

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **May 16, 2023**

TO: Honorable Mayor and City Council

VIA: John Doughty, Acting City Manager

FROM: Maz Bozorginia, Public Works Director/City Engineer
Jonathan Woo, Assistant Engineer
Sheri Saisi, Public Works Administrative Assistant

TITLE: **FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM WORKSHOP**

RECOMMENDATION:

By motion approve the Fiscal Year (FY) 2023-24 Capital Improvement Project List and authorize staff to present the FY 2023-24 Capital Project List to the Planning Commission for General Plan Consistency determination.

FISCAL IMPACT:

The Five-Year Capital Improvement Program and FY 2023-24 Capital Budget are being presented to the City Council as part of the FY 2023-24 City Budget preparation process. The proposed FY 2023-24 Capital Budget is estimated at \$5,914,300 (\$2,938,000 General Fund). The FY 2023-24 Budget is still being prepared, but the list presented has been correlated with current projected estimates of General Fund availability. The project list and amount may require some modification as the operating budget is more fully defined. The Capital Budget will be presented to the City Council for consideration as part of the overall City budget consideration on June 6, 2023.

STRATEGIC ELEMENT:

This action supports the Infrastructure and Environment, Healthy Communities and Public Safety, Fiscal Sustainability Elements of the Strategic Plan.

OVERVIEW:

The Capital Improvement Program (CIP) is a financial planning and prioritization tool that identifies projects, assigns costs, and recommends schedules for design, environmental review, and construction of capital improvements over a multi-year period. The most common types of projects and programs in the CIP involve the purchase, improvement or construction of major fixed assets and equipment which are typically expensive, non-recurring and relatively permanent.

Over the last five years, the City has taken great strides to create a process which invests funds into capital maintenance as well as new capital projects. The CIP and commitment of General Funds has been a catalyst to obtaining grant funds to leverage funding for capital projects throughout the City. Unfortunately, each moment capital assets grow older and will require repair and replacement. As such, new major capital projects may lessen over time, but the need for capital repair and replacement will never completely end.

This draft CIP has been developed in concert with the City Council strategic objectives and goals; further defined by review criteria, anticipated available funds and capacity of staff to deliver the projects/programs. The CIP also reflects our success in obtaining grant funds and the strategic use of special (restricted) funds to address community capital/infrastructure needs.

BACKGROUND:

On April 4, 2023, the City Council considered the Mid-Year Budget Report. As part of the actions, the City Council authorized \$456,789 in funding and transfers to initiate two new projects and increase/decrease in funding to six other projects. These funds are to be encumbered in FY 2022-23 with the funding rolling over into FY 2023-24 where the bulk of funds are to be expended. A full list of the affected projects can be found in Table 1 below.

Table 1—FY 2022-23 Mid-Year Modifications to Capital Projects

CIP / Item	Adopted	Mid-Year Request	Revised Budget
NEW - Emergency Myrtle Outfall Repair	-	150,000	150,000
NEW - Safety Element	-	80,000	80,000
0759 - Main St Bridge Project	-	15,000	15,000
0523 - Highway 1 Safety - South	-	20,000	20,000
0605 - Sheriff Substation Renovation	-	14,021	14,021
9022 - Pilarcitos Creek Restoration A	342,000	(60,000)	282,000
9023 - Corporate Yard Improvements	2,964,619	259,141	3,223,760
Transfer from Main Street to Public Facilities	489,300	(21,373)	467,927
	TOTAL	456,789	

Project Status Update

City staff continued to deliver capital improvement projects and programs in FY 2022-24. Some of the highlights include the completion of the Downtown Street Can Replacement Project (#1010), the Climate Action Plan (#1002), Mac Dutra Restroom Remodel (#1021), the Kelly Avenue Crosswalks Project (#1018), and the Smith Field Site Assessment Master Plan (#1008).

There was also significant progress and milestones met on several other projects including Highway 1 Safety – North (#0538), Eastside Parallel Trail North – Segment 4 (#0619), and Corporate Yard Improvements (#9023). These accomplishments will be highlighted in the presentation provided at the City Council meeting on May 16. Additionally, Table 2 provides a list of significant projects funded in FY 2022-23 and their projected statuses for the end of the fiscal year, June 30, 2023.

