



City of Palo Alto

City Council Staff Report

(ID # 12182)

Report Type: Consent Calendar

Meeting Date: 5/3/2021

Summary Title: FY 2021 Capital Project Budget Reductions

Title: Review and Approve Fiscal Year 2021 Capital Project Budget Reductions of \$2.5 Million and Approve a Budget Amendment in the Capital Improvement Fund

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council approve the proposed additional \$2.5 million reduction in Fiscal Year 2021 capital project budget, and amend the Fiscal Year 2021 Budget Appropriation for the Capital Improvement Fund (majority approval needed) by:

- a. Decreasing the Charleston/Arastradero Corridor Project (PE-13011) by \$2,000,000;
- b. Decreasing the Street Maintenance Project (PE-86070) by \$376,000;
- c. Decreasing the Thermoplastic Striping Project (PO-11011) by \$15,500;
- d. Decreasing the Downtown Automated Parking Guidance Systems, Access Controls & Revenue Collection Equip. Project (PL-15002) by \$150,000; and
- e. Increasing the Ending Fund Balance by \$2,541,500.

Background

In Spring 2020, Council directed staff to assume a more conservative revenue estimate reflecting a loss of \$39 million in General Fund tax revenues in the development of the Fiscal Year 2021 budget ([CMR # 11315](#)) from previously projected levels prior to the onset of the pandemic. At Council's direction, staff returned with service reductions to prioritize essential services to align expenses with lower revenue estimates. The development of the Fiscal Year 2021 Adopted Budget ([CMR #11330](#)) included a detailed review of capital projects against a set of key objectives and criteria for moving forward, and ensured that the City continued capital investments in its most critical infrastructure.

These objectives included:

- reducing carryover funding to “keep-up” spending on essential infrastructure rather than falling behind and requiring new funding sources or levels to “catch-up” in upcoming years;

- positioning shovel-ready projects to take advantage of favorable construction market pricing typical of a recession;
- minimizing near-term funding of discretionary projects; and
- ensuring a steady flow of projects to minimize peaks and valleys in project delivery staffing needs, as this would reduce efficiency and introduce bottlenecks in productivity.

These objectives were included in the City Council’s consideration of the City’s Capital budget, which was adopted by the City Council in June 2020. The Fiscal Year 2021 Adopted Capital Budget for the Capital Improvement Fund is \$174.4 million, including \$102.8 million for the Public Safety Building project (PE-15001) and \$71.6 million for all remaining Capital Improvement Fund projects. For comparison, the adopted budget for the Capital Improvement Fund was \$86.1 million in Fiscal Year 2020. The FY 2021 Adopted Budget included an approved \$15.5 million reduction in transfer from the General Fund to the CIP (\$5.2 million loss in TOT, \$10.3 million reduction in base transfer).

Discussion

On March 1, 2021, as part of the Fiscal Year 2021 Mid-Year Budget Review, Council discussed the list of Fiscal Year 2021 capital projects that were planned to have construction or design contracts approved by the end of the fiscal year ([CMR # 11872](#)). Council asked staff to return with additional information. On March 22, 2021 staff returned to Council with additional details regarding project status, critical elements and issues, restricted funding sources, time sensitivity, and potential for phasing options ([CMR #12089](#)). In addition to this additional information on projects staff expected to continue work on in FY 2021, staff identified projects that preliminarily are expected to be brought forward to achieve \$2.7 million in FY 2021 savings. Council directed staff to further reduce the Fiscal Year 2021 Capital Budget by an additional \$2.5 million.

FY 2021 Capital Budget Additional \$2.5 Million Reduction

Table 1 is the list presented to Council on March 22, 2021 of projects with associated contracts that were anticipated to be approved this Fiscal Year. Columns have been added to show the proposed additional reductions to Fiscal Year 2021 capital projects, as well as whether each project is proceeding and may still have a contract approved before the end of Fiscal Year 2021, or whether it is now expected to be deferred to Fiscal Year 2022, resulting from Council’s direction. It should be noted that due to the delay in City Council authorization to proceed with capital improvement program projects, work has not progressed since March 1, 2021 on many of those that were previously planned to have construction or design contracts approved by the end of the fiscal year.

