
MEMORANDUM

July 1, 2006

TO: Mayor and Members of the City Council

FROM: Lydia E. Du Borg, City Manager

SUBJECT: Transmittal Letter for the Proposed 10-Year Capital Improvement Program (CIP) and Transportation Improvement Program (TIP) for the Period of FY 2006-07 to FY 2015-16

Introduction

This transmittal letter presents the recommended FY 2006-07 Capital and Transportation Improvement Programs (CIP and TIP) for City Council review. Reducing the use of General Fund monies in Capital projects continues to be a priority. These reductions are a further challenge in this CIP/TIP due to the stagnation of revenues received from Gas Tax and Proposition 111. These revenue issues also affect our ability to support Transportation-related capital projects and may, in the future, affect our ability to fund street maintenance operations. As always, however, the Proposed 10-Year CIP/TIP continues to be fully funded, balanced, and adheres to all Council budget and fiscal policies.

Current Fiscal Issues

Challenges to the City's financial picture arise from several quarters even within the backdrop of an overall stable Bay Area economy, still in slow recovery from early 2000. These fiscal challenges place even greater importance on the City's reliance on Ten-Year Financial Planning, so decisions can be made along the way to proactively prepare for and address issues before they disrupt service. One of these potential issues is the stagnation of Gas Tax and Proposition 111 revenues, funds that are heavily relied upon for the City's Street Maintenance Program. This issue will be further discussed in the Revenue Forecast section of this letter.

Our major budget challenges are the State's fiscal condition, health benefit costs continuing to rise at rates that outpace inflation, funding liability for Other Post-Employment Benefits (OPEB), i.e. retiree health coverage, increases in shared City costs for County provided services to Concord residents, and, with fewer employees, maintaining existing service levels for a growing and changing community.

The provisions of State Proposition 1A, Protection of Local Government Revenues, passed by voters in November 2004, help ensure limits on the State's ability to raid local government resources such as portions of the property tax, sales tax and vehicle license fees. Over the past

two years, State payments extracted for the Educational Revenue Augmentation Fund (ERAF) from the City's General Fund and Redevelopment Agency totaled \$5.6 million. Proposition 1A protects the General Fund from future take-aways unless the State determines a "fiscal hardship" exists. While the Proposition 1A addresses General Fund tax revenue sources, it leaves Redevelopment Agencies vulnerable to future State raids. Any significant reduction in Redevelopment revenues will negatively impact the City's budget.

Economic Assumptions

While the national economy faces many of the same concerns as it has over the past few years, i.e., expanding federal and trade deficits, the war in Iraq, terrorist threats, extremely high oil prices, and increasing interest rates, the economy is still growing, though at a slower rate. The Federal government is still grappling with the same issues that it has in the past. In its efforts to bring its own budget under control, local programs such as the Community Development Block Grant (CDBG) funding may be further curtailed.

The State is still dealing with its deficit problems and has had the advantage of "growing" out of a portion of it. Unfortunately, the State is still facing many issues as has been discussed above and it has not yet fixed its structural budgetary problems to bring its operating revenue estimates in line with its operating expenditures for its programs.

Proposition 1A has helped to "normalize" the States financial relations with the local governments, though there is always the potential of further raids on local resources. Redevelopment funds are especially vulnerable.

The Bay Area is pulling out of its "dot.com" recession, albeit slowly, though cost of living in the Bay Area is still a major concern. For the City of Concord, the revenue projections were developed using a cautious optimism reflecting very conservative growth estimates for FY 2006-07.

Revenue Assumptions

As with all City revenue funds and in keeping with Budget and Fiscal Policies (Attachment A), the CIP/TIP revenues and costs are balanced over the 10-Year period. All 10-Year revenue allocations and balances are shown in the FY 2006-07 Operating Budget. The revenue assumptions and the 10-Year balancing of the Gas Tax (Fund 260), Proposition 111 (Fund 261), Measure C (Fund 472), Measure J (Fund 475), AB2928 (Fund 476), OSIP (Fund 420), and all the Parkland Funds (Funds 450, 451 and 452) are also incorporated into the annual CIP/TIP process and will be discussed here. The 10-Year fund balance for these funds is shown behind Tab "**Fund Allocation-Balances**" in this binder. All fund allocations are shown separately behind the same Tab.

