



TOWN OF LOS GATOS

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

May 19, 2015

Honorable Mayor and Town Council:

I am pleased to submit to you the Proposed FY 2015/16 – 2019/20 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 value 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 Town’s strategic goals.

In February 2014, the Town Council reaffirmed its Core Values and established the 2014-16 Strategic Goals. The Town Council identified several new strategic goals that will affect the capital budget priorities in the future, including significant work in the area of complete streets and other capital initiatives. Input from Town boards and commissions also contributed to the development of this CIP.

The proposed five-year plan totals \$30.4 million. \$16.2 million is being proposed in the first year of the plan and is comprised of approximately \$10.9 million in carryover funds from FY 2014/15 and approximately \$5.3 million in new funding.

The first year of the five year plan, FY 2015/16, includes funding for the Town Council Strategic Goals, including basic infrastructure needs, such as the first construction phase of the Almond Grove street rehabilitation project, Winchester Boulevard/Lark Avenue intersection improvements, additional crosswalk and intersection safety projects, retaining walls, and sidewalk curb, and gutter projects totaling approximately \$13.4 million. Additionally, the CIP funds improvements to the Town’s parks and other public facilities.

CARRYFORWARD & NEW FY 2015/16 CIP PROJECTS

	GFAR	Grants and Awards	Gas Tax	Other	Total
Street Projects	\$ 10,316,955	\$ 367,553	\$ 600,000	\$ 2,099,029	\$ 13,383,537
Parks Projects	1,168,737	-	-	-	1,168,737
Public Facility Projects	1,594,903	-	-	42,000	1,636,903
TOTAL OF CARRYFORWARD & NEW PROJECTS	\$ 13,080,595	\$ 367,553	\$ 600,000	\$ 2,141,029	\$ 16,189,177

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

The complete list of the proposed FY 2015/16 proposed and carryforward projects (categorized by funds and programs) can be found on page A-5 of the Transmittal Letter. Projects are listed in the Financial Summary section and further described in the project detail pages by category.

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MAJOR CHANGES FROM FY 2014/15 – 2018/19 CIP TO FY 2015/16 – 2019/20 CIP

- Proposed FY2015/16 – 2019/20 CIP increased \$6.1 million from \$24.3 million to \$30.4 million. The added funding this fiscal year largely addresses needs within the Street Program. The most significant projects include the beginning of the multi-year PG&E Undergrounding Project and a project to convert street lights to LED lights, which will generate significant operating budget savings. Due to the ongoing operating savings associated with this latter project, staff will design and bid the project in June for an early fiscal year award.
- FY 2015/16 carryforward appropriation increased \$3.5 million from FY 2014/15 carryforward appropriation of \$7.4 million. Significant staffing changes over the last fiscal year created a backlog in project delivery. A proposed project manager position add in this year’s budget will help to address the backlog and create continuity in ongoing workflow.

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 \$3.0 million in ongoing Gas Tax dedicated sources to help fund the proposed \$30.4 million of planned capital improvements. The balance of CIP funding of \$27.4 million is expected to be funded by one-time appropriation from the General Fund Appropriated Reserves (GFAR), Utility Undergrounds Funds, Traffic Mitigation Funds, Grant Funds, Storm Drain Funds as follows:

AVAILABLE FUNDING SOURCES FOR FY2015/16 - FY 2019/20 CIP		
ONGOING	Gas Tax	\$ 3,000,000
ONE-TIME	GFAR	\$ 17,861,347
	Utility Underground Funds	\$ 6,766,000
	Traffic Mitigation Funds	\$ 1,963,030
	Grant Funds	\$ 567,552
	Storm Drain Funds	\$ 215,000
TOTAL FUNDING AVAILABLE		\$ 30,372,929

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 \$600,000 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

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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 6/30/2015 balance is \$3.5million. 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 2015/16 through FY 2019/20. 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 \$1.12 per square foot. These fees are intended to recover the damage caused to Town streets by construction traffic. Construction Impact fees are generate at least \$288,000 annually.