Table 1: FY 2021 Capital Project Updates for Additional \$2.5 million Reduction

Project Number	Project Title	FY 2021 Adjusted Budget	FY 2021 Additional \$2.5M Reduction	Proceeding in FY 2021	Deferral to FY 2022
AC-18001	JMZ Renovation	2,362,282		√	
PE-08001	Rinconada Park Improvements	2,485,231		√	
PE-13011	Charleston/Arastradero Corridor Project	8,046,137	(2,000,000)		√
PE-15020	Civic Center Waterproofing Study and Repairs	667,056			√
PE-18004	Fire Station 4 Replacement	950,000			√
PE-18016	Civic Center Fire Life Safety Upgrades	606,314		√	
PE-20002	City Facilities Assessment and Record Plan Management System	314,800			√
PE-21003	Magical Bridge Playground Rubber and Synthetic Turf Resurfacing	404,050			√
PE-86070	Street Maintenance	11,616,435	(376,000)	√	
PF-01003*	Building Systems Improvement	952,478			√
PO-11011	Thermoplastic Striping	197,488	(15,500)	√	
PF-16006	Municipal Service Center Lighting, Mechanical, and Electrical Improvements	6,523,608			√
PF-17000	Municipal Service Center A, B, & C Roof Replacement	2,169,800		√	
PG-14000*	Ramos Park Improvements	209,000		√	
PG-14002*	Cameron Park Improvements	217,800		√	
PL-15002	Downtown Automated Parking Guidance Systems, Access Controls & Revenue Collection Equip.	2,726,860	(150,000)	√	
		Total Reduction	(2,541,500)		

*Projects with contract amounts anticipated to be under the \$250,000 threshold requiring Council approval.

The majority of the additional \$2.5 million reduction comes from deferring a portion of the final phase of the Charleston/Arastradero Corridor Project. Staff received bids on April 1, 2021 that were seven (7) percent over the engineer's estimate, requiring a budget amendment to add \$950,000 to the project in Fiscal Year 2021 if the project continued as planned. Staff is proposing to split the remaining portions of the corridor into two additional phases (Phases 3 and 4) rather than complete the project in one final phase. Phase 3 would be Arastradero Road (Los Palos Road to El Camino Real) and Charleston Road (El Camino Real to Alma Street and

Hoover Elementary School to Charleston Court). Phase 3 would connect the completed Phases 1 and 2 and improve the El Camino Real and Middlefield Road intersections, which are the most critical remaining safety improvements of the overall project. Phase 4 would be Charleston Road (Charleston Court to San Antonio Road) and would complete the corridor project. Staff proposes to return \$2.0 million in funding in Fiscal Year 2021. Funding for Phase 4 will be discussed as part of the FY 2022 budget process and 2022-2026 Capital Improvement Plan development, but will not be reflected in the proposed budget. Due to the Council engagement and evolution of staff's planning for the FY 2021 CIP reflected in this report, not all of the proposed changes are able to be included in the proposed budget, which must be finalized earlier than the timeframe of these recommendations. Upon approval of staff's recommendation, staff will bring forward a contract amendment for the consultant to split the plans into two separate bid packages and will rebid Phase 3 this summer.

Additional projects proposed for budget reductions include Street Maintenance (PE-86070) and Thermoplastic Lane Marking and Striping (PO-11001) as discussed in the April 12, 2021 Streets Preventive Maintenance Contract report ([CMR #12011](#)), and the Downtown Automated Parking Guidance Project (CIP PL-15002).

Projects to Proceed in FY 2021 or Deferred to FY 2022

Table 1 also indicates whether each project is likely to have a contract approved in Fiscal Year 2021 or is now expected to be deferred to Fiscal Year 2022 due to the delays in procurement as the Fiscal Year 2021 capital budget has been reconsidered. Fire Station #4 design has been submitted for a Congressional Community Project "earmark", and the design contract award is proposed to be deferred for one year to align better with construction funding in Fiscal Years 2024 and 2025. For those projects reflected as expected to proceed in FY 2021, the status of the project as outlined in the March 22, 2021 staff report allows contracts to potentially be approved before the end of FY 2021.

Resource Impact

The budgets for the projects discussed in this report will be reduced by a total of \$2,541,500 in order to reduce the Fiscal Year 2021 Capital Improvement Fund Budget by an additional \$2.5 million, as directed by Council at the March 22, 2021 Council Meeting. The specific projects and reduction amounts are:

- Charleston/Arastradero Corridor Project (PE-13011) by \$2,000,000
- Street Maintenance Project (PE-86070) by \$376,000
- Thermoplastic Striping Project (PO-11011) by \$15,500
- Downtown Automated Parking Guidance Systems, Access Controls & Revenue Collection Equip. Project (PL-15002) by \$150,000

Funding for deferred projects will be adjusted through the Fiscal Year 2022 reappropriation process as part of the review of FY 2022 Proposed Capital Budget.

Stakeholder Engagement

Stakeholder engagement is conducted separately for each project.

Environmental Review

Each project discussed in this report performs environmental review as part of the project development process.