OSIP and **Parkland** revenues have increased significantly in the 10-year forecast, primarily due to the Council's foresight in approving increases to these developer fees. These fee increases

went into effect in July of 2005 and were based on the findings of two studies done last fiscal year. OSIP fees were set at the new level as of last July, while Parkland fee increases are being phased in over a five-year period. Over the 10-year plan, the increase to OSIP fees results in an average increase of over \$575,000 annually to the OSIP fund. For Parkland fees, the average annual increase is nearly \$549,000. Details of the OSIP and Parkland revenue assumptions for the 10-Year period have been included behind the “**Revenue Assumptions**” Tab. These forecasts are derived by staff from Building, Engineering and Neighborhood Services, Planning and Economic Development, Public Works, and Finance and Management Services.

These increases have a significant impact on the City’s ability to maintain infrastructure. The OSIP increases will allow for significant transportation projects, several of which are noted in the “Discussion of the 2006/07 CIP/TIP” section of this document. While OSIP revenues are not interchangeable with Gas Tax and Proposition 111 funds, the only alternative funding for those projects shown in the Discussion would be Gas Tax, Proposition 111, or General Fund. Obviously, with the limitations of these funds, these projects could not be done without these increased OSIP revenues.

Previous levels of Parkland Fee revenues barely covered recurring park infrastructure costs. With the new fee implementation, those recurring costs are funded at \$400,000 annually (PR-804). In addition, PR-803 is being proposed as a holding account for park infrastructure improvements identified in 2005 Parkland Fees Study, which identified \$100 million in planned improvements to park facilities and buildings. Again, the increased fees passed by Council last July allow not only maintaining our parks at the current level, but improving them as well.

Staff also developed the revenue assumptions for the following funds:

- **Gas Tax** (Fund 260) and **Proposition 111** (Fund 261): It was determined that revenues from these two funds have essentially been static for the past 5 years. Therefore, the projected inflationary increase was reduced from 2.5% annually to 1.5% annually. These revenue sources are not keeping pace with inflation while cost increases in the City’s street maintenance program are increasing ahead of inflation, primarily due to increased operating costs associated with health benefit costs, etc., and increases in asphalt costs related to the rising cost of oil and related petroleum products. In other words, either additional revenue sources will have to be found or costs will have to be reduced in future years of the street maintenance program in order to keep it whole. A thorough review of those costs will be conducted in the next CIP/TIP budget cycle.
- **Measure C Local** (Fund 472): This is a Contra Costa County ½ cent sales tax fund which finance transportation and road construction programs within the County. The revenues are distributed to cities by formula. Since these revenues are tied to sales

tax revenues, the same assumptions were used to forecast Measure C as were used in the Operating Budget to forecast sales tax, that is, a conservative 3.5% annually through 2008-09.

Measure C was only authorized through FY 2008-09 as these funds sunset at the end of that fiscal year. The reauthorization of Measure C funding required voter approval as a ballot measure, and was passed by voters in November 2004. That reauthorization, Measure J, is discussed below.

- **Measure J** (Fund 475): On August 3, 1988, the Contra Costa Transportation Authority unanimously passed and adopted Ordinance No. 88-01 (the Contra Costa Transportation Improvement and Growth Management Ordinance). The purpose of the ordinance was to impose and collect a retail and transactions tax (sales tax) at the rate of one-half of one-percent (0.5 %) in the incorporated and unincorporated territory of Contra Costa County. As required under the Local Transportation Authority and Improvement Act (Public Utilities Code section 180000 et seq.), the revenues derived from the sales tax may be expended for "for the construction and improvement of state highways, the construction, maintenance, improvement, and operation of **local streets, roads, and highways**, and the construction, improvement, and operation of public transit systems." Ordinance No. 88-01 was approved by voters on November 8, 1988, and became operative on April 1, 1989. The imposition of the sales tax was currently set to expire on March 31, 2009. Under the Act, a sales tax may be continued in effect if a county transportation authority adopts a tax ordinance by two-thirds vote and the imposition of the tax is later approved by county electors voting on the measure at an election. On May 26, 2004, the Contra Costa Transportation Authority unanimously passed and adopted Ordinance No. 04-02, which amends Ordinance No. 88-01 and continues the existing half-cent sales tax, subject to voter approval. The sales tax would continue for an additional twenty-five years, starting on April 1, 2009 and continuing through March 31, 2034.

