



# City of San Leandro

Meeting Date: February 9, 2016

## Staff Report

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**File Number:** 16-058

**Agenda Section:** WORK SESSION

**Agenda Number:** 2.A.

**TO:** City Council

**FROM:** Chris Zapata  
City Manager

**BY:** Keith Cooke  
Engineering & Transportation Director

**FINANCE REVIEW:** Not Applicable

**TITLE:** Staff Report for Capital Improvement Program (CIP) and Project Selection Process

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The Engineering and Transportation Department will review CIP accomplishments during 2015, present proposed changes to the CIP project selection process, and submit a request for funding of additional CIP projects in fiscal year 16-17.

### ATTACHMENTS

- Handout - Capital Improvement Program and Project Selection
- PowerPoint - 2015 CIP Recap and CIP Selection Process
- PowerPoint - Mid Cycle CIP Project Requests

**PREPARED BY:** Keith Cooke, Engineering & Transportation Director, Engineering & Transportation Department

## Capital Improvement Program and Project Selection

This document includes details on the existing Capital Improvement Program (CIP) and proposed changes to the project selection process; it is provided in advance of the February 9, 2016 City Council work session on the topic. We will first outline the basic process that the City has used in the past and then discuss some refinements in how CIP projects are selected. Although the basic CIP process has been used for quite some time in San Leandro and provides a firm foundation for this document, the basis of a large portion of the text describing our process is from the Government Finance Officers Association document “Capital Improvement Programming – A Guide for Smaller Governments” by Patricia Tigue.

### **Capital Improvement Program**

Capital infrastructure is necessary for maintaining our community. Streets, sewer systems, traffic signals, parks and public buildings provide the backbone of the local economy, influencing the flow of goods, residential development, and business location decisions. The quality of life for a community depends upon the reliability of its transportation, the quality of its sewer and storm systems, and the accessibility of many other essential public services.

Budgetary pressures can often divert City resources away from capital renewal. Our City will be continually challenged to meet citizen needs for additional or improved services and facilities while maintaining our existing infrastructure. There are limited resources available in our budget and capital spending is often the first to be cut in an effort to balance the budget; however, our quality of life can only be maintained if as a City we are committed to keeping our capital assets in good condition.

A capital program is a multiyear plan – our proposal is to be six years – identifying projects to be funded during the period. The capital program should not be confused with the capital improvement budget. The capital improvement budget represent the money allocated during a budget cycle year of the capital program. The capital budget is our annual appropriation for capital spending and is officially adopted by the Council every two years. The capital budget authorizes specific projects and appropriates specific funding for those projects, and then is adopted in conjunction with the City’s operating budget. Project and funding sources listed in the CIP for years other than the budget year serve only as a guide for future planning and are subject to further review and modification in following budget cycles.

The development of the CIP is a multi-step process. Our process can be summarized with the steps listed below.

1. Establish the Policy Framework for the CIP
2. Formulate Evaluation Criteria to Prioritize Capital Spending and Guide Project Selection
3. Identify Projects for the capital program

4. Evaluate and Prioritize Projects
5. Evaluate Funding Options
6. Program Funding between Prioritized Capital Projects
7. Adopt Capital Program and Capital Improvement Budget

### **Project Selection**

The refinements proposed for evaluating and prioritizing projects will be explained and then a recommendation will be made to approve the described process for the selection of CIP projects.

Our process refinement is in the development of evaluation criteria to provide an economics based guide for project selection. The domain of economics is the study of processes by which scarce resources are allocated to satisfy unlimited wants. Our CIP project selection is one of those economic processes wherein the scarce resource of money is allocated among our list of proposed CIP projects. As a City we must continually consider whether existing assets are still needed and balance funding for replacing aging capital assets with meeting new needs. An economist will tell us that our decisions are good if they maximize return on investment. While the return or benefit of our projects is hard to quantify, the CIP selection exercise hinges upon the comparison of benefits or value for each alternative use of the money. Current best practice for making these decisions, as outlined in “Capital Improvement Programming – A Guide for Smaller Governments”, and as used by such organizations as the City of Baltimore, MD and District of Wairoa, New Zealand, relies upon a calculation of the Economic, Social, and Environmental value of each project.

We have developed 8 categories to help judge project value:

1. Fiscal Impact
2. Economic Development Impact
3. Liability, Risk, Public Health, and Safety
4. Protection of Existing Facilities and Lifespan
5. Quality of Life
6. Population Served
7. External of Internal Mandate
8. One Time Funding Leverage

A description of each category can be found in the table at the end of this document.

These categories are generally aligned with those in the guidebook but each has been selected and defined with consideration for the values of our community. Each project will be scored from low (zero) to high (three) in each category. Scores will be discussed by the CIP committee and presented to council at a budget work session for their adjustment and approval. Although most projects won't have detailed estimates prepared at this time we will include information on the likely cost of each project.

