



Legislation Text

File #: 19-0191, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Stephanie Katsouleas Public Works Director
Steve S. Charelian, Finance Director
Prem Kumar, City Engineer
Anna Luke-Jones, Senior Management Analyst
Libby Bretthauer, Senior Financial Analyst

SUBJECT:

Presentation of the Proposed 5-Year Capital Improvement Program (CIP) for Fiscal Year 2019-2020 Through Fiscal Year 2023-2024 (Public Works Director Katsouleas).

APPROVE

RECOMMENDATION:

Staff recommends that City Council receive a presentation on the Proposed 5-Year Capital Improvement Program (CIP) for FY2019/20 through FY2023/24 and:

- 1) Review the proposed 5-Year CIP projects listed in the attachment;
- 2) Evaluate the merits of each proposed project;
- 3) Make recommendations for those projects on the unfunded list that should be programmed in the 5-Year CIP; and
- 4) Direct staff to revise the 5-Year CIP based on any changes or modifications made by City Council.

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, one that addresses physical assets throughout the City, including but not limited to streets and other rights-of-way facilities, water and sewer infrastructure, public buildings, parks and open space, and community amenities.

Every two years, Public Works staff initiates a biennial review of the City's 5-Year CIP and recommends additions, alterations and adjustments based on changing priorities, funding availability, updated information, and community-wide input. The proposed 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 two fiscal years.

This report includes an extensive summary of the proposed CIP for FY 2019/20 through FY 2023/24. Projects are grouped by funding sources and include prior, current, and future funding allocations. 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 126 proposed projects valued at \$131 million and another 54 unfunded projects valued at over \$89 million. City Council will be asked to review and approve the proposed list and to consider which projects on the Unfunded List (attached) should be programmed for implementation over the next five years, while taking into consideration the City's funding limitations.

FISCAL IMPLICATIONS:

The proposed 5-Year CIP includes 126 individual projects totaling \$130,998,900. 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 \$82.2 million, while the remaining \$48.8 million represents current and future year projects. Collectively, the proposed 5-Year CIP budget is comprised of:

\$41 million	Streets, Sidewalks and Other Rights-of-Way Projects (ROW)
\$13.5 Million	Building, Park, Pedestrian and Signal Preemption Projects (CIP)
\$46.4 Million	Water Infrastructure Projects
\$5.5 Million	Stormwater Projects
\$20.3 Million	Wastewater Projects
\$4.3 Million	Other Miscellaneous Projects (refuse, parking, pier)

Additionally, the Unfunded Projects list includes 54 projects valued at \$89.5 million and represents facility and infrastructure improvements and replacements, pedestrian access and safety measures, recreational enhancements, security projects, and ROW upgrades. It should be emphasized that current appropriations plus allocations in the 5-Year CIP leave limited Special Revenue and Enterprise Fund balances for emergencies or other priorities.

The City's General Fund will be further discussed during the presentation of the proposed FY 2019-20 Budget during the May 7, 2019, City Council meeting. The General Fund unreserved fund balance will be significantly impacted over the next five years by ongoing operational costs, as well as projected year-end transfers to other funds, including the Stormwater Fund, Street Lighting Fund, and Pension Stabilization Trust Fund. These transfers are expected to total approximately \$9.3 million from FY 2019-20 through FY 2023-24.

BACKGROUND:

The 5-Year CIP is the City's planning tool that guides the selection and implementation of near and mid-term capital improvement projects. It is presented to and approved by City Council on a biennial basis as part of the budget adoption process. Projects listed in the 5-Year CIP are aligned with the City's General Plan elements as well as the priorities of City Council, staff, user groups, and the community at large.

As part of the biennial process, City Council will evaluate and approve funding for CIP projects for both FY2019/20 and FY2020/21. Only minor changes to the 5-Year CIP will be expected in FY2020/21, resulting from funding adjustments based on revenues and grants received, new

priorities, and/or the addition of new projects with new funding sources.

