFAR	Grant & Awards	Traffic Mitigation	Other **	Total Estimated
Street Program					
Crosswalk Improvements at Santa Cruz/Blossom Hill	\$ 14,926	\$ -	\$ 50,000	\$ -	\$ 64,926
Stonybrook & Kennedy Sidewalk Improvements	135,293				135,293
LED Streetlights	343,324				343,324
Crosswalk Lighting Upgrade	51,569	50,000	-	-	101,569
Jones Road Storm Drain Improvements	-	-	-	18,700	18,700
Hwy 9/University Intersection	-	902,827	66,963	-	969,790
Park Program					
Belgatos Park Restroom Improvements	23,538	-	-	-	23,538
Park Rehabilitation - Bachman Park	168,392	221,640	-	-	390,032
Public Facilities Program					
Library Teen Door Installation	21,048	-	-	-	21,048
Civic Center Fountain Modification	20,671				20,671
Police & PPW Interoperability Radio Project	595,680				595,680
Fuel System Enhancements	40,739				40,739
* HVAC - Chiller Repair	31,480				31,480
* Mechanic Bay Heater	-				
* Civic Center Building Energy Efficiency Measures	-				
* Youth Recreation Center HVAC Replacement	-				
* Exterior Lighting Replacement - Civic Center	9,076				9,076
TOTAL OF COMPLETED PROJECTS	\$ 1,455,736	\$ 1,174,467	\$ 116,963	\$ 18,700	\$ 2,765,866

* Moved to the Energy Efficient Upgrade project

** 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 2019/20 – 2023/24 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, Finance and Budget Manager

Matt Morley, Parks and Public Works Director

Lisa Petersen, Assistant Parks and Public Works Director/Town Engineer

Mark Gaeta, Accountant

Bobby Gonzalez, Senior Administrative Analyst

Melissa Ynegas, Administrative Analyst

Kenneth Stiles, Administrative Technician

Respectfully submitted,



Laurel Prevetti
Town Manager