



TOWN OF LOS GATOS

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

May 6, 2020

Honorable Mayor and Town Council:

I am pleased to submit to you the Proposed Fiscal Year (FY) 2020/21 – 2024/25 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 Goals of high quality infrastructure, community character, public safety, fiscal stability, good governance, and civic enrichment.

This CIP budget message contains:

- Town's Core Goals and Strategic Priorities
- CIP Financial Summary - Funding Sources
- Proposed FY 2020/21 – 2024/25 CIP Overview
- Proposed FY 2020/21 CIP Overview
- FY 2019/20 Completed or Withdrawn Projects
- Budget Process Overview

Guidance for determining capital improvement projects is also derived from key plans, including the General Plan, Bicycle and Pedestrian Master Plan, and the Council's Strategic Priorities. Specifically, in January 2020, the Town Council established the 2020-22 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 stated its priorities to begin to implement the Comprehensive Parking Study, continue mobility improvements for all transportation modes, manage the vegetation on Town lands to protect against wildfire, and advance other needed improvements. All of these efforts support improving and enhancing traffic/transportation, public safety, and quality of life within the context of prudent fiscal management.

In addition to the aforementioned guidance, on December 9, 2019, the Town's Sales Tax Oversight Committee convened its first meeting. Per the Measure G Sales Tax Ordinance, the Committee's role is to review the revenues and potential expenditures and advise the Town Council on whether such expenditures meet the Town Council's objectives as stated in the Ordinance. After reviewing example expenditures from the FY 2019/20 CIP, the Committee's recommendation to Council was to expend Measure G funds on capital projects associated with road repair and maintenance.

All proposed capital projects are described in this document. The reserves and operating expenditures are discussed in more detail in the Proposed FY 2020/21 Operating Budget.

STRATEGIC PRIORITIES FY 2020-2022



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

ONGOING PRIORITIES

SAFETY

Emergency Preparedness

- CERT Recruitment and Training
- Community communication

Fire Protection

- Vegetation management on Town properties
- Enhanced community education

QUALITY OF LIFE

Community Vitality

- Events and Other Efforts Town-wide
- Community Engagement

Economic Vitality

- Policies and Ordinances

Land Use Planning

- *Housing Element*
- *Potential Area Plans and rezoning to implement General Plan*

TRAFFIC/TRANSPORTATION

Comprehensive Parking Study

- Short, Medium, and Long Term Actions

Transportation Demand Management

- Summer/Rush Hour/School Traffic
- Develop Measure B Transportation Projects
- Install Bicycle and Pedestrian Improvements
- Community Shuttle

PRUDENT FINANCIAL MANAGEMENT

Address Pension and OPEB Obligations

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

Sell or Lease Certain Town Properties

NEW

Regional Housing Needs Allocation Process

Updating Town Ordinances in Alignment with New State Housing Legislation

Regional Transportation

IN PROGRESS

General Plan 2040

- Objective Standards
- Environmental Sustainability/ Climate Resiliency

Vehicle Miles Travelled Policy

Streamline regulations to enhance Town businesses

School Bus Pilot

EOC Upgrades

RECENTLY COMPLETED

Almond Grove Streets

Measure G (Sales Tax) Implementation

\$8.9 M CalPERS Pension Payment

Short Term Rentals

Complete Streets Policy

One-Way Downtown Street Pilot

Annexation of Small County Pockets

SMALL TOWN SERVICE, COMMUNITY STEWARDSHIP, FUTURE FOCUS

CAPITAL IMPROVEMENT PROGRAM

Introduction Section

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 \$38 million of planned capital improvements. The balance of CIP funding of \$32 million is funded by one-time appropriations from the General Fund Appropriated Reserve (GFAR), Utility Undergrounding Funds, Traffic Mitigation Funds, Grant Funds, and Storm Drain Funds as follows:

Funding Sources for the FY 2020/21 - 2024/25 CIP		
Ongoing	Gas Tax	\$ 6,050,270
One-Time	GFAR	16,067,108
	Utility Undeground Funds	4,436,000
	Traffic Mitigation Funds	415,027
	Grant Funds	11,114,483
	Storm Drain Funds	240,000
Total Funding Available		\$ 38,322,888

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 receipt of one-time funds from grants, property sales, and other reserves. Because of the availability of

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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 \$5.8 million transfer in FY 2019/20. For FY 2020/21, the transfer to GFAR is proposed to be \$3.4 million.