The funding from this reserve greatly enhances the Town’s ability to implement the CIP; however, the proposed new level of annual funding still falls short of the required funding necessary 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 \$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 2014/15 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, but is tracking the project construction in FY 2019/20.

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 to the Town Building Department 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 2015/16 is estimated at \$367,000.

STORM DRAIN FUNDS

The Town also receives funding from its Storm Drain Fund, which relies on a previously 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

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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 2015/16 – 2019/20 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, 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 \$30.4 million. Approximately \$27.1 million (89%) is allocated to the streets, retaining walls, sidewalks, and curbs category, \$1.3 million (4%) is allocated to parks and trails projects, and \$2 million (7%) is allocated to public facility projects. Allocations are summarized below by type of major improvements within the program categories.

Five Year CIP Summary	Carryfwd from		Carryforward and New FY					Total By Category	Total By Program
	2014/15	2015/16	2015/16 Projects	2016/17	2017/18	2018/19	2019/20		
Streets									
Reconstruct/Resurfacing \$	5,086,306	1,285,000	6,371,306	1,285,000	1,285,000	1,285,000	1,285,000	17,882,611	
Maintenance & Safety	1,055,252	665,000	1,720,252	435,000	435,000	435,000	435,000	5,180,504	
Street Improvements	3,104,198	1,888,100	4,992,298	56,000	56,000	56,000	6,635,000	16,787,596	
Bridges	299,681	-	299,681	-	-	-	-	599,362	\$ 40,450,074
Parks									
Park Improvements	385,587	503,150	888,737	25,000	25,000	25,000	25,000	1,877,474	
Trail Improvements	250,000	30,000	280,000	-	-	-	-	560,000	\$ 2,437,474
Public Facilities									
Infrastructure Projects	232,708	715,000	947,708	25,000	25,000	25,000	-	1,970,415	
Equipment Projects	516,320	172,876	689,196	172,876	152,876	-	-	1,704,143	\$ 3,674,558
TOTALS	\$ 10,930,051	\$ 5,259,126	\$ 16,189,177	\$ 1,998,876	\$ 1,978,876	\$ 1,826,000	\$ 8,380,000		\$ 46,562,106

Total funding for street reconstruction and resurfacing for the next five years is planned at \$11.5 million with approximately \$6.4 million allocated in FY 2015/16 including carryovers.

Over the five-year period, the CIP proposes \$15.6 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.

Although the Proposed FY 2015/16-2019/20 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.

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As discussed earlier, the proposed FY 2015/16 CIP appropriation totals \$16.2 million. Of this amount, \$10.9 million represents carry forward funds available from the prior year. The following schedule lists the carryforward and new projects by fund and by program for appropriation in FY 2015/16.

