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Title: Presentation of the Proposed 5-Year Capital Improvement Program (CIP) for FY 2017/18 Through FY 2021/22 (Public Works Director Katsouleas).
APPROVE

Sponsors:

Indexes:

Code sections:

Attachments: 1. Proposed 5-Year CIP, 2. 46 Active Projects by Year, 3. 25 Pending CIP Projects by Funding Year, 4. 5 Newly Proposed Projects Recommended for Funding in FY 2017/18, 5. PowerPoint Presentation

Date	Ver.	Action By	Action	Result
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TO:
Honorable Mayor and Members of the City Council

THROUGH:
Mark Danaj, City Manager

FROM:
Stephanie Katsouleas Public Works Director
Prem Kumar, City Engineer
Anna Luke-Jones, Senior Management Analyst

SUBJECT:
Presentation of the Proposed 5-Year Capital Improvement Program (CIP) for FY 2017/18 Through FY 2021/22 (Public Works Director Katsouleas).
APPROVE

RECOMMENDATION:

Staff recommends that City Council 1) review the proposed 5-year CIP presented in Attachment 1, 2) Evaluate the priority ranking and approve the 5-Year CIP pending any changes or modifications, and 3) determine whether to direct staff to investigate/evaluate possible revenue opportunities that could help offset the significant CIP funding shortfall for the City's 23 unfunded projects.

EXECUTIVE SUMMARY:

The City of Manhattan Beach is committed to ensuring a well-maintained and up to date physical infrastructure. Indeed, it is a core mission of the City to ensure that its facilities and infrastructure meet the current and future needs of the community it serves. This is achieved by planning for and implementing a robust Capital Improvement Program (CIP), one that addresses the variety of physical assets throughout the City, including but not limited to streets and other rights-of-way facilities, water and sewer infrastructure, park and other community amenities and city buildings.

Each year, Public Works initiates a review of its 5-Year CIP and recommends additions, alterations and adjustments based on updated information and community input. The updated 5-Year CIP is ultimately presented to and reviewed by City Council and, pending any changes, becomes part of the adopted plan and operating budget for that fiscal year. This year, however, the City is undertaking a two-year cycle and thus the proposed CIP will address those projects recommended for implementation in years one and two of the 5-Year CIP.

This report includes an extensive summary of the proposed CIP for FY 2017/18 through FY 2021/22. Projects are grouped by funding source and type and include future funding allocations as well as prior year appropriations. Lastly, the report highlights which projects are new versus which projects were included in prior year CIP documents and those projects for which no funding is currently available for implementation within the next five years. In all, there are 137 proposed projects valued at \$125 million and another 23 unfunded projects valued at nearly \$60 million. City Council will be asked to review and approve the proposed list and to consider whether some CIP revenue sources should be reevaluated for potential rate increases.

FISCAL IMPLICATIONS:

The proposed 5-Year Capital Improvement Program (CIP) includes 137 individual projects totaling \$125,105,698. This includes projects already underway as well as those to be initiated within the next five years. The majority of the proposed expenditures are for projects that were approved in prior years, representing approximately \$48 million. The balance of the proposed 5-Year CIP includes significant water infrastructure projects (\$35 million), wastewater projects (\$17 million), streets projects (\$11.7 million), facility improvements (\$7.6 million) and other miscellaneous projects (\$5 million). The report also includes an Unfunded Projects list, which includes 23 projects valued at nearly \$60 million.

BACKGROUND:

The 5-Year Capital Improvement Program (CIP) is the City's planning document that guides the selection and implementation of near and mid-term capital improvement projects. It is presented to and approved by City Council annually each spring as part of the budget adoption process. Projects listed in the 5-Year plan are aligned with the 6 City-wide Strategic Plan Pillars, with a focus on Effective Physical Asset Management - Infrastructure, Facilities and Amenities. They are also aligned with available funding resources and the established priorities of City Council, staff, user groups and the community at large.

In FY 2016/17, City Council undertook a two-year budget process with the understanding that the Capital Improvement Program would be fully evaluated as a two-year program in the "off" year. Thus, City Council is being asked to evaluate and approve funding for CIP projects for both the upcoming FY 2017/18 as well as FY 2018/19. Only minor changes to the 5-year CIP are expected in FY 2018/19, and would include funding adjustments or the addition of new projects should the City receive grants or change any of its rate structures.