After these allocations, the Reserve for Future Capital and Special Projects forecasted June 30, 2020 balance is \$3.3 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 2021/22 through FY 2024/25.

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 2020/21.

The funding from GFAR 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 \$3.1 million at FY 2019/20 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. This fee continues to play an important role in the Town’s ability to fund roadway improvements. Traffic Mitigation Funds must 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 combination of Federal Innovative Deployment to Enhance Arterials (IDEA) grant funds and State

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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 2020/21 is estimated at \$1,479,200.

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 2020/21 – 2024/25 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 \$33.5 million. Approximately \$28.7 million (85.8%) is allocated to the streets, retaining walls, sidewalks, and curbs category; \$1.6 million (4.7%) is allocated to parks and trails projects; and \$3.2 million (9.5%) is allocated to public facility projects. Allocations are summarized below by type of major improvements within the program categories.

FY 2020/21 - 2024/25 CIP by Program													
Five Year CIP Summary	Carry-forward from 2019/20		Carry-forward and New FY 2020/21		2021/22		2022/23		2023/24		2024/25	Total By Category	Total By Program
	2019/20	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25						
Streets													
Reconstruct/Resurfacing	\$ 3,305,576	\$ 2,211,715	5,517,291	\$ 2,836,393	\$ 2,962,517	\$ 2,962,517	\$ 2,962,517	\$ 17,241,235					
Maintenance & Safety	3,413,980	2,435,000	5,848,980	435,000	435,000	435,000	435,000	7,588,980					
Street Improvements	8,870,133	8,195,786	17,065,919	1,546,250	1,162,390	-	65,000	19,839,559					
Bridges	235,087	50,000	285,087	5,430,303	-	-	-	5,715,390				\$ 50,385,165	
Parks													
Park Improvements	850,247	25,000	875,247	-	25,000	-	25,000	\$ 925,247					
Trail Improvements	683,812	-	683,812	3,262,500	-	-	-	3,946,312				\$ 4,871,560	
Public Facilities													
Infrastructure Projects	1,975,285	285,000	2,260,285	35,000	35,000	35,000	35,000	\$ 2,400,285					
Equipment Projects	921,291	-	921,291	-	-	-	-	921,291				\$ 3,321,576	
TOTALS	\$ 20,255,412	\$ 13,202,501	\$ 33,457,913	\$ 13,545,446	\$ 4,619,907	\$ 3,432,517	\$ 3,522,517					\$ 58,578,300	

Total funding for street reconstruction and resurfacing for the next five years is planned at \$17.2 million with approximately \$5.5 million allocated in FY 2020/21 including carryovers. Over the five-year period, the CIP proposes \$33.1 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.

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Total funding for parks and trail improvements for the next five years is planned at \$4.8 million with approximately \$1.5 million allocated in FY 2020/21 including carryovers.

Total funding for public facilities infrastructure improvements and equipment projects for the next five years is planned at \$3.2 million with approximately \$3.8 million allocated in FY 2020/21 including carryovers.

Although the Proposed FY 2020/21-2024/25 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 2020/21 OVERVIEW

\$33.4 million is being proposed in the first year of the CIP and is comprised of approximately \$20.2 million in carryover funds from FY 2019/20 and approximately \$13.2 million in new funding.

The first year of the five year plan (FY 2020/21) continues funding for the Town Council Strategic Priorities, including basic infrastructure needs. 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 70 (2019 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.