We anticipate not only that these categories aren't equally important, but also that their relative importance may change over time. In recognition of this we propose that each

category be weighted and that the weighted scores be used as a measure of the project value. Each budget cycle the CIP committee will propose that the categories be weighted in accordance with the following schedule:

<u>Description</u>	<u>Weight</u>	<u>Notes</u>
Critically Important	25	2 categories
Very Important	10	4 categories
Important	5	2 categories

A proposed distribution of weights will be brought to council at the same work session as the project list and associated project scores, for review and adjustment.

The resulting list of projects will be prioritized based on the council approved weighted score and detailed estimates will be prepared for the top ranked projects. Beginning with the most restricted funds (money with narrowly defined allowable uses), staff will tentatively assign funding to the highest ranked qualifying projects. After all other funds have been assigned staff will allocate general fund money to the remaining highest ranked projects. The proposed funded project list will be presented to council for review, discussion, and approval.

The list of prioritized project will be used to create a six year CIP plan. Even though funding in future years isn't appropriated until council approves the budget for those years, a six year look ahead will allow us to forecast our needs and provide a location to document a plan for multiyear funding of a project, should that be our desire.

Category/Score	Fiscal Impact: Net Cost	Economic Development Impact	Liability, Risk, Public Health, and Safety	Protection of Existing Facilities and Lifespan	Quality of life	Population Served	External or Internal Mandate	One Time Funding Leverage
<b>3 points</b>	Project creates savings. Net operating cost (considering maintenance, utilities, and revenue) will be lower if the project is implemented.	Project <b>significantly</b> promotes economic vitality through job creation, business development, or other	Project alleviates substantial (>\$1M) liability, health or safety hazard, or significantly increases health and safety	Project will repair deterioration that currently prevents use of facility and has a lifespan > 15 years, or deferral will increase cost significantly	Project significantly improves the appearance of a neighborhood, incorporates art, reduces noise or pollution, or supports community values.	Project serves or has public support from entire City or addresses an underserved area/population	Project is required to comply with Federal, State, or local law, regulation, or ordinance	One time outside funding that requires a match is secured for 75% or more of cost
<b>2 points</b>	Project has little or no impact on net operating cost	Project promotes economic vitality through job creation, business development, or other	Project alleviates moderate (>\$100k) liability, health or safety hazard, or creates a moderate increase in health and safety	Project will repair deterioration that doesn't prevent use of facility and has a lifespan of >10 years	Project moderately improves the appearance of a neighborhood, incorporates art, reduces noise or pollution, or supports community values.	Project serves or has public support from a large size area/population	Project implements Council adopted plan	One time outside funding that requires a match is secured for between 25% and 75% or more of cost
<b>1 point</b>	Project will result in minor additional net operating costs	Project <b>may</b> promote economic vitality through job creation, business development, or other	Project alleviates minor (<\$100k) liability, health or safety hazard, or creates a minor increase in health and safety	Project will prevent/delay deterioration from occurring	Project slightly improves the appearance of a neighborhood, incorporates art, reduces noise or pollution, or supports community values.	Project serves or has public support from a medium size area/population	Project implements plan adopted by outside agency	One time outside funding that requires a match is secured for less than 25% of cost
<b>0 points</b>	Project will result in significant additional net operating costs	Project doesn't promote economic vitality	Project won't impact liability, health, or safety.	Project doesn't impact condition of an existing facility	Project has no impact on noise, pollution, or the appearance of a neighborhood, and doesn't incorporate art or actively support community values.	Project serves or has public support from a smaller size area/population	Project isn't required by law and doesn't implement an adopted plan	No outside funding has been secured

# City Council Work Session February 9, 2016

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## **2015 CIP RECAP AND CIP SELECTION PROCESS**

# Background

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A Capital Improvement Program (CIP) is necessary to accomplish City Council Goals



A. Place San Leandro on a firm foundation for long-term fiscal sustainability



B. Advance project and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation



C. Provide quality public safety service and grow our partnership with the community to keep San Leandro safe



D. Maintain and enhance San Leandro's infrastructure



E. Support and implement programs, activities and strengthen communication that enhances the quality of life and wellness, celebrates the arts and diversity and promotes civic pride

F. Maintain and support a strong positive relationship between the City, schools and the educational community

# Perspective

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- Including our road repair backlog we have \$300M in capital needs
- Our CIP budget averages \$10M/year, most of which is outside or restricted use funding
- The current budget has \$3.5M/year in general funds for CIP projects.