DISCUSSION:

There are 137 individual capital projects identified in the 5-Year CIP within 94 line items and they are further grouped into eight (8) categories based on their funding sources and project eligibility (see Attachment 1). They include:

1. Streets and Sidewalks Projects

2. City Facilities and Buildings Infrastructure Projects
3. Water Infrastructure Projects
4. Wastewater Infrastructure Projects
5. Storm Drain Infrastructure Projects
6. Refuse and Solid Waste Collection Projects
7. City Parking Facilities Projects
8. State Pier and Parking Lots Projects

5-Year CIP List and Priorities (FY 2017/18 - FY 2021/22)

The body of this report highlights the 137 new and previously approved projects listed in the proposed 5-Year CIP and includes their funding sources, examples of the types of projects eligible for each funding within each source, and specific changes and additions to the proposed 5-Year CIP that differ from last year's adopted list. In all the proposed 5-Year CIP represent \$125 million in projects to be initiated over the next five years. It is worth noting that the majority of eight (8) categories listed above have very specific project eligibility criteria, making it difficult move projects from one category to another unless they meet the eligibility criteria.

The proposed 5-Year CIP also identifies 23 "unfunded" projects worth a combined \$59.7 million. More than half of funding needed for projects on the Unfunded Projects list could be generated through increases in user fees (e.g., water, sewer, storm water and parking meter rates), while the remaining portion could be generated through increases to the hotel tax and/or successful grant awards. Please note that some of these potential increases would require undertaking a Proposition 218 process in order to raise rates.

A complete list of the proposed 5-Year CIP projects and their recommended funding sources is included as Attachment A. Those projects that were included in prior 5-Year CIP lists are identified in black, while those projects that are new this year are listed in red. Additionally, any project (new and old) where the funding has increased, decreased or is being proposed for the first time is also shown in red along with a sidebar explanation.

Streets and Sidewalks

This category of projects primarily addresses the rehabilitation, improvement and/or enhancement needs of streets, sidewalks, curbs and gutters. This includes street resurfacing, slurry seal applications, replacement of damaged curbs, gutters and sidewalks, intersection and turn movement improvements, capacity enhancements and lane widening, pedestrian safety projects and Americans with Disabilities Act (ADA) access improvements.

There are four primary "local return" funding sources available for projects listed in the Streets and Sidewalks category, most of which are fairly flexible in what types of streets-related projects they can address. In addition, there are several grant awards for specific projects listed. Funding sources include:

- a. Streets and Highways Fund (i.e., Gas Tax): This fund can be used for a broad array of street- and sidewalk-related projects. Both local and arterial roadway projects are eligible.
- b. Prop C Fund (local return): This fund is limited to transportation corridors and can be used for street rehabilitation, maintenance and access improvements on these corridors.
- c. Measure R Fund (local return): This fund can be used for a broad array of street- and sidewalk-related projects. Both local and arterial roadway projects are eligible.
- d. Measure M Fund (local return): This fund can be used for a broad array of street- and sidewalk

-related projects, as well as storm water pollution control projects. Both local and arterial roadway projects are eligible.

- e. Grant Funds: This includes the South Bay Highway Program, Metro's Call for Projects and federal Surface Transportation Program (STP) grant funds awarded to the City for specific projects.

In the Streets and Sidewalks category, there are a total of 44 projects identified for implementation over the next five years for a combined value of \$39,668,323. Of these, two (2) line items have been re-categorized into "annual programs" and four (4) projects are new. Overall, the 44 projects include:

- 26 projects valued at \$11,573,833, which are funded through Gas Tax local returns and grants from the South Bay Highway Program and Highway Safety Improvement Program. Projects include local and arterial street resurfacing, sidewalk repairs and installation, slurry seal and pedestrian intersection improvements.
- 8 projects valued at \$24,586,854, which are funded through Prop C local returns, grants from the South Bay Highway Program and Metro's Call for Projects. Projects include arterial street resurfacing, turn lane improvements, and widening and seismic retrofit of the Sepulveda Bridge.
- 7 projects valued at \$2,222,636, which are funded through Measure R local returns. Projects include local street resurfacing, turn lane improvements, pedestrian intersection improvements and sidewalk installations.
- 3 projects valued at \$1,285,000, which are funded through the new Measure M local return program. Projects include development of an ADA Transition Plan, sidewalk installations and residential roadway intersection improvements for stormwater flows.

City Facilities and Buildings Infrastructure:

This category of projects addresses all of the projects that do not otherwise qualify for funding from the seven other groups listed herein. The CIP fund is generated from a combination of the transient occupancy tax (TOT), parking citations and parking meter revenues. CIP projects primarily include building and other facility improvements, parks facility upgrades, studies and master plans, landscaping enhancements, signage, and other right-of-way and public property improvements.