DISCUSSION:

The 126 projects programmed in the 5-Year CIP are grouped into eight categories based on their funding sources and project eligibility (see Attachment). These categories include:

1. Streets and Sidewalks Projects
2. CIP Fund: City Facilities, Buildings and Parks
3. Water Infrastructure Projects
4. Wastewater Infrastructure Projects
5. Storm Drain Infrastructure Projects
6. Refuse and Solid Waste Collection Projects
7. Parking Facilities Projects
8. State Pier and Lots Projects

5-Year CIP List and Implementation Priorities (FY 2019/20 - FY 2023/24)

The body of this report highlights the 126 new and previously approved projects listed in the proposed 5-Year CIP by funding category. In all, the proposed 5-Year CIP represents nearly \$131 million in projects programmed for implementation over the next five years. It is worth noting that the majority of eight categories listed above have very specific project eligibility criteria, negating the ability to move most projects from one category to another, unless they also meet specific criteria.

The proposed 5-Year CIP also identifies 54 “Unfunded Projects” worth a combined \$89.5 million. Five projects alone are estimated to cost nearly \$60 million, representing 71% of the unfunded demand. They include:

- \$8M Fire Station 2 Construction
- \$18M New Aquatics Facility (Begg Pool)
- \$12M Block 35 Reservoir Replacement
- \$8M Strand Infiltration Project (Stormwater)
- \$13M Replacement of Parking Lot 3

Funding for the majority of these five projects could be generated through Proposition 218 increases in user fees (e.g., water, stormwater) and/or by successfully securing grant awards that may become available (e.g., Measure W).

A complete list of the proposed 5-Year CIP projects and their recommended funding sources is included as an Attachment. Those projects that were identified in the previous 5-Year CIP are listed in black, existing projects that have been modified are listed in blue, and those projects that have been added since adoption of the FY 2018/19 budget are listed in red.

Streets, Sidewalks and ROW

\$40,996,784

34 Projects

This category of projects primarily addresses the rehabilitation, improvement and/or enhancement needs of streets, sidewalks, curbs and gutters. Projects types include street resurfacing, slurry seal applications, replacement of damaged curbs, gutters and sidewalks, intersection and turn movement improvements, capacity enhancements such as lane widening, pedestrian safety projects, and Americans with Disabilities Act (ADA) access improvements. There are four local return funding

sources that support projects listed in this category. In addition, there are grant awards for five specific projects listed. Local return funding sources and the corresponding programmed revenues include:

\$10,995,154	<u>Streets and Highways Fund</u> (i.e., Gas Tax), inclusive of grants from South Bay Highway Program (SBHP) and the federal Highway Safety Improvement Program (HSIP): This fund can be used for a broad array of street-and sidewalk-related projects. Both local and arterial roadway projects are eligible. The Fund also includes the recent voter-affirmed Senate Bill1 tax on gasoline.
\$23,802,725	<u>Proposition C Fund</u> , inclusive of grants from SBHP and Metro: This fund is limited to arterial and collector transportation corridors and can be used for street rehabilitation, maintenance and access improvements on these corridors.
\$3,343,905	<u>Measure R Fund</u> : This fund can be used for a broad array of street-and sidewalk-related projects throughout the City. Both local and arterial roadway projects are eligible.
\$2,855,000	<u>Measure M Fund</u> : This fund can be used for a broad array of street-and sidewalk-related projects throughout the City, as well as stormwater pollution control projects. Both local and arterial roadway projects are eligible.

Staff Recommendation

In addition to continuing implementation of the 16 projects currently underway, staff recommends that City Council approve the remaining 18 projects programmed in the 5-Year CIP. The annual projects listed (i.e., curb/gutter, resurfacing, slurry) will be implemented based on roadway priorities established in the triennial Pavement Management Program report and in conformance with the City's annual slurry seal cycle. Alternatively, City Council may wish to consider deferring regularly scheduled annual programs and instead redirect funding to qualifying projects on Unfunded Projects list under Streets and ROW.

CIP Fund

\$13,503,478

36 Projects

This category of projects addresses all of the projects that do not typically qualify for funding from the seven other groups listed herein. The CIP Fund is generated from a combination of dedicated General Fund revenues, including transient occupancy tax (TOT), parking citations and parking meter revenues, and is used to support building and other facility improvements, park facility upgrades, studies and master plans, landscaping enhancements, signage, and other right-of-way and public property improvements. The CIP Fund list also includes \$1,875,000 in grants and special project funds from the Public Art Trust Fund, Community Development Block Grant (CDBG) program and Streetlight Fund.