CARRYFORWARD AND NEW FY 2015/16 CIP PROJECTS

CARRYFORWARD PROJECTS		GFAR	Grants and Awards	Gas Tax	Other	Total	
<i>Streets</i>	Street Repair & Resurfacing	\$ 1,292,965	\$ -	\$ 600,000	\$ -	\$ 1,892,965	*
	Almond Grove Street Rehabilitation Project	3,739,263	-	-	-	3,739,263	*
	Pavement Rehabilitation - Crack Seal	489,078	-	-	-	489,078	*
	Hillside Road Repair & Resurfacing Project	111,000	139,000	-	-	250,000	*
	Traffic Calming Projects	27,152	-	-	-	27,152	*
	Curb, Gutter & Sidewalk Maintenance	576,635	-	-	-	576,635	*
	Retaining Wall Repairs	521,258	-	-	-	521,258	*
	Annual Street Restriping	105,878	-	-	-	105,878	*
	Public Access Infrastructure Improvement Projects	-	136,384	-	-	136,384	*
	Guardrail Replacement Projects	97,945	-	-	-	97,945	*
	Electrical Panel Replacement on Pageant Way	45,000	-	-	-	45,000	*
	Hwy 9/University Intersection	-	92,169	-	242,729	334,897	*
	Winchester Blvd. / Lark Ave. Intersection	-	-	-	834,002	834,002	*
	224 W. Main Street Property Acquisition (Parking Lot 6)	1,196,000	-	-	-	1,196,000	*
	Los Gatos Blvd / Lark Intersection	-	-	-	174,299	174,299	*
	Blossom Hill Rd / Cherry Ln Intersection	-	-	-	500,000	500,000	*
	Los Gatos Blvd / Shannon Improvements	-	-	-	20,000	20,000	*
	Monument Control Network Update	20,000	-	-	10,000	30,000	*
	Downtown Parking Lots Seal Coat & Restriping	100,000	-	-	-	100,000	*
	Downtown Parking Signs Enhancements	50,000	-	-	-	50,000	*
	Shannon/LGB/ Cherry Blossom Sidewalk Improvements	130,000	-	-	-	130,000	*
	Stonybrook & Kennedy Sidewalk Improvements	300,000	-	-	-	300,000	*
	Parking Lot 4	400,000	-	-	-	400,000	*
	Intersection Safety & Traffic Flow Improvements	50,000	-	-	40,000	90,000	*
	Sidewalk Improvements - Multiple Locations	60,000	-	-	-	60,000	*
	Frank Avenue Storm Drain	-	-	-	150,000	150,000	*
	Quito Road - Bridge Replacement	299,681	-	-	-	299,681	*
<i>Parks</i>	Blossom Hill Park Upgrades to OMP Park	30,000	-	-	-	30,000	*
	Blossom Hill Park Restroom Building Upgrades	40,000	-	-	-	40,000	*
	Oak Meadow Park Upgrades	330,000	-	-	-	330,000	*
	Parks Playground Fibar Project	48,587	-	-	-	48,587	*
	Plaza Park Improvements	37,000	-	-	-	37,000	*
	Park Rehabilitation - Bachman Park	325,000	-	-	-	325,000	*
	Open Space Trail Upgrades	250,000	-	-	-	250,000	*
<i>Public Facilities</i>	Town Beautification Projects	10,160	-	-	-	10,160	*
	Old Library Re-use Project	8,553	-	-	-	8,553	*
	HVAC Upgrades - Old Library	38,995	-	-	-	38,995	*
	Building Replacement at Corporation Yard	420,000	-	-	-	420,000	*
	Civic Center Energy Assessment	25,000	-	-	-	25,000	*
	Town Digital Aerial Photo/Topographic Map	88,000	-	-	42,000	130,000	*
	Fuel System Enhancement	75,000	-	-	-	75,000	*
	Former Library Roof Improvements	90,000	-	-	-	90,000	*
	Information System Upgrade	74,385	-	-	-	74,385	*
	Audio / Video System Upgrade	58,160	-	-	-	58,160	*
	Town-wide Document Imaging Project	21,775	-	-	-	21,775	*
	Tiburon CAD / RMS Upgrade	42,000	-	-	-	42,000	*
	Engineering Document Archiving	40,000	-	-	-	40,000	*
	Police Interoperability Radio Project	150,000	-	-	-	150,000	*
	PPW Interoperability Radio Project	150,000	-	-	-	150,000	*
TOTAL OF CARRYFORWARD PROJECTS (INCLUDES NEW ALI		\$ 11,964,469	\$ 367,553	\$ 600,000	\$ 2,013,029	\$ 14,945,051	
* These carryforward projects include new money for FY 2015/16 in the amount of \$ 3,995,000							
NEW PROJECTS							
<i>Streets</i>	Crosswalk Improvements at Santa Cruz/Blossom Hill	60,000	-	-	50,000	110,000	*
	Crosswalk Lighting Upgrade	50,000	-	-	50,000	100,000	*
	Montebello Way Island Removal	19,550	-	-	-	19,550	*
	LED Streetlights	400,000	-	-	-	400,000	*
	Pageant Way Parking Lot Reconstruction	175,550	-	-	-	175,550	*
	PG&E Undergrounding	-	-	-	28,000	28,000	*
<i>Parks</i>	Worcester Park	28,150	-	-	-	28,150	*
	Blossom Hill Park Little League Backstop	50,000	-	-	-	50,000	*
	Los Gatos Creek Trail Improvements at Charter Oaks	30,000	-	-	-	30,000	*
<i>Public Facilities</i>	Civic Center Improvements	150,000	-	-	-	150,000	*
	Silicon Valley Interoperability Project (SVRIP) Service F	152,876	-	-	-	152,876	*
TOTAL OF NEW PROJECTS		\$ 1,116,126	\$ -	\$ -	\$ 128,000	\$ 1,244,126	
TOTAL OF CARRYFORWARD & NEW PROJECTS		\$ 13,080,595	\$ 367,553	\$ 600,000	\$ 2,141,029	\$ 16,189,177	