Table 2—FY 2022-23 Project Status

FY 2022-23 PROJECT STATUS UPDATE

#	Name	Project #	Status
1	DOWNTOWN STREET CAN REPLACEMENT PROJECT	1010	COMPLETED
2	CLIMATE ACTION PLAN	1002	COMPLETED
3	MAC DUTRA RESTROOM REMODEL	1021	COMPLETED
4	SMITH FIELD SITE ASSESSMENT AND MASTER PLAN	1008	COMPLETED
5	KELLY AVENUE CROSSWALKS	1018	COMPLETED
6	STORM WATER MASTER PLAN UPDATE	1001	Ongoing - completion anticipated in FY 23-24
7	KEHOE/PILARCITOS OUTFALL REPAIR	1005	Ongoing - completion anticipated in FY 23-24
8	ROOSEVELT DITCH SPOT REPAIR	1006	Ongoing - completion anticipated in FY 23-24
9	KEHOE WATERSHED ENHANCEMENT AND ENVIRONMENTAL STEWARDSHIP PROJECT	1017	Ongoing - completion anticipated in FY 23-24
10	LCP AND HOUSING ELEMENT IMPLEMENTATION	1001	Ongoing - completion anticipated in FY 23-24
11	555 KELLY AFFORDABLE HOUSING PROJECT	1012	Ongoing - completion anticipated in FY 23-24
12	CLIMATE ACTION AND ADAPTATION PLAN	1002	Split into two projects. The draft Climate Action Plan was completed. The Climate Adaptation Plan is ongoing - completion anticipated in FY 23-24
13	WAYFINDING AND ENTRY SIGNS	0559	Project is integrated into the now named Downtown Streetscape master Plan Project.

14	MAIN STREET REVITALIZATION PROJECT	1024	Project now called Downtown Streetscape Master Plan. Ongoing.
15	POPLAR BEACH GATEWAYS PLAN	0617	Ongoing - completion anticipated in FY 23-24
16	CARTER PARK IMPROVEMENTS	0611	Ongoing – completion anticipated in FY 23-24
17	TRAIN DEPOT AND JOHNSTON HOUSE SHORT-TERM IMPROVEMENTS	1023	Ongoing – Completion anticipated in FY 23-24
18	FRENCHMAN'S CREEK PARK IMPROVEMENTS	1013	Ongoing – Completion anticipated in FY 23-24
19	MAGNOLIA PARK	1007	Ongoing – CDP anticipated to be issued in FY 23-24
20	CORPORATE YARD IMPROVEMENTS	9023	Ongoing – Completion anticipated in early FY 23-24
21	PILARCITOS CREEK RESTORATION AND REMEDIATION PROJECT	9022	Ongoing – Completion anticipated in FY 23-24
22	SANITARY SEWER MASTER PLAN	9024	Ongoing – Completion anticipated in FY 23-24
23	HIGHWAY 1 SAFETY - NORTH	0538	Ongoing – Completion anticipated in FY 25-26
24	POPLAR STREET TRAFFIC CALMING AND SAFETY PROJECT – PHASE I	0593	Ongoing – Completion anticipated in FY 23-24
25	MAIN STREET SAFETY IMPROVEMENT PROJECT	1009	Ongoing – Completion anticipated in FY 23-24
26	EASTSIDE PARALLEL TRAIL NORTH - SEGMENT 4	0619	Ongoing – Completion anticipated in FY 24-25
27	COASTAL TRAIL OVERLAY (POPLAR TO CENTRAL)	1014	Ongoing – Completion anticipated in FY 23-24

DISCUSSION:

The draft FY 2023-24 Capital Improvement Project List (Attachment 1) is being presented for review, discussion, and direction. The CIP identifies fifty-seven (57) distinct projects and programs to be completed over the five-year horizon with an estimated cost of approximately \$123 million (\$41.2 million unfunded). This is a significant staff undertaking, particularly given high community expectations, the size of Half Moon Bay staff, the challenges of finding quality contract staff and the uncertain post-pandemic economy.

The City’s CIP is comprised of two components: 1) the Five-Year Capital Improvement Program, and 2) the Year One funding authorizations, referred to as the Capital Budget. The Capital Improvement Program represents a long term (five-year) comprehensive plan for meeting existing and anticipated capital needs of the City (Attachment 2). The Capital Budget

represents the City Council’s annual prioritization and funding authorizations. The City of Half Moon Bay has generally funded capital projects and studies through the General Fund, grants and other “one time” funds on a “pay as you go” basis. Bonding for major capital projects and programs remains an option, as well as developer impact fees and deferred improvement agreements. However, the ability to bond is directly related to the City’s capacity to maintain revenues sufficient to operate the City and repay the debt. The City was able to construct the Library and purchase 880 Stone Pine through loans.