In the City Facilities and Building Infrastructure category, there are a total of 44 projects identified for implementation over the next five years for a combined value of \$16,577,564. Of these, only one project is new (see Attachment 4). The projects are generally described in the following groupings:

- 13 Building improvements valued at \$6,446,623
- 4 Park facility Improvements valued at \$2,193,681
- 9 Traffic-related and other ROW improvements \$4,077,171
- 14 Pedestrian and non-motorized transportation improvements \$3,480,089
- 4 Studies and masterplans valued at \$380,000

Water Infrastructure

This category of projects addresses the infrastructure needs that support operations and maintenance of the City's water distribution system and includes water main and valve replacements, pump station refurbishments, reservoir maintenance and/or replacement, well pumping and treatment activities, meter upgrades and automation, and all required studies and master plans. All projects in this category are fully funded through the Water Enterprise Fund using revenues collected through

fixed and variable water rates.

In the Water Infrastructure category, there are a total of 17 projects identified for implementation over the next five years for a combined value of \$42,215,946, of which only two (2) are new (see Attachment 4). The most significant water project is the replacement of Peck Reservoir, which accounts for more than half of the total funding allocation. Other projects include annual main replacements, potable water treatment improvements, rehabilitation of the elevated tank, booster station improvements, electronic upgrades and planning for the eventual replacement of Block 35 reservoir.

Storm Water Infrastructure

This category of projects addresses infrastructure needs for both storm water conveyance and national pollution discharge elimination system (NPDES) compliance requirements. Projects include storm drain repairs and upgrades, capacity enhancements, trash capture devices, storm water master plans and enhanced watershed management plan (EWMP) infrastructure needs (e.g., infiltration projects). The storm water fund is supported by storm water assessment fees and transfers from the general fund.

In the Storm Water Infrastructure category, there are a total of 12 projects identified for implementation over the next five years for a combined value of \$5,000,591. Of these, ten (10) projects are existing and two (2) are new (see Attachment 4). The projects address both the efficient operations of the storm drain system as well as installation of devices to comply with NPDES mandates. The list also includes funding for a Storm Water Masterplan, which will help guide future plans for upgrading the system to address deficiencies in pipe diameter and pumping capacity. It is worth noting that staff expects a significant increase in funding will be needed within the next five years to address NPDES permit requirements outlined the Enhanced Watershed Management Program (EWMP) implementation plan. Staff has included a placeholder of \$8 million in FY 2020/21 for Manhattan Beach's share of the total project costs, although the actual amount has yet to be determined.

Wastewater Infrastructure

This category of projects addresses the infrastructure needs that support operation and maintenance of the City's wastewater system and includes sewer main replacements, lift station refurbishments, radio telemetry, and all required studies and master plans. All projects in this category are fully funded through the Wastewater Enterprise Fund using revenues collected through sewer fees.

In the Wastewater Infrastructure category, there are a total of 11 projects identified for implementation over the next five years for a combined value of \$18,773,366. Of these, one (1) project has been re-categorized into an "annual program" and two (2) projects are new. Notably, several of projects listed are for lift station upgrades. Lift stations are the backbone of an otherwise gravity flow system, and their proper care is paramount to the safe and effective operation of the entire wastewater system.

Refuse and Solid Waste Collection

This category of projects addresses the need for City trash enclosure improvements. Revenues for Refuse and Solid Waste Collection are generated through trash collection user fees. There is only one (1) project listed in this category for \$150,000, which represents 18 locations at City facilities where trash enclosures need to be connected to the sanitary sewer system and enclosures need to be reconstructed to better accommodate waste containers.

City Parking Facilities

This category of projects addresses the maintenance, repair and rehabilitation of the City's public parking lots and surrounding landscaped areas, including Metlox, other downtown parking structures, the North End parking lot and business district, and several beach parking lots owned by Los Angeles County. Funding for projects in this category come from the meter fees collected at city and county parking lots and curbside parking stalls.

In the City Parking Facilities category, there are a total of three (3) projects identified for implementation over the next five years for a combined value of \$735,944. None of the projects listed are new. Existing projects include structural improvements to the Lot 1 retaining wall, streetscape improvement in the north end business district and completion of a structural analysis for parking lots 3 and 4. It is worth noting that the revenues currently generated from the City's parking meters only cover maintenance and operations, leaving virtually no funding for parking lot infrastructure rehabilitation.

State Pier and Parking Lots

This category of projects addresses the maintenance, repair and rehabilitation of the State public parking lots and Manhattan Beach Pier. Eligible projects include building upgrades to the Pier Roundhouse, pier railing and lighting replacement/rehab, installation of safety devices and deck repairs. Funding for projects in this category come from the meter fees collected by visitors and patrons at the State parking lots adjacent to the pier.

In the State Pier and Parking Lots category, there are a total of five (5) projects identified for implementation over the next five years for a combined value of \$1,983,964. Of these, three (3) projects are existing and two (2) are new. Existing projects include infrastructure improvements to the pier, roundhouse and aquarium, and improved parking lot lighting. New projects include future repairs to the Pier's deck and railing.