Staff Recommendation

In addition to continuing implementation of the 10 projects currently underway, staff recommends that City Council review the 26 projects programmed but yet to be initiated and provide direction on whether to keep them in the 5-Year CIP or instead reallocate funding to any of the projects on the Unfunded Projects list (see also Attachment: CIP Projects - Keep or Reallocate?).

There is also an additional \$880,000 that can be allocated to projects over the next five years for projects that have yet to be programmed.

Water Fund

\$46,380,732

22 Projects

This category of projects addresses the infrastructure needs, operations and maintenance of the City's water 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 studies and master plans. The 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 approximately half of the total funding allocation over the next five years.

Staff Recommendation

In addition to continuing implementation of the six projects currently underway, staff recommends that City Council approve the remaining 16 programmed projects as presented. The two water-related items on the Unfunded Projects list should be deferred until Peck Reservoir construction is completed (by the end of FY 2021/22).

Stormwater Fund

\$5,526,367

13 Projects

This category of projects addresses the infrastructure needs for both stormwater conveyance and national pollution discharge elimination system (NPDES) compliance requirements. Projects include storm drain repairs and upgrades, capacity enhancements, trash capture devices, stormwater master plans and enhanced watershed management plan (EWMP) infrastructure needs (e.g., infiltration projects). The Stormwater Fund is supported by a combination of stormwater assessment fees and transfers from the General Fund, and will soon include local returns from Measure W in 2020.

There are two notable projects in this category:

- The Stormwater Masterplan, which will help guide future plans for upgrading the system to address deficiencies in pipe diameter and pumping capacity.
- The Joint Watershed Project, which is a regional stormwater infiltration project in Hermosa Beach in partnership with Redondo Beach and Torrance.

Additionally, staff is exploring the feasibility of a large infiltration project along the Strand, which would capture a significant amount of Manhattan Beach's flows that is currently discharged directly into the ocean. Staff has included a placeholder of \$8 million on the Unfunded Projects list, although the actual amount has yet to be determined. Staff will also be applying for a Measure W grant now that a significant amount of grant funding will soon become available in 2020.

Staff Recommendation

In addition to continuing implementation of the one project currently underway, staff recommends that City Council approve the remaining 12 programmed projects as presented. The two stormwater-related items on the Unfunded Projects list can be deferred pending the upcoming allocation of Measure W local returns, an application to be submitted to the Measure W grant program, and review of the City's current stormwater assessment fees.

Wastewater Fund

\$20,271,289

14 Projects

This category of projects addresses the infrastructure needs, 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. The projects in this category are fully funded through the Wastewater Enterprise Fund using revenues collected through sewer fees.

One third of the projects listed address sewer main replacements and repairs, and another third address lift stations upgrades. Lift stations are the backbone of an otherwise gravity flow system, and their proper care is paramount to the safety and effective operation of the entire wastewater system.

Staff Recommendation

In addition to continuing implementation of the three projects currently underway, staff recommends that City Council approve the remaining 11 programmed projects as presented. Staff prioritize sewer infrastructure repairs and replacements based on the age and condition of the pipes, useful life of operational equipment, and where known problem areas exist. There are no projects identified on the Unfunded Projects list.

Refuse Fund

\$800,000

1 Project

There is only one project listed in this category for \$800,000, which represents retrofitting up to 18 locations at City facilities where trash enclosures need to be covered and connected to the sanitary sewer system.

Staff Recommendation

Staff recommends that City Council approve this project as programmed. There are no projects identified on the Unfunded Projects list.

Parking Fund

\$3,280,250

4 Projects

This category of projects addresses the maintenance, repair, and rehabilitation of City-owned and managed public parking lots and their surrounding landscaped areas, including Metlox and three other downtown parking structures, the North Manhattan Beach parking structure and streetscape, and several beach parking lots owned by Los Angeles County. Funding for projects in this category is generated by meter fees collected at parking lots and curbside parking meters.