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POTENTIAL FUNDING SOURCES FOR STREET REPAIRS

All physical assets, such as road surfaces and buildings, have a useful life and must be refurbished, reconstructed, or replaced at some point. A regular program of preventive maintenance and repair can extend the useful life of these assets. Despite the cyclical nature of some of the revenue sources outlined above, the Town is committed to maintaining its infrastructure assets utilizing the resources available.

Approximately 83% of the proposed FY 2015/16 \$16.2 million CIP funding is allocated to street reconstruction and maintenance projects. These projects include: street base repairs and resurfacing, curb, gutter, and sidewalk replacement, retaining wall construction, and storm drain improvements. This emphasis reflects the Town Council’s priority to address street maintenance needs. The goal is for Town streets to be at an average Pavement Condition Index (PCI) of above 70 (100 being the highest rating possible). The Town’s cumulative investment in its streets resulted in raising the PCI from a low of 64 in 2002 to the level of 75 in 2006. The PCI value for all Town streets as of fall 2014 is 70. This value is primarily driven by the condition of residential streets. The PCI for arterials and collector streets is 80 and 70 respectively. An annual investment of approximately \$2.0 million is recommended to maintain the PCI at its current level of 70 over the period of five years. This funding requirement is based on criteria set forth in the 2010 study coupled with inflationary factors and the current cost of materials.

As illustrated in the chart below, funding for street repair is based on revenue from three primary sources: gas tax, Vehicle Registration Surcharge, and transfers from the General Fund Designated Reserve.

POTENTIAL FUNDING SOURCES FOR FY 2015/16 - FY 2019/20 STREET REPAIRS	
	Annual Estimated Amount
Gas Tax Funds	\$ 600,000.00
Measure B Funding - Vehicle Registration Surcharge	\$ 160,000.00
Transfer from General Fund Designated Reserve	\$ 400,000.00
FIVE-YEAR CIP ESTIMATED TOTAL	\$ 1,160,000.00

Gas tax revenues (\$600,000) and funding from the General Fund Designated Reserves account for the majority of the \$1.2 million annual funds available for street maintenance. As part of voter-approved Measure B from 2010, the VTA assesses a \$10 per vehicle registration surcharge to repair and rehabilitate streets. Eighty percent of the revenues collected by the VTA are returned to the local municipalities. Other funds that help support street repair and maintenance are subject to a year-to-year allocation as part of the State budget process.

The Town has historically received one time grants for various street projects and transportation improvements coordinated or issued by Association of Bay Area Governments (ABAG), Metropolitan Transportation Commission (MTC), VTA and/or other regional authorities, which are expected to become fewer in number or smaller in size due to grant funding criteria and priorities recently established through Senate Bill 375 and the “One Bay Area Grant” process. Partially offsetting this reduction is new annual funding for street repairs from a recently enacted vehicle license fee increase for Santa Clara County registered vehicles.

