



Legislation Details (With Text)

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Title: Presentation of the Proposed 5-Year Capital Improvement Program (CIP) for FY 2017-2018 Through FY 2021-2022 (Public Works Director Katsouleas).
RECEIVE REPORT; DISCUSS AND PROVIDE DIRECTION

Sponsors:

Indexes:

Code sections:

Attachments: 1. Proposed 5-Year CIP Presented on May 4, 2017, 2. 94 Funded and 23 Unfunded Project Summaries (Web-Link Provided), 3. Streets and Sidewalks Projects, 4. Water Infrastructure Projects, 5. Stormwater Infrastructure Projects, 6. Wastewater Infrastructure Projects, 7. Refuse and Solid Waste Collection Projects, 8. City Parking Facilities Projects, 9. State Pier and Parking Lot Projects, 10. City Facilities and Building Infrastructure Projects, 11. PowerPoint Presentation

Date	Ver.	Action By	Action	Result
5/30/2017	1	City Council Adjourned Regular Meeting	approved	Pass

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 2017-2018 Through FY 2021-2022 (Public Works Director Katsouleas).
RECEIVE REPORT; DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that City Council:

- 1) review the proposed 5-year CIP presented in Attachments (3-10);
- 2) provide direction on whether to make any changes or modifications funded and unfunded lists presented herein; and
- 3) provide direction to staff on whether to investigate/evaluate possible revenue opportunities that could help offset CIP funding shortfalls.

FISCAL IMPLICATIONS:

The proposed 5-Year Capital Improvement Program (CIP) includes 138 individual projects totaling

\$125,030,698. 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.

EXECUTIVE SUMMARY:

This staff report includes a comprehensive summary of the 138 capital projects and studies proposed in the upcoming 5-Year CIP. They are grouped into eight categories based on their unique sources of funding, with emphasis given to which projects have already been initiated, those which have yet to commence, and an additional 23 projects for which funding has yet to be identified. Upon closer review of the projects listed in each of these eight categories, staff is seeking direction from City Council on whether to proceed with the 5-Year CIP as presented, or whether to augment the list by removing some projects and instead allocating these funds to other priority projects. Staff also seeks direction from City Council on whether to plan for and/or pursue other sources of funding that would help increase the revenues available for the City's CIP program.

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 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.

On May 4, 2017 staff presented a proposed \$125 million 5-year CIP (FY 17/18 - FY 2021/22) to City Council for consideration. The presentation included a list of 137 unique CIP projects listed within 94 line items (Attachment 1), which were grouped into eight basic categories (listed below). The report also highlighted 23 proposed but unfunded projects valued at an estimated \$60 million. At that meeting, City Council indicated that, in addition to considering the new projects proposed, they would also like to revisit the previously approved list of CIP projects and evaluate whether new priorities should be established for the entire CIP. Shortly thereafter and at Council request, staff provided City Council a complete summary of the 94 CIP types contained in the 5-Year CIP (Attachment 2: weblink provided).

Project categories 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

This report recaps the summary of the proposed 5-Year CIP presented on May 4, 2017 and seeks direction from City Council on whether to amend the proposed 5-Year CIP as proposed. City Council is being asked to review both the proposed funded and unfunded list of projects for priority consideration, and to consider whether some CIP revenue sources should be reevaluated for potential rate increases.

DISCUSSION:

Please recall that the City has adopted a two-year budget cycle process. Therefore, 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 additional revenues become available.

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

The body of this report highlights the 138 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 (Attachment 1). It is worth noting that the majority of the eight (8) categories listed above have very specific project eligibility criteria, making it difficult move projects from one category to another unless they meet that criteria. Those projects that were included in prior 5-Year CIP lists are identified in black, while those projects that are either new this year or have been modified are listed in red. In setting the CIP priorities moving forward, Staff recommends that City Council discuss each category of projects individually due to the limitations of eligibility requirements and funding available.