A structural review of Parking Lot 3 is scheduled for FY 2022/23, with a placeholder of \$800,000 in FY 2023/24 for repairs based on that review. Staff has also included \$13,000,000 on the Unfunded Projects list should the structural review indicate Lot 3 should be replaced. Significant additional funding would be needed for construction of any new parking lot.

Staff Recommendation

In addition to continuing implementation of the one project currently underway, staff recommends that City Council approve the remaining three programmed projects as presented. Although there is insufficient funding for the Parking Meter Replacement project until FY 2020/21, staff will present an alternative funding strategy for advancing that project later this year. Of the three items on the Unfunded Projects list, staff will also recommend later this year that the Intelligent Parking System be advanced and included with the roll out of new

parking meters.

State Pier and Lot Fund

\$240,000

2 Projects

This category of projects addresses the maintenance, repair and rehabilitation of state-owned upper and lower Pier parking lots as well as the Manhattan Beach Pier itself. Eligible projects include building upgrades to the Pier's Roundhouse, replacement and/or repair of the railing system, lighting, restrooms and deck, and installation of public safety devices. Funding for projects in this category come from the meter fees collected by visitors and patrons utilizing the upper and lower Pier parking lots. Notably, staff has initiated design efforts to replace the entire length of Pier's railing. The current rails were installed in the 1980s and are now beyond repair due to extensive corrosion.

Staff Recommendation

Staff recommends that City Council continue implementation of the two projects currently underway. There are no other projects programmed in this category because the anticipated cost of replacing the Pier railings exceeds the revenues that will be available over the next five years. Once the Pier railing design is completed and probable costs are known, staff will present an alternative funding strategy for advancing that project in FY 2019/20. In the interim, a placeholder figure of \$1.4 million has been included on the Unfunded Projects list.

Unfunded Projects

\$89,530,250

54 Projects

On a biennial basis, Public Works seeks input over a four-month period on the capital infrastructure needs of the City through a variety of outreach avenues, including print and social media, email blasts, public presentations and the City's website. The resulting suggestions and projects submitted represent the projects identified by staff, Council members, commissioners, user groups and the community at large. They are initially added to the Unfunded Projects list for Council consideration during the biennial 5-Year CIP process. Those projects not programmed by City Council remain on the Unfunded Projects list until they are either eventually programmed or removed by City Council. This year's list of Unfunded Projects includes:

- \$7,375,000+ 13 Streets and ROW Projects: Annual signal upgrades, license plate readers, traffic controls, pedestrian enhancements, sidewalk replacement, roadway barriers, and roadway reconstruction. Eligible funding sources include local returns from Gas Tax, Prop C, Measure R, and Measure M, as well potential grants. Projects can also be programmed in outer years of the CIP (FY 2024/25 and beyond) during future CIP budget processes.
- \$10,250,000 8 Building and Facility Projects: New construction, building renovations and repairs, security enhancements and an earthquake assessment of City facilities. Eligible funding sources include the CIP Fund and potential grants.
- \$20,725,000 15 Recreation, Parks and Open Space Projects: Construction of a new aquatics facility, renovations and/or repurposing park buildings, fields and equipment, security enhancements, and installation of a bike path on the greenbelt. Funding sources include the CIP Fund, Prop A, grants and bonds.
- \$17,750,000 2 Water Projects: Replacement of Block 35 reservoir once Peck Reservoir is completed, and construction of a new well collection line from Well 11A to Block 35.

Both projects are eligible under the Water Enterprise Fund.

\$10,500,000	<u>6 Stormwater Projects</u> : An infiltration project along the Strand and upsizing stormwater pipes to better handle increased runoff resulting from residential and commercial development. Eligible funding sources include Measure W, the General Fund, grants and bonds.
\$14,050,000	<u>3 Parking Lot Projects</u> : Installing intelligent parking sensors, possibly replacing Lot 3 and replacing the railings at two County lots (El Porto and 26 th Street lots). Eligible funding sources include the Parking Lot Fund, General Fund, grants and loans.
\$1,400,000	<u>1 State Pier and Lot Project</u> : Advancing the replacement of the Pier's railing system earlier than what the State Pier and Lot funding would otherwise allow.
\$7,480,250+	<u>6 School District Projects</u> : Repairs and upgrades to joint use facilities such as tennis courts, restrooms and playgrounds, as well as upgrading a public access way between Peck Avenue and the newly constructed gym. Eligible funding sources include the CIP Fund and General Fund.