This extension, Ballot Measure J, was passed in the November 2004 general election. We have forecast Measure J "return to source" funds to start at \$1,638,000 in 2009-10, with the same conservative 3.5% increase for each year thereafter, following the forecast for sales tax.

These funds are the main sources of revenue for the City's street maintenance and rehabilitation programs and projects. As was done last year, we have used much of the Gas Tax, Prop. 111, and Measure C funds to offset the General Fund in Street Maintenance operations. Project 1199, Street Maintenance, was created to capture these offset amounts, thereby reducing the street maintenance impact on the General Fund. Many of the Street Landscaping and other TIP projects that were moved to the "Unfunded" category in the FY 2003-04 CIP were moved in order to use their funding for the first 10 years of Project 1199. However, even with the passage of Measure J, the eroding buying power of Gas Tax and Prop. 111 funds may still leave a gap in the street maintenance budgetary needs in future years.

Project Prioritization Criteria

In all budgetary processes, projects-needs compete for finite resources. In order to recommend the effective allocation of these funds, staff relies on priorities for funding established in the CIP/TIP. These prioritization criteria, in keeping with out stated Mission, Vision, Values, include (1) public safety, (2) neighborhoods, (3) revenue enhancement, and (4) infrastructure preservation-enhancement. In our review and recommendation on projects this year, we have also considered those projects that require an inordinate amount of City matching funds and those projects with high incremental operating cost increases. Too much of a General Fund commitment in Operating Costs could make a project ineligible at this time.

CIP/TIP Process

As with other fiscal programs and policies within the City of Concord, (e.g., Performance Based Budgeting, Pay for Performance, and the Operating Budget itself), the CIP/TIP is recognized statewide as an excellent and innovative program. Once again, the California Society of Municipal Finance Officers (CSMFO) recognized the City of Concord's CIP/TIP through their Award of Excellence in Capital Budgeting (Attachment B) for our FY 2005/06 CIP/TIP submittal. The City of Concord achieved this award due to the policies that the Council has implemented over the past several years. Two of the specific policies/practices which lead to the award are 1) 10-Year planning and 2) the inclusion of incremental operating costs associated with project proposals (i.e., fully loaded cost). These policies have clearly proven their effectiveness more than ever during the current constrained budget situation.

The CIP/TIP Process began in early October with the drafting of the CIP/TIP Process Schedule (See Attachment C). Engineering Services staff coordinated this schedule with the Operating Budget Process Schedule prepared by Finance Department staff. Leisure Services staff reviewed the schedule for coordination with the Parks, Recreation and Open Space Commission schedule. This Commission annually reviews parks-related projects. In addition, Planning and Economic Development staff reviewed the schedule for coordination with the Planning Commission schedule. This Commission annually reviews the CIP/TIP for consistency with the General Plan, as mandated by State law.

Engineering Services staff held a kick-off meeting in early November to bring the CIP/TIP Committee together and lay out the plan. The CIP/TIP Committee consists of the City Manager, all Department Heads, and key program managers from all departments. The Committee members were given all the forms and information necessary to submit their Capital and Transportation project proposals. Changes or updates to Council policy or direction are also discussed at the meeting.

The project data were submitted and entered into the CIP/TIP database. After each draft was completed, the CIP/TIP Committee met to discuss the proposed 10-Year Plan. By the time the second draft was completed, committee members had given significant time and effort searching for alternate funding sources to relieve the General Fund and support maintenance operations.