1. Streets and Sidewalks Projects

This category 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 no projects on the unfunded list in this category of projects that would otherwise qualify for funding from the sources listed below. The following summary is provided (see also attachment 3):

- 44 unique projects in this category within 29 line items
- 16 projects are active
- 28 have yet to be initiated
- \$39,668,323 in total value for all 44 projects
 - \$27,908,323 in total value from prior years' appropriations for 22 projects
 - \$11,760,000 in total value for 22 projects proposed in FY 2017/18 - 2021/22

The schedule and priority of projects proposed is based on a variety of factors, including the documented condition of local and arterial roadways, public safety, community needs, traffic volumes, grant awards, and legal concerns. Staff recommends that City Council adopt the Streets and Sidewalks category of projects as proposed, with a focus on the following order of implementation:

1. Complete the 16 active projects first;
2. Initiate the 6 pending projects that were from prior years appropriations; and
3. Initiate the remaining 22 FY 2017/18 - 2021/22 projects sequentially thereafter.

2. Water Infrastructure Projects

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 replacements, 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. The most significant water project is the replacement of Peck Reservoir, which accounts for more than half of the total funding allocation. Two projects are identified on the Unfunded Projects list that qualify for funding with Water Enterprise Funds, which include replacing the Block 35 Reservoir and constructing a new well collection line from Well 11A to Block 35. The following summary is provided (see also attachment 4):

- 17 unique projects in this category within 12 line items
- 5 projects are active
- 12 have yet to be initiated
- \$42,215,946 in total value for all 17 projects
 - \$7,095,946 in total value from prior years' appropriations for 8 projects
 - \$35,120,000 in total value for 9 projects proposed in FY 2017/18 - 2021/22
- \$13,250,000 needed for two unfunded projects

The schedule and priority of projects proposed is based on a variety of factors, including the need to address the structural defects of Peck Reservoir for the reliability of our water distribution system, the desire to coordinate water-related pier upgrades with other planned pier work to minimize the impact on the community, to upgrade electronic systems that will minimize water loss, and to arrest further deterioration of the elevated tank. Planning for and implementing the two projects identified on the Unfunded Projects list will require undertaking one or more funding options, which include:

- Deferring all of the projects with prior appropriations that have not yet been initiated AND deferring the next five years of planned water main replacements (not recommended). However, this option would not yield the \$13.25 million needed for the unfunded projects and thus other funding options would still be needed.
- Significantly delay implementation of these two projects until enough funds could be accumulated in the Water Enterprise Fund. This would require scheduling these projects in 7-10 years from now while also minimizing all other water-related CIPS (not recommended).
- Looking for alternative funding sources such as conducting a new Water Rate Study and Prop 218 to raise water rates (recommended).

Therefore, staff recommends that City Council adopt the Water Infrastructure Category of projects as proposed, with a focus on the following order of implementation:

1. Complete the 5 active projects first;
2. Initiate the 3 projects that were from prior years appropriations;
3. Initiate the remaining 9 FY 2017/18 - 2021/22 projects sequentially thereafter; and
4. Direct staff to investigate and plan for storm water fee increases for the current and future unfunded projects.

3. Storm Water Infrastructure Projects

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. It is worth noting, however, 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 the Unfunded Projects list in FY 2020/21 for Manhattan Beach's share of the total project costs, although the actual amount has yet to be determined. The following summary is provided (see also attachment 5):

- 12 unique projects in this category within 4 line items
- 2 projects are active
- 10 have yet to be initiated
- \$5,000,591 in total value for all 12 projects
 - \$1,200,591 in total value from prior years' appropriations for 2 projects
 - \$3,800,000 in total value for 10 projects proposed in FY 2017/18 - 2021/22
- \$8,000,000 needed for one unfunded project.

The schedule and priority of projects proposed is based on maintaining and repairing the storm water infrastructure to ensure its proper operation, complying with NPDES permit requirements, developing a plan for future upgrades and providing matching funds for grant awards. Planning for and implementing the one project identified on the Unfunded Projects list will require undertaking one or more funding options, which include:

- Deferring all of the projects with prior appropriations that have not yet been initiated AND deferring the next five years of planned water main replacements (not recommended). This option would not yield the \$8 million needed for the unfunded project and thus other funding options would still be needed.
- Looking for alternative funding sources such as conducting a new Storm Water Rate Study and Prop 218 to raise storm water fees (recommended).