The complete list of the proposed FY 2020/21 carry-forward and proposed projects (categorized by funds and programs) can be found on page A-7. 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 2020/21 CIP is \$33.5 million.

Carry-forward & New FY 2020/21 CIP Projects					
	GFAR	Grant and Awards	Gas Tax	Other *	Total Estimated
Street Projects	\$ 14,349,805	\$ 4,228,718	\$ 1,210,054	\$ 8,928,701	\$ 28,717,278
Park Projects	1,483,841	75,218	-	-	1,559,060
Public Facilities Projects	3,114,576	67,000	-	-	3,181,576
TOTAL OF CARRY-FORWARD & NEW PROJECTS	\$ 18,948,222	\$ 4,370,936	\$ 1,210,054	\$ 8,928,701	\$ 33,457,913

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

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Carry-forward & FY 2020/21 CIP Projects						
CARRY-FORWARD PROJECTS		GFAR	Grants and Awards	Gas Tax	Other	Total
Streets	* Street Repair & Resurfacing	\$ 4,307,237	\$ -	\$ 1,210,054	\$ -	\$ 5,517,291
	* Annual Street Restriping	169,772	-	-	-	169,772
	* Traffic Calming Projects	19,250	-	-	-	19,250
	* Curb, Gutter & Sidewalk Maintenance	1,667,395	-	-	-	1,667,395
	* Retaining Wall Repairs	536,486	-	-	-	536,486
	* Quito Road - Bridge Replacement	285,087	-	-	-	285,087
	Guardrail Replacement Projects	92,809	980,100	-	-	1,072,909
	Downtown Parking Lots Seal Coat & Restriping	52,585	-	-	-	52,585
	Hernandez Avenue Storm Drain Improvements	-	-	-	-	-
	* Shannon Road Class 1 Multi-use Path	109,896	940,100	-	70,204	1,120,200
	Sidewalk Improvements - Multiple Locations	60,000	-	-	-	60,000
	Hwy 17 Bicycle & Pedestrian Bridge-Design	-	-	-	-	-
	Pilot School Busing Program	355,056	87,000	-	-	442,056
	* Utility Undergrounding Improvements	-	-	-	6,766,000	6,766,000
	* Traffic Signal Modernization	-	1,769,418	-	978,289	2,747,707
	Bicycle & Pedestrian Improvements	272,095	-	-	33,650	305,745
	* Bicknell Road Storm Drain Improvements	-	-	-	60,258	60,258
	Stormwater Master Plan	180,000	-	-	-	180,000
	* Annual Storm Drain Improvement Prj	-	-	-	420,300	420,300
	Stormwater System - Pollution Prevention Compliance	298,578	-	-	-	298,578
	* Public Art Gateway	25,004	-	-	-	25,004
	Downtown Streetscape Revitalization	1,972,384	-	-	-	1,972,384
	Massol Intersection Improvements	383,167	-	-	-	383,167
Parks	ADA Transition Plan	110,000	-	-	-	110,000
	Highway 17/9 Interchange and Capacity Improvements	-	-	-	600,000	600,000
	Winchester Boulevard Complete Streets (Final Design)	79,948	-	-	-	79,948
	Open Space Trail Upgrades	152,000	-	-	-	152,000
	* Parks Playground Fibar Project	61,540	-	-	-	61,540
	Charter Oaks Trail Repair Project	364,891	75,218	-	-	440,109
	Forbes Mill Footbridge Improvements	61,224	-	-	-	61,224
	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
Public Facilities	Trailhead Connector	30,479	-	-	-	30,479
	Vegetation Management - Town-wide	500,707	-	-	-	500,707
	Audio/Video System Upgrade	42,552	-	-	-	42,552
	Information System Upgrade	77,026	-	-	-	77,026
	Town-wide Document Imaging Project	16,990	-	-	-	16,990
	* Building Replacement at Corporation Yard	977,613	-	-	-	977,613
	Police Headquarters Roof Repair	2,248	-	-	-	2,248
	Library Carpet Replacement	56,500	-	-	-	56,500
	Engineering Document Archiving	11,716	-	-	-	11,716
	Facilities Assessment	80,000	-	-	-	80,000
	* Town Beautification	16,924	-	-	-	16,924
	Silicon Valley Regional Interoperability Project (SVRIP) Service	62,967	-	-	-	62,967
	IT Disaster Recovery Improvements	169,845	-	-	-	169,845
	EOC Communications Upgrade	29,382	-	-	-	29,382
	ADA Upgrade Public Restrooms - Adult Recreation Bldg.	183,000	67,000	-	-	250,000
Public Facilities	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 Restrooms and HR Offices	450,000	-	-	-	450,000
	Sound Mitigation Library Lobby	22,000	-	-	-	22,000
	Computer-Aided Dispatch and Records Management System	510,814	-	-	-	510,814
TOTAL OF CARRY-FORWARD PROJECTS (INCLUDES NEW ALLOCATIONS)		\$ 15,475,167	\$ 3,918,836	\$ 1,210,054	\$ 8,928,701	\$ 29,532,758
* These carry-forward projects include new money for FY 2019/20 in the amount of \$20,255,412.						
NEW PROJECTS						
Streets	Roadside Fire Fuel Reduction	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
	Parking Lot 4 Repair/Waterproofing	250,000	-	-	-	250,000
	Shannon Road Repair	1,500,000	-	-	-	1,500,000
	Blossom Hill Road Traffic Study	125,000	-	-	-	125,000
	E. Main St. Speed Table/Raised Crosswalk	83,000	86,200	-	-	169,200
	Local Road Safety Plan	28,000	72,000	-	-	100,000
	Winchester Class IV Bikeway	688,555	293,900	-	-	982,455
	VMT Mitigation Program	250,000	-	-	-	250,000
	Parking Program Implementation	198,500	-	-	-	198,500
	Adult Recreation - Floor Repair	100,000	-	-	-	100,000
TOTAL OF NEW PROJECTS		\$ 3,473,055	\$ 452,100	\$ -	\$ -	\$ 3,925,155
TOTAL OF CARRY-FORWARD & NEW PROJECTS		\$ 18,948,222	\$ 4,370,936	\$ 1,210,054	\$ 8,928,701	\$ 33,457,913