CIP/TIP Binder Organization

This CIP/TIP binder contains a great deal of information about the two programs. In order to facilitate its use, it may be helpful to know where to look for various data. The following Tab references may be of special interest:

- “Project Appropriations” contains a summary of each project by category and contains project number, project name, year(s) of funding, and source(s) of funding. It provides a subtotal of each category cost, as well as individual CIP and TIP totals. It provides the best “snapshot” of the 10-Year Plan projects.
- “Fund Allocation-Balances” has two parts. The first is a summary of all funding source totals for the entire 10-Year Plan. The second shows the revenue allocation, allocations and fund balances of the major capital funding sources over the 10-Year Plan.
- “Completed Projects” shows all the projects completed in FY 2005/06.
- “CIP” and “TIP” sections are divided into their respective sections-tabs based upon the City’s identification of Major Categories of Capital Improvement. These categories are as follows:

CIP Categories

- Building and Grounds
- Community Block Grant
- Drainage and Stormwater
- Golf Course Enterprise
- Miscellaneous Projects
- Parks and Recreation
- Pavilion Enterprise
- Redevelopment Agency

TIP Categories

- Annual Programs
- Local Streets and Roads
- Traffic Signals
- Undergrounding

- *A separate category of “Unfunded Projects” contains those projects which were removed from the capital budget in 2003-04 in order to balance the 10-Year Plan, or projects that have since*

been identified as community needs for which no funding is currently available.

- ***“Appendices” contains several sections of information helpful to understanding and using this document. Included are:***
 - “Glossary” of acronyms, terms, and some of the major funding sources used throughout this document.
 - “Index to Projects” where the projects are listed in both project name order (green pages) and in project number order (blue pages) to make it easier to locate specific projects.
 - “CDBG Zone Map” and “Parkland Districts Map” each provide a map of the City divided into the appropriate sections for the respective map.
 - “Revenue Forecast” which provides the details for the proposed 10-Year revenue forecast for the following funding sources: Measure C, Measure J, Gas Tax, Proposition 111, OSIP, and Parkland.

Discussion of the 2006/07 CIP/TIP

The major improvement categories for the CIP/TIP are listed under the “CIP/TIP Binder Organization” section of this transmittal. Requests for FY2005-06 project funding are shown in graphical representation in Figure 1 and as total dollars in Figure 2.