Therefore, staff recommends that City Council adopt the Storm Water Infrastructure Category of projects as proposed, with a focus on the following order of implementation:

1. Complete the 2 active projects first;
2. Initiate the remaining 10 FY 2017/18 - 2021/22 projects sequentially thereafter; and
3. Direct staff to investigate and plan for storm water fee increases for the current and future unfunded projects.

4. Wastewater Infrastructure Projects

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. 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.

All projects in this category are fully funded through the Wastewater Enterprise Fund using revenues collected through sewer fees. There are no projects on the unfunded list in this category of projects that would otherwise qualify for funding from the Wastewater Infrastructure Fund. The following summary is provided (see also attachment 6):

- 13 unique projects in this category within 9 line items
- 3 projects are active
- 10 have yet to be initiated
- \$18,773,366 in total value for all 13 projects
 - \$1,523,366 in total value from prior years' appropriations for 3 projects
 - \$17,250,000 in total value for 10 projects proposed in FY 2017/18 - 2021/22

The schedule and priority of projects proposed is based on maintaining, refurbishing and/or replacing wastewater infrastructure to ensure their proper operation. Please note that replacement of sewer mains is prioritized according to closed circuit TV inspections that assess the quality and deterioration of each sewer line segment. Those with the worst ratings are prioritized for replacement first on an annual basis, with a goal of repairing and replacing a minimum of one mile per year. Therefore, staff recommends that City Council adopt the Wastewater Infrastructure Category of projects as proposed, with a focus on the following order of implementation:

1. Complete the 3 active projects first; and
2. Initiate the remaining 10 FY 2017/18 - 2021/22 projects sequentially thereafter.

5. Refuse and Solid Waste Collection Projects

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. This project is scheduled for implementation in FY 2019/20 due to the extensive list of other CIP priorities listed in the 5-Year CIP (see Attachment 7).

Therefore, staff recommends that City Council adopt the one Refuse and Solid Waste Collection project as proposed.

6. City Parking Facilities Projects

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. However, 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. Staff expects that a significant increase in funding will be needed within the next five years to implement the three unfunded projects, which include addressing the structural deterioration of the City's elevated parking structures, up to and including full replacement if needed. Staff has included a placeholder of \$13.3 million in the Unfunded Projects list in FY 2019/20 for parking structure rehab, although the actual amount has yet to be determined.

The following summary is provided (see also attachment 8):

- 3 unique projects in this category
- 1 project is active
- 2 have yet to be initiated
- \$735,944 in total value for all 3 projects
 - \$135,944 in total value from prior years' appropriations for 2 projects
 - \$600,000 in total value for 1 carryover project and 1 project proposed in FY 2017/18 - 2021/22
- \$13,225,000 needed for 3 unfunded projects.

The schedule and priority of projects proposed is based completing one active project and completing the structural analysis needed to move forward with repairs for parking lots 3 and 4 (adjacent to Metlox and the North Manhattan Beach, respectively).

Planning for and implementing the Parking Structure Structural Rehabilitation project identified on the Unfunded Projects list will require looking for alternative funding sources such as raising the City's parking meter rates. The remaining two unfunded projects could also be funded by increasing meter rates. Alternatively, City Council may wish to consider deferring the structural analysis project currently scheduled and use those funds instead for the Downtown Parking Facility Capital Investment Plan and Intelligent Parking Occupancy System projects.

Staff recommends that City Council adopt the City Parking Facilities Category of projects as proposed, with a focus on the following order of implementation:

1. Complete the one active projects first;
2. Initiate the structural rehab assessment project in FY 2017/18 project in the coming year; and
3. Direct staff to investigate and plan for increasing meter rates to generate revenue for the three unfunded projects.

7. State Pier and Parking Lots Projects

This category of projects addresses the maintenance, repair and rehabilitation of the State's public parking lots and Manhattan Beach Pier. Eligible projects include Roundhouse building upgrades, 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. There are no projects on the unfunded list in this category of projects that would otherwise qualify for funding from the State Pier and Parking Lots Fund.