As mentioned throughout this staff report, Council will closely evaluate the City's overall priorities within each funding category and provide direction on the final list of projects to be programmed. Where there is a lack of financial resources available, Council may wish to consider alternative funding options in deciding whether or not to advance any project. Options could include "swapping" unfunded projects with previously funded projects, raising additional revenues (e.g., Prop 218), General Fund transfers, loans, etc.

Staff Recommendation

The funding and staff resources needed to program these 54 Unfunded Projects far exceed what is available within the next five years. Therefore, staff recommends City Council evaluate the merits of these projects and consider which ones should be programmed in the 5-Year CIP, and where necessary, which previously programmed projects should be removed and instead added to the Unfunded Projects list (see Attachment: CIP Projects - Keep or Reallocate?). It is important to note that the current list of projects programmed in and prior to FY2019/20 still exceeds the staff resources available to implement them all this by the end of FY 2019/20. Therefore, any new priorities will need to be discussed in relation to what is already scheduled for implementation and what staff resources are available.

Staffing Resources and Project Workload

The City of Manhattan Beach has seven full-time, dedicated engineers to implementing the City's 5-Year CIP. However, the staff resource demand for the 126 projects listed in the 5-Year CIP does not yet align with the annual goals for implementation, although staff is gaining ground in clearing the historic backlog of projects and consolidating projects where possible. Notably however, since June 2017, Council has approved several small and large projects for priority implementation which have impacted the overall process of clearing the backlog. This includes:

- Construction of a new Fire Station 2
- Construction of a new Scout House

- Village Field ADA Access between Parkview and the soccer field
- Roadway safety barriers/bollards
- Strand resurfacing

Considering those projects approved by prior Councils, the projects added since adoption of the last biennial CIP, and the projects ultimately programmed for FY 2019/20, there are still several years-worth of catch-up ahead before the 5-Year CIP will be aligned with the budget and annual programmed workload. Staff estimates that the backlog of capital projects will be cleared by the end of 2021/22 under the current framework if no additional, significant projects are programmed for implementation prior to FY 2022/23.

Lastly, it is important to note that per City Council direction, four of the seven engineers on staff are supported by funding sources other than the General Fund. Unless directed by City Council to alter this structure, Public Works will continue to allocate its resources and prioritize the workload according to that structure. The current allocation of the seven full time equivalent (FTE) engineering staff workload is as follows:

<u>FTE</u>	<u>Project Category/Funding Source</u>
1.5	Streets, Sidewalks and ROW
2.0	CIP Fund
1.75	Water Fund
0.25	Stormwater Fund
1.0	Sewer Fund
0.1	Refuse Fund
0.1	Parking Fund
0.3	State Pier and Lot Fund

CONCLUSION:

Individual staff recommendations are provided throughout the staff report under each funding category. Overall, staff seeks direction from City Council on which projects should ultimately be programmed in the FY 2019/20 - 2023/24 5-Year CIP and whether staff should begin to investigate/evaluate possible revenue opportunities that would help offset the significant CIP funding shortfall for the City's 54 Unfunded Projects.

PUBLIC OUTREACH:

As mentioned above, staff conducted extensive public outreach in the development of the 5-Year CIP project list, including:

- Open City Hall (Nov-Dec 2018)
- Fall Manhappenings (print and electronic)
- Facebook, Twitter, and E-notification
- Nextdoor
- Emails to City Council, Commissioners and School District Representatives

Lastly, notice of this City Council meeting was advertised twice in the Beach Reporter.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not 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. Unfunded Projects List
3. CIP Projects (Keep/Reallocate)
4. Fiscal Year 2019-2020 and 2023-2024 Project Summary Sheets
5. PowerPoint Presentation