While the CIP is subject to change based on identified needs or special circumstances, it is intended to provide a stable and predictable approach to maintaining and expanding capital facilities, utilities and other infrastructure over several years. Stability and predictability are critical to successful implementation of a CIP as well as stewardship of public funds. This is particularly relevant given that many projects take multiple years to design, permit, bid and construct. Despite the challenges of the post COVID pandemic environment and related economic impacts, the City intends to continue its investment in the infrastructure and facilities that serve and protect the residents of Half Moon Bay.

Cost estimates in the CIP are not only based on the anticipated physical construction costs, but also soft costs such as project management, material testing, inspection, and administrative support (legal, financial, etc.). Project management and construction oversight are essential parts of successfully delivering the Five-Year CIP as it ensures projects meet specifications and are built as designed. These costs have been included in the project budgets and will be paid from the capital project fund. Where allowable, these costs will be funded by grants, special funds or enterprise funds and will only be borne by the General Fund as a last resort. Ongoing long-term maintenance is always considered in design and the recommendation of projects.

The current CIP reflects the continuing effort to maintain a realistic and strategic capital program. Regular maintenance of capital projects is programmed annually into the Public Works Operating Budget. In some instances, the capital projects result in maintenance savings. In other circumstances, the project results in new/added maintenance costs. Capital maintenance and repair efforts exceeding \$30,000 are generally included in the CIP unless issues arise unexpectedly.

Year One (FY 2023-24) of the draft CIP includes fifty-one (51) distinct projects and programs in compared to the forty-three (43) distinct projects identified in FY 2022-23. This year’s CIP also introduces one (1) new program: Coastal Bluff Preservation Program. In total, the CIP appropriates \$5,914,300 for projects and programs in FY 2022-23, which includes a \$2,938,000 contribution from the General Fund.

Prioritization

Capital project priorities should be considered in concert with both budgetary restrictions and staffing capacity, which include both direct (hard) and indirect (soft) costs. Staff prioritized projects for the upcoming year using the following criteria:

- Does the project have a significant impact/benefit to Public Safety?
- Does the project have grant funding (and is that funding at risk?)
- How far along in the process is the project?
- How many people are impacted positively by the project?
- Is the project statutorily required?
- Does the project align with City Council Strategic Priorities?

Staff also looked at the number of resources and effort that would be required for each project and assigned it a high, mid, or low rating. Projects rated “HIGH” are considered public safety issues that require a lot of planning support and outreach. “MID” projects will require considerable effort, permitting and some outreach. “LOW” projects are in-house and/or maintenance efforts that may require some consultant support, but are well supported by the community and do not require much outreach.

Many of the projects identified will require multiple years to complete and will have continuing demands on the General Fund. Focusing strategically on certain programs and objectives will provide the opportunity to develop the Five-Year CIP more fully and to commit funding to the projects in their entirety. This also provides staff with long-term direction when determining which projects to emphasize when seeking new funding opportunities.

In addition to providing the FY 2023-24 Capital Improvement Project List (Attachment 1), staff is also presenting the recommended Five-Year CIP Summary (Attachment 2). This list includes all projects identified by staff and the City Council over the last several years, regardless of funding timeline. Staff have also included the individual pages for any project or program listed on the FY 2023-24 Capital Improvement Project List (Attachment 3).

Utilizing the various factors including staff capacity, the Public Works Department developed an initial draft Fiscal Year 2023-24 Capital Project List. This list was submitted to the City Manager and Administrative Services Department. As the FY 2023-24 Operating Budget is still being prepared, the funding availability and list may still be subject to revision. The Capital Budget will be presented to the City Council as part of the overall operating budget in June. The list approved tonight will be presented to the Planning Commission in May for a statutory determination of General Plan conformance.

ATTACHMENTS:

1. Draft FY 2023-24 Capital Improvement Project List
2. Draft Five-Year Capital Improvement Program Summary
3. Draft FY 2023-24 CIP Program and Project Pages