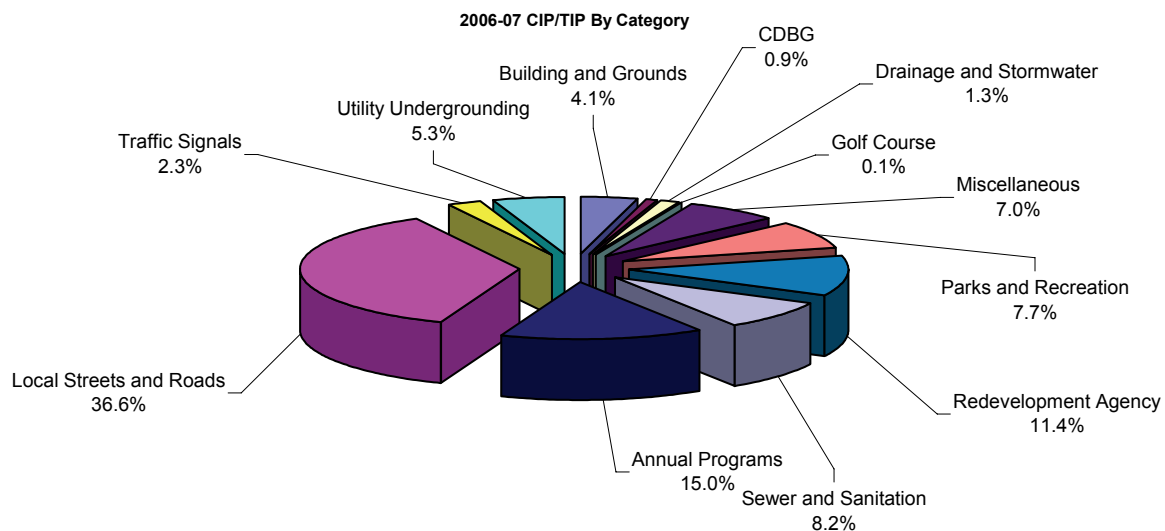


Figure 1

<i>Category</i>	in \$000's
CIP-Building and Grounds	\$ 1,285
CIP-Community Development Block Grant	\$ 295
CIP-Drainage and Stormwater	\$ 396
CIP-Golf Course	\$ 38
CIP-Miscellaneous	\$ 2,196
CIP-Parks and Recreation	\$ 2,424
CIP-Redevelopment Agency	\$ 3,583
CIP-Sewer and Sanitation	\$ 2,560
TIP-Annual Programs	\$ 4,693
TIP-Local Streets and Roads	\$ 11,463
TIP-Traffic Signals	\$ 736
TIP-Utility Undergrounding	\$ 1,659
TOTAL	\$31,328

Figure 2

Within the above categories are the following new projects for FY 2006/07:

- **PJ 2035 ADA Transition Plan Update** is proposed to evaluate City facilities and programs, including sidewalks, curb ramps, and pedestrian-related traffic signals, for ADA accessibility; and to develop prioritized list of needed work (according to priorities set forth in state and federal disability laws), with cost estimates and description of work needed for each location. The prioritized list will be used to determine the work to be performed annually on sidewalks, curb ramps, parks, and City facilities and programs, to eventually address all deficiencies. The Update will include extensive public participation and is scheduled for completion in early 2007.
- **PJ 2038 Server & Telephone Room Halon System Replacement, Air Conditioning and Access Control** is proposed to replace existing Halon system with an appropriate replacement system supporting both the Telephone room and server room. In addition this project would replace / renovate the existing basement air conditioner to meet the sealed room requirement of the fire extinguisher system and provide adequate backup for the server room. The old air conditioner failed, resulting in a thermal shutdown of all servers and associated equipment housed in the server room. This project would also install a Card Key system on all Wing C exterior doors and relevant sensitive interior doors and obtain a UPS system capable of providing sufficient battery run-time to keep City business systems functioning when the existing emergency generator fails.
- **PJ 2039 Police Department Community Service Desk Security Enhancements** would enhance Police staff safety while still providing efficient customer service to citizens.

- **PJ 2040 Drainage Studies** will fund various studies as necessary to determine solutions to drainage complaints throughout the City. Once the study is complete, the solution may be effected through Maintenance repairs or a new CIP project, subject to funding.
- **PJ 2034 Ygnacio Valley Road Landslide Repair and Restoration** will repair 1,000 ft. of roadway along eastbound Ygnacio Valley Road in the area of Cowell Road heavily damaged by a landslide brought on by heavy winter storms. In addition, staff has secured an additional \$4.6 million in Federal Highway Administration (FHWA), \$1.1 million for emergency repairs of the roadway, and \$3.5 million towards the excavation of two keyways at the base of the slide and mid-slope with associated drainage improvements to stabilize the hillside. The additional \$1.1 million appropriation for this project is for the City's matching funds to the Federal grant.
- **PJ 2049 Bailey Road Traffic Improvements** is proposed to implement necessary traffic improvements at the intersections of Bailey Road/Myrtle Drive and Bailey Road/Concord Boulevard which were identified as mitigation measures in Environmental Impact Reports approved by the City of Pittsburg and Contra Costa County. In the cumulative project scenario for all project EIRs, both intersections degrade to a Level-of-Service "F" without the proposed improvements.
- **PJ 2050 Downtown Streetscape and Lighting** will increase the pedestrian lighting levels and determine a solution for the uplifting bricks which will improve security and enhance pedestrian safety. This project will address the lighting issues for the globe lights and is **not** related to the Downtown Landscape and Lighting District.
- **PJ 2051 Concord Avenue/SR 242 SB Off-Ramp Additional Right Turn Lane** is a proposed OSIP funded project that will enhance access from SR 242 and improve traffic flow on the local street system, especially Commerce Avenue. It will need to be coordinated with CCTA.
- **PJ 2052 Concord Boulevard Sidewalk (Farm Bureau Road to Sixth Street)** will improve pedestrian connectivity from BART and downtown to Kirker Pass Road, provide access to the local transit system and enhance pedestrian safety for the school children along this minor arterial. This proposed funding for this project includes a Regional Bicycle and Pedestrian Grant (\$800,000) and OSIP funds (\$400,000).
- **PJ 2053 Waterworld Parkway Bridge over Walnut Creek** enhances access to I-680 and SR 242 and improves traffic flow on the local street system. The project will require receiving grant funds, such as Measure J, as the total project cost is in excess of \$12,000,000. The \$75,000 of RDA funds proposed in this phase of the project is for a traffic study to be conducted in FY 2006-07 to find the best alignment over the Walnut Creek Channel.