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Assuming that the proposed five-year CIP annual investment of \$1.2 million in streets continues to be available, options to achieve the Town's investment target of \$2 million include:

- Reducing other capital or operating budget priorities to increase streets funding;
- Increasing future year General Fund surpluses to the CIP;
- Exploring new revenue sources, such as a voter-approved taxes or assessment districts. The Council has already directed exploration of potential revenue sources as part of the 2014-16 Strategic Goals.

Staff will continue to work within funding limitations to improve the Town's overall pavement conditions while ensuring the continue use of best practices in materials, selection, and construction/project management.

FY 2014/15 COMPLETED PROJECTS

Several projects are expected to be completed by the end of FY 2014/15. The schedule below outlines projects, corresponding funding source, and total expense of the completed projects, which is estimated to be \$1 million.

PROJECTS COMPLETED IN FY 2014/15

	Prior Years	GFAR	Grant and	Traffic	Other *	Total
		Exp	Awards	Mitigation	Exp	Estimated
			Exp	Exp		Exp
Street Program						
Winchester/ Knowles	\$ 37,978	\$ -	\$ -	\$ 13,469	\$ -	\$ 51,447
Electrical Vehicle Charging Station Infrastructure	-	9,315	-	-	-	9,315
Complete Streets Project	-	80,000	-	-	-	80,000
Electronic Speed Signs	-	50,000	-	-	-	50,000
Park Program						
Town Park Lighting Project	159,744	4,000	-	-	-	163,744
Parks Restroom Partition Upgrades	-	55,000	-	-	-	55,000
Oak Meadow Park Gazebo	-	22,355	-	-	-	22,355
Blossom Hill Park Pathway Improvements	25,747	148,734	148,010	-	-	322,491
Public Facilities Program						
PPW Administration Building Improvements	9,793	40,207	-	-	-	50,000
CarteGraph System Upgrades	-	40,000	18,000	-	-	58,000
Civic Center Improvement (Noise Insulation)	-	25,000	-	-	-	25,000
Adult Recreation Center - Roof Damage Repair	-	50,000	-	-	-	50,000
Youth Recreation Center - Cable & Control System	-	25,000	-	-	-	25,000
TOTAL OF COMPLETED PROJECTS	\$ 233,261	\$ 549,611	\$ 166,010	\$ 13,469	\$ -	\$ 962,351

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

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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 2015/16 – 2019/20 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 countless hours of work and tireless efforts to present this Capital Improvement Program to the Town Council, as well as the following staff members:

Laurel Prevetti, Assistant Town Manager/Community Development Director

Matt Morley, Parks & Public Works Director

Lisa Peterson, Town Engineer

Stephen Conway, Finance and Administrative Services Director

Jennifer Callaway, Finance and Budget Manager

Gitta Ungvari, Administrative Technician

Tim Kawasaki, Administrative Analyst

Linda Isherwood, Accountant / Administrative Analyst

Respectfully submitted,



Les White

Interim Town Manager

FY 2015/16 – 2019/20
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BUDGET ADDENDUM

The Council's adoption of the Capital Improvement Program will appropriate the first year of budgeted revenues, expenditures, and operating transfers as outlined in the budget document. The CIP's out years reflect the established plan at the time of adoption. As appropriate, out-year plans will be reviewed and adjusted in the following year's Capital Improvement Programs.

This budget addendum section, which follows the proposed budget's Transmittal Letter, conveys Council directed revisions to the proposed budget as determined in the May 2015 public hearing on the proposed CIP budget, as well as corrections and project revisions.

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,

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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.

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.

CAPITAL IMPROVEMENT PROGRAM

Introduction Section

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 2015 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 2015/16 – 19/20 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 2015/16 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 22, 2015.