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FY 2019/20

COMPLETED, CONSOLIDATED, OR WITHDRAWN PROJECTS

Several projects are expected to be completed by the end of FY 2019/20. 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-9.

Projects Completed or Withdrawn in FY 2019/20									
		GFAR	Grant & Awards	Traffic Mitigation	Other *	Total Estimated			
Street Program									
Cut-Through Traffic/Wood Road Roundabout	Not Proceeding	\$ 222,284	\$ -	\$ 211,772	\$ -	\$ 434,056			
Downtown Parking Study	Completed	158,892	-	-	-	158,892			
One-Way Downtown Street Pilot	Completed	216,368	-	-	-	216,368			
224 W. Main Street Property Acquisition (Parking Lot 6)	Withdrawn	7,813	-	-	-	7,813			
Almond Grove Street Rehabilitation	Completed	12,328,275	-	-	-	12,328,275			
Park Program									
Fence Replacement - Shire Court	Completed	996	-	-	-	996			
Public Facilities Program									
Neighborhood Emergency Preparedness (CERT)	Completed	49,928	-	-	-	49,928			
Energy Efficiency Upgrade - Town-wide	Completed	1,699,247	-	-	-	1,699,247			
TOTAL OF COMPLETED PROJECTS		\$ 14,683,803	\$ -	\$ 211,772	\$ -	\$ 14,895,575			

* 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 2020/21 – 2024/25 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
Maurice de Castro, Accountant
Bobby Gonzalez, Senior Administrative Analyst
Melissa Ynegas, Administrative Analyst
Dorrie Romeo, Administrative Technician
Kinjal Buch, Senior Engineering Technician

Respectfully submitted,



Laurel Prevetti
Town Manager