- **PJ 2054 Arnold Industrial Way/Laura Alice Way/Peralta Drive Traffic Signal** will construct a traffic signal at the intersection of Arnold Industrial Way and Laura Alice Way/Peralta Drive to enhance safety of traffic flow and pedestrians crossing the street.
- **PJ 2041 Automated Fingerprint Identification System** is proposed to purchase and set-up of the Automated Fingerprint Identification System equipment. Currently all fingerprint cases with useable latents are submitted to the Contra Costa County Crime lab for entry into the AFIS system which is currently backlogged approximately 3-4 months. With an AFIS Terminal at CPD, the fingerprints could be loaded into the system daily by our Forensic Specialists which should give results in less than 24 hours.
- **PJ 2042 Public Notification – Accela Module** is proposed to obtain an additional module for the City’s existing Accela parcel maintenance system to facilitate improved Public notification process.
- **PJ 2043 Hillcrest Park Playground** with proposed funding from Parkland Fees, CDBG, and Community Group Funds, includes removal and disposal of old playground, installation of new ADA-compliant concrete walks and security fencing, and installation of playground equipment appropriate to children of all abilities.
- **PJ 2044 Concord Community Park Bocce Ball Courts** includes removal and disposal of old courts, installation of new ADA-compliant walks, security fencing, and construction of two new courts. Currently, the Concord Community Park bocce ball courts are closed due to the poor and dangerous condition of the courts.
- **PJ 2045 Park Infrastructure Improvements Implementation Project** is a holding account for park infrastructure improvements identified in 2005 Parkland Fees Study, which increased the developer fee. The study identified \$100 million in planned improvements to park facilities and buildings.
- **PJ 2046 Recurring Parks Facilities Costs Program** is a holding account for recurring costs for maintaining existing park infrastructure improvements identified in 2005 Parkland Fees Study, which increased the developer fee. The study identified \$3.8 million in costs for maintenance scheduled over 10-year period, or \$400,000 annually. **PJ 2047** is the implementation portion of this project for any capital projects.
- **PJ 2048 Todos Santos Plaza Improvements** is the study of potential canopy replacement options for the stage at Todos Santos Plaza. In addition, the project will install a Plaza Clock with electrical connection, footing and bollards for enhanced safety; and will install granite top facing, protective berm and reconfigured irrigation system for the Living Flag landscape feature.

- **PJ 2055 Traffic Signal Retiming Program** would retime traffic signals to maintain optimum traffic flow on the City's arterials and collector streets and is proposed because studies have clearly shown that signal re-timing is the greatest benefit a city can experience for each dollar spent. The most recent studies completed in 2004 show a benefit:cost ratio of as much as 35:1. This project would retime traffic signals to maintain optimum traffic flow on the City's arterials and collector streets.

Conclusion

I would like to thank Alex Pascual (Director of Building, Engineering, and Neighborhood Services), Robyn Goodrich (CIP Analyst), Cecilia Skuza (Accountant II), and the entire CIP/TIP Committee for their hard work and efforts in bringing this document together.

The City Council has provided us with the clear direction that we need to prioritize and develop the projects contained in this document. We will continue to refine and improve the CIP/TIP process and budget to enhance its usefulness and purpose for the City.