Unfunded Projects

There are a total of 23 projects valued at \$59,880,230 included in the Unfunded Projects list. They are grouped in four of the nine categories listed above and include:

- 17 projects valued at \$25,280,230 in the City Facilities and Building Infrastructure category. The overwhelming majority of these 17 projects are for Parks and Recreation facilities and include building upgrades, synthetic turf installations, field lighting, and consideration of replacing Begg Pool.
- 2 Water projects valued at \$13,250,000, which include replacing Block 35 reservoir and constructing a new water line from well 11A to Block 35.
- 1 storm water project for \$8 million, which represents a place-holder for Manhattan Beach's estimated share of capital project(s) identified in the Enhanced Watershed Management Plan (EWMP).
- 3 projects valued at \$13,350,000 for parking structure structural improvements for Lots 3 and 4. The actual amount will be determined once a structural analysis is completed.

Staffing Resources Recap

On April 10, 2017 the Public Works Director provided a detailed assessment of the available resources versus demand of the CIP program, which has for years impacted the ability of staff implement capital projects in a timely manner. The data provided in the presentation highlighted the

significant shortfall in staff hours needed to complete each project. Based on that information, City Council directed staff to bring back a funding plan that could pay for additional engineers without any additional impact on the general fund. The Finance Director has included a funding plan in the FY 2017/18 operating budget which proposes the following allocations:

- Funding one additional engineer with Water Enterprise Funds
- Funding one additional engineer with Wastewater Enterprise Funds
- Funding one additional engineer with CIP Funds
- Funding one additional engineer using grant administration funding (Gas Tax, Prop C, Measure R and Measure M).

There are sufficient funds available in each of the categories listed above to cover the fully burdened cost of the four additional engineers proposed.

5-Year CIP Prioritization

Setting priorities for the 5-Year CIP includes two components, which include: 1) reviewing and confirming the projects on the funded versus unfunded list (e.g., determining whether to move projects above or below the line based on funding availability); and 2) establishing the order of implementation for those projected listed as funded.

Priority Order of Implementation

Staff recommends that City Council review the proposed 5-Year CIP list and confirm the priorities for implementation, which includes continuing with the active 46 projects initially, and the focusing on the 25 previously funded but not -yet-initiated projects before taking on any new projects. It is worth noting that staff's priority recommendations are based on recognizing that many projects are already underway, some have grant deadlines, and some projects have been significantly delayed. The projects that are scheduled to receive funding in the future have not been prioritized for implementation within the next two years.

Review and Confirm Unfunded Projects

Staff recommends that City Council also review the 23 projects listed on the Unfunded Projects list to determine whether there is support for moving any of them above the line. If they are to be included with the funded list of projects, then staff will need direction from City Council on how the projects are to be funded. Options will include "swapping" the project with one that was previously funded, determining whether to raise revenues (discussed below) or whether to allocate additional dollars from the general fund for their implementation.

Funding Considerations

As mentioned earlier in the report, City Council may wish to consider whether to explore revenue enhancement opportunities that would provide additional funding for the proposed projects included on the Unfunded Projects list. Consideration could be given to:

1. Conducting a new Water and Sewer Rate Study. The last rate study was conducted and implemented in 2010. Any proposed rate increases would be subject to the Prop 218 ballot protest process. Staff recommends that this approach be considered in late FY 2018/19.
2. Increasing the Stormwater and/or the Street Lighting and Landscape District parcel taxes. This would be subject to the Prop 218 ballot protest process.

3. Increasing parking meter rates. Staff could conduct a Parking Meter Survey with internal resources to catalog the meter rates charged in surrounding communities and use this information as a basis for considering new rates. This would be cross-referenced with the rate increase that would be needed to fund additional parking lot infrastructure projects.
4. Increasing the Transient Occupancy Tax (TOT). This would require preparing a ballot initiative during an election cycle, as any rate increase would require voter approval. Manhattan Beach's 10% TOT rate is currently below the average TOT rate for surrounding cities.

CONCLUSION:

Staff recommends that City Council 1) review the proposed 5-year CIP presented in Attachment 1, 2) approve the 5-Year CIP pending any changes or modifications proposed by City Council, and 3) determine whether to direct staff to investigate/evaluate possible revenue opportunities that could help offset the significant CIP funding shortfall for the City's 23 unfunded projects.

PUBLIC OUTREACH/INTEREST:

There was no public outreach conducted in the preparation of this report. However, the existing and proposed projects included in the 5-Year CIP are the result of year-long public input through phone calls, go-reach submittals, electronic communications and user group input.

ENVIRONMENTAL REVIEW:

Receiving this report is not considered a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. Proposed 5-Year CIP
2. 46 Active CIP Projects by Funding Year
3. 25 Pending CIP Projects by Funding Year
4. 5 Newly Proposed Projects Recommended for Funding in FY 2017/18
5. PowerPoint Presentation