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

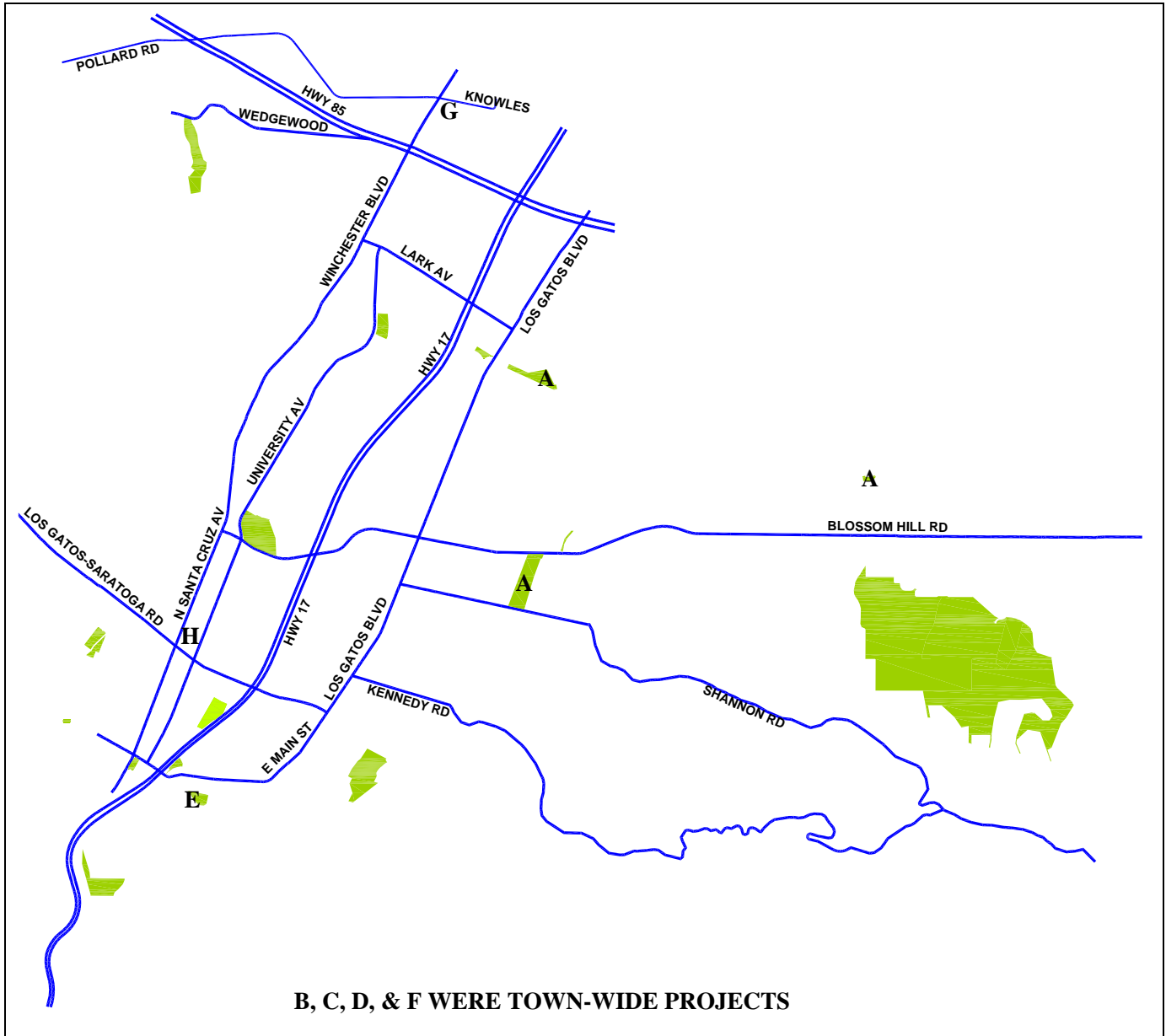
During the course of the fiscal year, workplan changes and unanticipated needs necessitate adjustments to the adopted budgets. The Town Manager is authorized to transfer appropriations between categories, departments, projects, and programs within a fund in the adopted budget, whereas the Town Council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

