



City of Palo Alto City Council Staff Report

(ID # 6411)

Report Type: Study Session

Meeting Date: 12/9/2015

Summary Title: Infrastructure Plan Implementation Update

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From: City Manager

Lead Department: Public Works

Recommendation

This is a study session; no Council action is required.

Executive Summary

Since the appointment of the 17-member Infrastructure Blue Ribbon Commission (IBRC) in October 2010 and the completion of the IBRC's Final Report in 2011, significant progress has been made in addressing the City's infrastructure needs. In FY 2011, City Council set a goal of achieving very good to excellent pavement conditions citywide and significantly increased the Street Maintenance Capital Improvement Program (CIP) budget to accomplish the goal. In FY 2013, ongoing additional funding of \$2.2 million was budgeted to "keep-up" with infrastructure maintenance needs in accordance with one of the IBRC recommendations. Following a one-year process led by the Council Infrastructure Committee, in June 2014 Council adopted a \$126 million Infrastructure Plan to provide for a number of previously unfunded projects, with the New Public Safety Building project identified as the top priority. This report provides an update on these infrastructure initiatives and the implementation of the City's Infrastructure Management System, or IMS.

Background

The 17-member Infrastructure Blue Ribbon Commission (IBRC) was appointed by Council in October 2010. The IBRC's primary charges from Council were defining the City's infrastructure backlog, defining future needs, prioritizing infrastructure needs and assessing potential funding and financing mechanisms for

infrastructure projects. The IBRC's December 2011 Final Report included a number of key findings and recommendations, including the following:

- Infrastructure funding had suffered over the years in the competition for civic funding
- Infrastructure maintenance, or “keep-up”, was underfunded by \$2.2 million per year
- Deferred maintenance, or “catch-up”, had grown to about \$41 million
- Spending on keep-up and catch-up should increase by \$6 million per year
- The existing Public Safety Building and Fire Stations No. 3 and 4 should be replaced
- An Infrastructure Management System (IMS) should be created to track the condition and use of all City infrastructure and provide the basis for budgeting and longer-range projections

Since December 2011, the City has made substantial progress in implementing actions to address IBRC findings. In FY 2013 ongoing additional funding of \$2.2 million was budgeted to “keep-up” with infrastructure maintenance needs. Year-by-year funding of catch-up projects identified by IBRC have reduced the total catch-up backlog from \$41 million to \$22 million. This includes all planned funding allocations as approved in the Fiscal Year 2016-2020 Capital Improvement Plan.

In June 2014, following a one-year process led by the Council Infrastructure Committee, Council adopted a \$126 million Infrastructure Plan to provide for a number of previously unfunded projects. The Infrastructure Plan includes the New Public Safety Building project as its top priority, and also includes replacement of Fire Stations No. 3 and 4. Capital Improvement Program (CIP) project TE-13004 was established in FY 2013 to implement the IMS and a Needs Assessment Report for the IMS was completed in late 2014.

Discussion

The current status of the City's progress on street maintenance, the IMS and implementation and funding of the Infrastructure Plan is described below.