The following summary is provided (see also attachment 9):

- 5 unique projects in this category
- 3 projects are active
- 2 have yet to be initiated
- \$1983964 in total value for all 5 projects
 - \$1,333,964 in total value from prior years' appropriations for 3 projects
 - \$650,000 total value for 2 projects proposed in FY 2020/21 - 2021/22

The schedule and priority of projects proposed is based on coordinating the pier upgrades with another project underway - improvements to the Roundhouse Aquarium - so that impacts to the community and beachgoers are minimized. The remaining two projects are for planned maintenance based on expected need at that time. Please note, however, that planning for future CIP projects will require developing additional sources of revenue, such as raising the meter rates at the State Pier parking lots. The funding currently provided by the meters does not generate sufficient funding for the ongoing capital maintenance that will be needed in the coming years.

Therefore, staff recommends that City Council adopt the State Pier and Parking Lots Category of projects as proposed, with a focus on the following order of implementation:

1. Complete the 2 active projects in concert with other planned construction activities; and
2. Initiate the remaining 2 FY 2020/21 - 2021/22 projects as planned.
3. Direct staff to investigate and plan for increasing meter rates to generate revenue for the future capital project needs.

8. City Facilities and Buildings Infrastructure Projects (the CIP Fund):

This category of projects addresses all of the projects that do not otherwise qualify for funding from the seven other special revenue sources listed above. The CIP fund is generated from a combination of the transient occupancy tax (TOT), parking citations and parking meter revenues. It has also received General Fund support on occasion. 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. The 43 planned and 17 unfunded projects address a variety of building and outdoor facilities improvements for seniors, community user groups and city staff. The following summary is provided (see also attachment 10):

- 43 unique projects in this category within 30 line items. 1 was eliminated (Strand Bikeway Undercrossing)
- 16 projects are active
- 27 have yet to be initiated
- \$16,502,564 in total value for all 43 projects
 - \$8,942,564 in total value from prior years' appropriations for 29 projects
 - \$7,560,000 in total value for 14 projects proposed in FY 2017/18 - 2021/22
- \$25,130,230, needed for 17 unfunded projects
 - \$18,000,000 for Begg Pool
 - \$7,130,230 for the remaining 16 unfunded projects

The 43 planned projects are further broken down into 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
- 13 Pedestrian and non-motorized transportation improvements \$3,405,089
- 4 Studies and masterplans valued at \$380,000

When considering planning and implementation of the 16 active projects, 27 previous approved but pending projects and 17 projects identified on the Unfunded Projects list, City Council may wish to consider the following:

- Whether to remove any of the 27 projects on the planned (but not yet initiated) list and instead allocate those dollars to projects on the unfunded list. There is a total of \$10,209,311 allocated to projects in the 5-Year CIP that have not been initiated and could be redirected to other projects.
- Whether to halt any of the 16 projects currently active and allocate any unspent funds to unfunded projects. There is up to \$3,487,474 available that could be redirected to other projects (pending outstanding invoices to be paid).
- Whether to consider new revenues such as increasing the TOT, parking meter rates or citation charges. Based on the list of unfunded projects proposed, the City would need to generate approximately \$2 million more annually over what is currently provided by these revenue sources (approximately \$1.5 million) in order to accommodate all the CIP needs identified over the next five years.

Staff recommends that City Council review each of the projects included on the City Facilities and Buildings Infrastructure Projects funded and unfunded lists and provide direction on which projects should ultimately be included in the proposed 5-Year CIP.

CONCLUSION:

It is worth noting that staff's priority recommendations are based on recognizing that many projects are already underway, some have grant deadlines, others include structural deficiencies that must be resolved and some address safety concerns that were previously considered high priorities.

Therefore, staff recommends that City Council:

1. Review the proposed 5-year CIP presented in Attachments 2-9 and discussed above;
2. Provide direction on whether to make any changes or modifications to the funded and unfunded lists presented herein; and
3. Provide direction to staff on whether to investigate/evaluate possible revenue opportunities that could help offset CIP funding shortfalls.

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.

Attachment/Attachments:

1. Proposed 5-Year CIP presented on May 4, 2017
2. 94 Funded and 23 Unfunded Project Summaries (Web-Link Provided)
3. Streets and Sidewalks Projects
4. Water Infrastructure Projects

5. Storm Water Infrastructure Projects
6. Wastewater Infrastructure Projects
7. Refuse and Solid Waste Collection Projects
8. City Parking Facilities Projects
9. State Pier and Parking Lot Projects
10. City Facilities and Building Infrastructure Projects
11. PowerPoint Presentation