CAPITAL IMPROVEMENT PROGRAM

Introduction Section

COMPLETED CIP PROJECTS

FY 2014/15



PROJECT LOCATIONS	
A PPW Administration Building Improvements	F Blossom Hill Park Pathway Improvements
B Civic Center Building Noise Reduction	G Oak Meadow Park Gazebo
C Youth Recreation Center Roof Repair	H Electrical Charging Station Infrastructure
D Adult Recreation Center Cable & Control System Repairs	I Complete Streets Project
E CarteGraph System Upgrades	J Electronic Speed Signs

COMPLETED CIP PROJECTS

FY 2014/15



A PPW Administration Building Improvements

PPW Administration Building Improvements

This project improved the configuration of the interior space to improve customer service delivery for the public. As a result of these changes, customer workflow and delivery were enhanced and improved.

The total project cost was approximately \$50,000.



B Civic Center Building Noise Reduction

Civic Center Building Noise Reduction

This project reduced noise issues associated with the chiller system located at the Civic Center building. The loud noise created by this system impacted the multiple Town departments located in this building, as well as the surrounding neighborhood residents.

The total project cost was approximately \$25,000.



C Youth Recreation Center Roof Repair

Youth Recreation Center – Roof Repair

This project replaced the roof at the Youth Recreation Center, which was leaking and in need of repair.

The total project cost was approximately \$50,000.

COMPLETED CIP PROJECTS

FY 2014/15



D Adult Recreation Center Cable & Control System Repairs

Adult Recreation Center Cable & Control System Repairs

This project improved the configuration of the cable and control system inside the Adult Recreation Center. These components were old and outdated and needed to be repaired.

The total project cost was approximately \$25,000.



E CarteGraph System Updates

CarteGraph System Updates

This project upgraded the Parks and Public Works operations management system, which is the day to day management system used to track and log work activities and assets. The upgrade shifted the system to a cloud based platform that allows for more advanced tracking mechanisms and modules for staff, leading to better workflow and efficiency.

The total project cost was approximately \$58,000.



F Blossom Hill Park Pathway Improvements

Blossom Hill Park Pathway Improvements

This project constructed a new sidewalk pathway adjacent to the Shannon Road parking lot, as well as installed new catch basins around the playground to reduce flooding along the pathway. In addition, a new wider pathway was constructed to improve access for people with disabilities. Sections of the pathways from Hillbrook Drive to the restroom and concession facility were also improved as part of this project.

The total project cost was \$322,491.

Oak Meadow Park Gazebo

COMPLETED CIP PROJECTS

FY 2014/15



G Oak Meadow Park Gazebo

This project restored and painted the Lyndon Bandstand Gazebo at Oak Meadow Park. Improvements included restoration work to the cupola's historic wooden features, eradication of rust on the steel structure, and painting of the entire structure.

The total project cost was \$22,355.



H Electric Vehicle Charging Station Infrastructure

Electric Vehicle Charging Station Infrastructure

This project installed four new electric vehicle charging stations throughout Town for public use. This project met the Town Council's 2014-2016 Strategic Goals to increase the availability of electric vehicle charging stations to meet the growing demand. The project was completed substantially below the initial estimate of \$100,000 as staff was able to obtain a grant to pay for a substantial portion of the project.

The total project cost was \$9,315.



I Complete Streets

Complete Streets

This project constructed a complete street pilot project at the intersections of Blossom Hill Road and Roberts Road, Los Gatos Boulevard at Roberts Road and Nino Avenue. This project encourages a multi-modal approach to moving vehicles, pedestrians and bicycles.

The total project cost was approximately \$80,000.



J Electronic Speed Signs

Electronic Speed Signs

This project installed 10 electronic speed signs at various intersections where high bike and pedestrian traffic is present. This project improved bicycle and pedestrian issues at major intersections. This was one of the Town Council's 2014-2016 Strategic Goals.

The total project cost was approximately \$50,000.