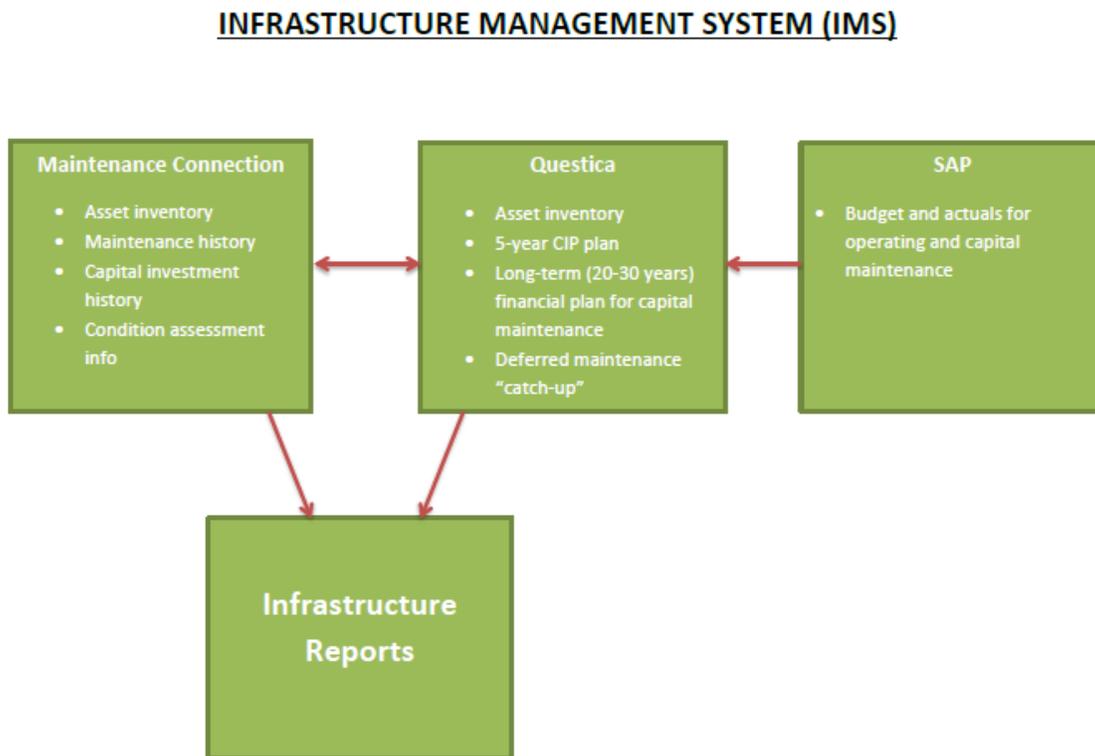
Street Maintenance Goals and Progress

In FY 2011, the annual budget for street maintenance was increased from \$1.8 million to \$3.8 million. The City adopted a goal of ensuring no street would have a Pavement Condition Index (PCI) of less than 60 by 2021, which is also expected to result in a citywide average PCI of 85, representing very good to excellent condition. The budget was further increased to \$5.1 million in FY 2013, and the 2021 goal was moved forward to 2019. Additional funding of approximately \$2 million spread over three years has been budgeted for repaving Alma Street and Middlefield Road from Colorado Avenue to the northern city limits. This effort has been highly successful. The citywide PCI has increased from 72 to 79, and is expected to be 80 at the end of calendar year 2015. If other jurisdictions maintain the same overall PCI scores as 2014, this will result in Palo Alto having the highest citywide PCI in Santa Clara County.

Infrastructure Management System

The IBRC Final Report strongly recommended the City establish an Infrastructure Management System (IMS) that would maintain an up-to-date inventory of the City's infrastructure assets, track the catch-up and keep-up needs and compare these needs to available funding. The FY 2013 Capital Budget established a CIP to implement the IMS. A needs assessment study completed in late 2014 recommended the use of two software applications the City already uses, Maintenance Connection and Questica, to build the IMS. Maintenance Connection will contain the asset inventory, maintenance and condition information, while Questica will contain the forecasted capital project needs and available funding. Questica is scheduled to be integrated with the City's financial accounting application, SAP, which will allow the IMS to access CIP financial information. The two applications will be integrated, allowing reports to capture information from both. Asset inventory and financial need spreadsheets developed during the IBRC process and maintained by staff since will be used as the basis for the IMS. The initial IMS will focus on asset information for buildings and equipment, parks, streets, sidewalks, medians and bridges. Figure 1 illustrates the structure of the IMS.

Figure 1: IMS structure and application functions



Implementation of the IMS will begin in January 2016. Contracts with Maintenance Connection and Plante Moran (consultant assistance) are being executed in December and staff is negotiating a contract amendment with Questica, requiring Council action in early 2016. The key actions needed to implement the IMS are the following:

- Build integration between Maintenance Connection and Questica that results in 1:1 asset registry
- Enter existing inventory from IBRC spreadsheets into Maintenance Connection and Questica
- Configure each asset type to capture relevant information
- Establish policies and procedures to capture operating maintenance information
- Establish policies and procedures to capture capital maintenance information

- Add additional concurrent and mobile licenses in Maintenance Connection to allow full use of the IMS by project managers and field maintenance staff
- Establish policies and procedures for entering future cost projections into Questica
- Establish policies and procedures for using future asset cost projections to build 5-year CIP plans
- Complete configuration and development of all reports needed in the IMS

Staff Report ID #6401, agendized for the December 14 Council meeting, includes a recommendation to add a 1.0 FTE Project Manager position for implementing and maintaining the IMS. This position will also facilitate regular reporting to Council and stakeholders on Infrastructure Plan status, including managing and tracking design and construction costs for the projects to ensure the ongoing financial viability of the Infrastructure Plan.

Infrastructure Plan Projects and Funding

The Council Infrastructure Committee was formed in early 2013 and met from March 2013 through May 2014. The committee considered a number of infrastructure project needs, as well as the potential funding sources and public support for finance measures to provide additional funding. Based on the committee’s recommendations, Council approved the Infrastructure Plan projects and funding sources in June 2014. The Infrastructure Plan includes the following projects and funding:

Project	Infrastructure Plan Funding (\$ millions)
Public Safety Building	57.0
Highway 101 Pedestrian/Bicycle Bridge*	1.7
Bicycle and Pedestrian Plan Implementation*	20.0
Charleston/Arastradero Corridor*	7.5
Byxbee Park	2.8
California Avenue Area Parking Garage	9.6
Downtown Parking Garage	13.0
Fire Station No. 3 Replacement	6.7
Fire Station No. 4 Replacement	7.5
Total:	125.8

