TO: HONORABLE CITY COUNCIL

ATTN: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS

DATE: MARCH 18, 2008 CMR:167:08

SUBJECT: UPDATE ON GENERAL FUND INFRASTRUCTURE BACKLOG

RECOMMENDATION
Finance Committee to review the General Fund Infrastructure backlog information provided with this report and direct staff to return to the Finance Committee with an implementation plan to address the backlog.

BACKGROUND
In 1998, staff proposed a $100 million, ten-year General Fund Infrastructure Management Plan (IMP) for maintenance and improvement of the City’s existing infrastructure based on an infrastructure management study by Adamson Associates (Adamson Study) completed in January of that year. Although the Adamson Study identified nearly $400 million in recommended infrastructure improvements over a twenty-five year period, staff recommended limiting the IMP to $100 million over the first ten-year period for only the most critical needs addressing safety and building integrity issues. In 2001, staff presented a proposal to fund the $100 million, ten year IMP implementation. At that time Council also adopted a policy that existing resources would be used to rehabilitate existing infrastructure and new infrastructure projects would be approved only if new resources could be identified.

Despite that policy direction, a number of new projects have been approved by the Council using the funding designated for the IMP including the Library Bond Measure effort of 2002, Roth Building, Heritage Park, Children’s Library renovation and expansion, and the design of the new Public Safety building. Also, the increasing cost of construction has impacted the IMP funding plan as costs have risen dramatically since the Adamson Study. Lastly, the Adamson Study did not provide for additional costs triggered by code requirements such as seismic upgrades and Americans with Disabilities Act (ADA) access. As a result, almost all of the Infrastructure Reserve (IR) funds have been appropriated for infrastructure CIP projects through 2007-08, seven years into the IMP, and there are many more critical rehabilitation projects to be accomplished.
In fiscal year 2006-07 Council adopted a proposal to add $3 million each year to the IR to address the growing backlog of infrastructure projects needed to be accomplished. This amount was included in the 2007-08 budget and will be continued in future years of the General Fund CIP development and will be increased each to address the rise in construction costs. The 2007-08 IR is currently at $16.2 million.

**DISCUSSION**

Staff has updated the General Fund infrastructure inventory, because the Adamson Study is 10 years old and so much has changed since it was done, and because the Council directed staff as part of the 2007-08 Budget process to reconfigure the IMP to incorporate new and existing infrastructure projects in a comprehensive, prioritized plan.

This report provides a snapshot of the total probable backlog for General Fund infrastructure that will need IR funding over the next twenty years (2007-27). This inventory does not include enterprise funded infrastructure such as utilities, water quality control plant, storm drains or the landfill and recycling center. The attached Table 1 shows a total backlog of about $307 million in 2008 dollars to accomplish infrastructure repairs and renovations over the next 20 years in the areas of streets, sidewalks, bridges, parks and open space, City buildings and at facilities shared with the Palo Alto Unified School District. In addition, the attached Table 2 shows another $148 million, in 2008 dollars, will be needed to address future infrastructure needs at major City facilities such as building replacements at the Municipal Services Center (MSC), Fire Stations 3 and 4, and the Animal Shelter, replacement of the Civic Center plaza deck and completion of the Charleston Arastradero Corridor and Byxbee Park Phase II projects. Therefore, the total General Fund infrastructure backlog for the next 20 years is projected to be almost $455 million in 2008 dollars. Unfortunately, the cost of construction will continue to increase these costs over time adding to the projected backlog.

The costs shown on Attachment A were developed using data provided by:

- Kitchell CEM, consultants who have recently completed a review of existing City Buildings and prepared associated cost estimates
- The City’s pavement maintenance management system
- The City’s 35 district sidewalk replacement program
- Parks and Open Space annual surveys
- Staff survey of all existing bridges within the City, many of which are shared by neighboring cities

**RESOURCE IMPACT**

While the adopted 2007-12 budget plans to appropriate $50.6 million $155.2 million has been identified as the cost to address the infrastructure backlog over the next five years (2007-12) while the Adopted 2007-12 budget plans to appropriate $50.6 million. This leaves almost $105 million in unfunded backlog for the first five years. The two primary reasons for this are IR Fund revenue limitations and staff resource limitations necessary to manage the projects. The
Kitchell report also noted that if the City devoted more staff time to facilities maintenance and repairs, future costs devoted to building renovations could likely be reduced.

Staff plans to return to the Finance Committee to present an implementation plan to address the General Fund infrastructure backlog.

ENVIRONMENTAL REVIEW
Finance Committee review of the General Fund infrastructure backlog does not represent a project under the California Environmental Quality Act (CEQA).

ATTACHMENTS
Attachment A: Table 1 - “General Fund Infrastructure Backlog Summary”
Attachment B: Table 2 - “Other Major Infrastructure Projects”

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