* Projects with other funding sources in addition to the Infrastructure Plan

Funding sources for the Infrastructure Plan were assigned as follows:

Funding Source	Funding Amount (\$ millions)
Stanford Development Agreement Infrastructure Fund	22.1
Stanford Development Agreement Sustainability Fund	12.4
Infrastructure Reserve*	12.5
Parking In-Lieu Fees	4.0
Parks Impact Fees	2.8
New Hotel Revenues (Certificates of Participation)	33.6
TOT 2% Increase (Certificates of Participation)	30.8
Available Revenue From TOT	0.1
Future Revenue Sources (to be determined)	7.5
Total:	125.8

* Includes \$4.0 million FY 2014 surplus

Key considerations for the funding sources included the \$30.8 million from Certificates of Participation (COPs) proceeds that were dependent on a vote of the electorate to raise the Transient Occupancy Tax (TOT) rate by two percent, and the \$7.5 million in future revenue sources that were not identified in June 2014. The TOT increase was approved by voters in November 2014. During the FY 2016 budget process, additional TOT revenue was identified for transfer to the Capital Improvement Fund over the next two years to support the Infrastructure Plan. This funding provides the \$7.5 million in “future revenue” and funds public art related to the Infrastructure Plan in the amount of \$1.1 million. The FY 2016 Capital Budget and 5-year Plan incorporated all of the Infrastructure Plan projects and their funding sources within the FY 2016 to 2020 timeframe.

Infrastructure Plan Implementation Status

With the inclusion of all the Infrastructure Plan projects in the FY 2016 Capital Budget and 5-year Plan, staff is now working to implement the projects. The status of each project is briefly described below. In summary, seven of the nine projects are underway, while two are scheduled to begin in FY 2018. Five of the projects have Council actions scheduled for the December 14 Council meeting.

Public Safety Building and California Avenue Area Parking Garage:

Staff contracted with RossDrulisCusenberry Architecture to conduct a Site Evaluation Study for placing the new Public Safety Building on California Avenue area Parking Lot C-6, with the California Avenue Area Parking Garage to be constructed on Parking Lot C-7. Staff Report ID #6069, agenda item for the December 14 Council meeting, describes the results of the study and includes staff's recommendation to proceed with design and environmental review. Design of the California Avenue Area Parking Garage is not scheduled to begin until FY 2018. However, approval of the Parking Lot C-6 location for the Public Safety Building would result in the project moving forward immediately, as construction of the parking garage would need to be completed prior to beginning Public Safety Building construction.

Highway 101 Pedestrian/Bicycle Bridge:

Since the conclusion of the bridge design competition and Council's selection of the Moffatt and Nichol low-profile suspension bridge design in March 2015, staff has been evaluating the constructability and cost of the design and attempting to negotiate a scope of work and cost for a design contract with Moffatt and Nichol. Staff Report ID #5780, agenda item for the December 14 Council meeting, describes these efforts and includes staff's recommendation to cease negotiation with Moffatt and Nichol and proceed with a Request for Proposal (RFP) process that would include a more standard design in alignment with the project's budget.

Bicycle and Pedestrian Plan Implementation:

As described during the Council study session on October 26, work on a number of bicycle boulevard and other bicycle improvements is underway. Final design contracts are expected to be awarded in January 2016 for the Bryant Street Bike Boulevard Extension and for the Park Boulevard, Wilkie Way, and Maybell Avenue bike boulevards. Additional outreach will be used to advance the concept plans for the following bike boulevard projects in the next three to six months: Bryant Street Upgrade, Ross Road, Homer Avenue, Channing Avenue, Amarillo Avenue, and Moreno Avenue.

Other projects including bicycle and pedestrian improvements include:

- Churchill Avenue Phase I / Phase II:
The final design contract for Phase I (El Camino Real to Caltrain) has been awarded to Sandis. A design charrette with key stakeholders is scheduled

for December 2. The Phase II (Caltrain to Coleridge) planning and design contract is expected to be awarded to Sandis in early 2016.

- **Embarcadero Road & El Camino Real Corridor and Intersection Improvements:**

A design contract has been awarded to BKF Engineering to prepare plans to improve the intersection of El Camino Real between High Street and El Camino Real. A public meeting is scheduled for December 8 at Paly.

- **Dinah Summerhill Pedestrian/Bicycle Path:**

Construction documents are being prepared to issue an IFB for construction of the pathway connecting Wilkie Way to the Summer Homes Pathway in early 2016.

- **Midtown Connector:**

As directed during the Council meeting on November 9, staff is proceeding with a feasibility analysis of a hybrid option for the Midtown Connector corridor. The hybrid option will follow the creek channel in areas where it is practical and use parallel local streets when necessary. Staff is also developing concept plans for high-quality separated bikeways along two parallel corridors, one of which is East Meadow Drive. A neighborhood outreach event is planned for early 2016, where staff will present the draft feasibility analysis for the hybrid option.

Charleston/Arastradero Corridor:

Following a conceptual design process that included significant community input and approval by the Planning and Transportation Commission, Council approved the conceptual plan line design for the Charleston/Arastradero Corridor in September 2015. Staff is currently working with Caltrans to complete National Environmental Policy Act review for the corridor design and will also be holding a community meeting this winter to review landscaping palettes. A contract amendment with Mark Thomas & Associates will be brought before Council this winter to provide funding for completing the Charleston/Arastradero Corridor final design.

Byxbee Park:

Design of the Byxbee Park project is scheduled to begin in FY 2018.

Downtown Parking Garage:

Following Council direction in October 2014 and the establishment of the project in the capital budget, staff has developed a draft RFP for design of the Downtown Parking Garage on Lot D (Hamilton Avenue and Waverley Street). Staff Report ID #5818, agendized for the December 14 Council meeting, includes the draft RFP and staff's recommendation that Council direct staff to proceed with the RFP process.

Fire Station No. 3 Replacement:

Staff developed and released an RFP for design of the new Fire Station No. 3 at Embarcadero Road and Newell Road. Staff Report ID #6299, agendized for the December 14 Council meeting, describes the RFP process and includes staff's recommendation that Council approve a contract with Shah Kawasaki Architects for design of the new station.

Fire Station No. 4 Replacement:

Design of the new Fire Station No. 4 is scheduled to begin in FY 2018.

Infrastructure Plan Funding Challenges

As work progresses on the Infrastructure Plan projects, staff anticipates a need for additional funding beyond the \$126 million provided. As described in staff report ID #6069, the total cost for the Public Safety Building and California Avenue Area Parking Garage, if the staff recommendation to proceed with design on Lots C-6 and C-7 is approved, is estimated at \$72-97 million. The current Infrastructure Plan funding for the two projects is \$67.6 million. There may also be a need for additional funding for the Highway 101 Pedestrian/Bicycle Bridge. In general, the Infrastructure Plan project cost estimates are several years old and do not account for cost escalation that has already occurred or will occur before the projects are bid for construction.

As discussed with the Finance Committee at the November 17 meeting as part of the Fiscal Year 2015 Budget Closing CMR and presentation of the Fiscal Year 2015 Comprehensive Annual Financial Report, the Fiscal Year 2016 Budget Stabilization Reserve contains a set-aside of \$6 million to fund costs related to Infrastructure Plan projects. The closing of the budget is scheduled for Council approval at a Council meeting during the latter part of January or early February. As planning for the FY 2017 Capital Budget begins, staff will look for opportunities to use a portion of the annual transfers to the Capital Fund for the additional funding

needed. For instance, the street maintenance program funding level is expected to be reduced to a maintenance level in FY 2021 once the citywide PCI goal has been achieved. Pending assessment of other capital project priorities, this funding may be available for the Infrastructure Plan. Additionally, as will be reported in the Fiscal Year 2017-2026 General Fund Long Range Financial Forecast, the revenue estimates for Transient Occupancy Tax (TOT) are higher than originally anticipated. For example, the last Forecast assumed approximately \$5 million of TOT revenue dedicated towards the Infrastructure Plan. With updated figures, the Fiscal Year 2017 transfer is close to \$10 million. Therefore, staff expects that annually more funds are available than anticipated which could be used to fund the Infrastructure Plan during the next five years and/or to issue a higher amount of debt paid back with the higher than anticipated TOT receipts.

Another potential source of additional funding includes shifting \$1.05 million of Rinconada Library funding previously paid from the Infrastructure Reserve to the Measure N library bonds as well as annual General Fund budget surpluses. At the award of the construction contract for Rinconada Library, \$1.05 million of the contract was funded by the Infrastructure Reserve due to uncertainty of the financial outcome of the Mitchell Park Library and Community Center project. With the library bond projects now completed and the total use of the bond funding at \$4.05 million less than the authorized amount, the Library Bond Oversight Committee has recommended that the \$1.05 million be returned to the Infrastructure Reserve for other infrastructure uses. This recommendation is expected to be considered by Council in January 2016.

Staff will make recommendations about additional Infrastructure Plan funding as part of the upcoming FY 2017 Capital Budget and 5-Year Capital Improvement Plan.

Resource Impact

As described above, funding is available for Infrastructure Plan projects, but additional funding is expected to be necessary. Staff will provide recommendations through the FY 2017 budget process.

Policy Implications

Infrastructure Strategy and Implementation is one of the four Council priorities for 2015.

Environmental Review

Preparation of this update is not a project requiring environmental review.