# Outline

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- 2015 CIP Recap
  - Accepted work
  - Completed work ready for acceptance
  - Work in construction
  - Work being bid
  - Work being designed
  - Look ahead
- CIP Project Selection Process
  - Framework
  - Estimated Costs
  - Project Selection
  - Scoring Categories
  - Weighting factor
  - Examples
  - Discussion
- Mid-Cycle CIP Project Request

# 2015 CIP Recap

# Work Accepted by Council 2015

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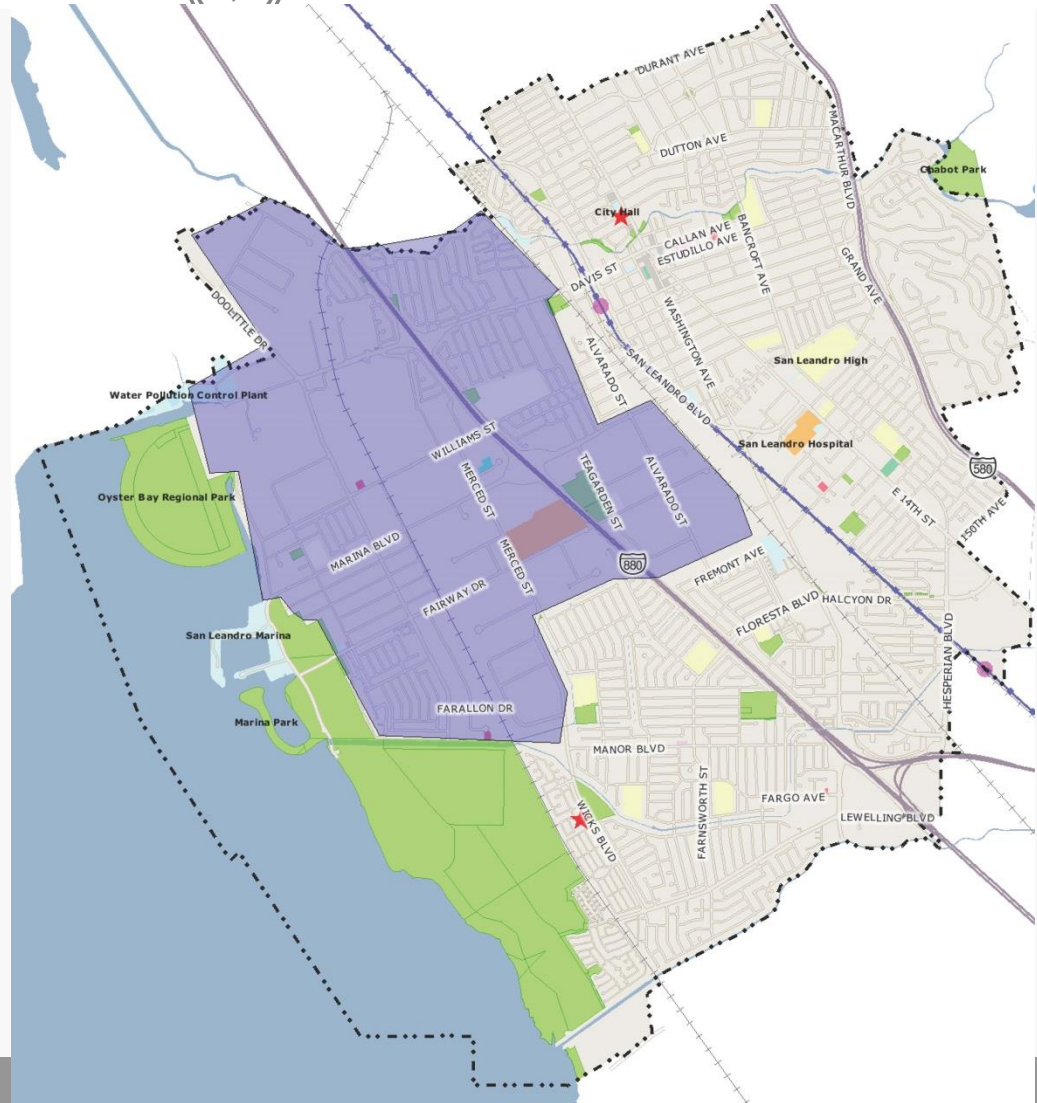
- MCC storefront - \$94K
- Police Department HVAC - \$645K
- Street Seal 14/15 - \$1,195K



# Map: Accepted Projects

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Investment: \$1,934,000



# Construction Completed 2015

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Construction is done we are completing paperwork before bringing these projects to Council for acceptance.

- WPCP Rehab - \$51,300K
- Sidewalk program 14/15 - \$455K
- MCC pedestrian crosswalk - \$65K
- Garage Signage - \$91K



# Construction completed 2015

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Construction is done we are completing paperwork before bringing these projects to Council for acceptance.

- Fiber Loop City Hall to Library - \$150K
- Fiber Conduit for Broadband - \$1,900K
- Bicycle Network East - \$395K
- Street Overlay/Rehabilitation 14/15 - \$1,358K



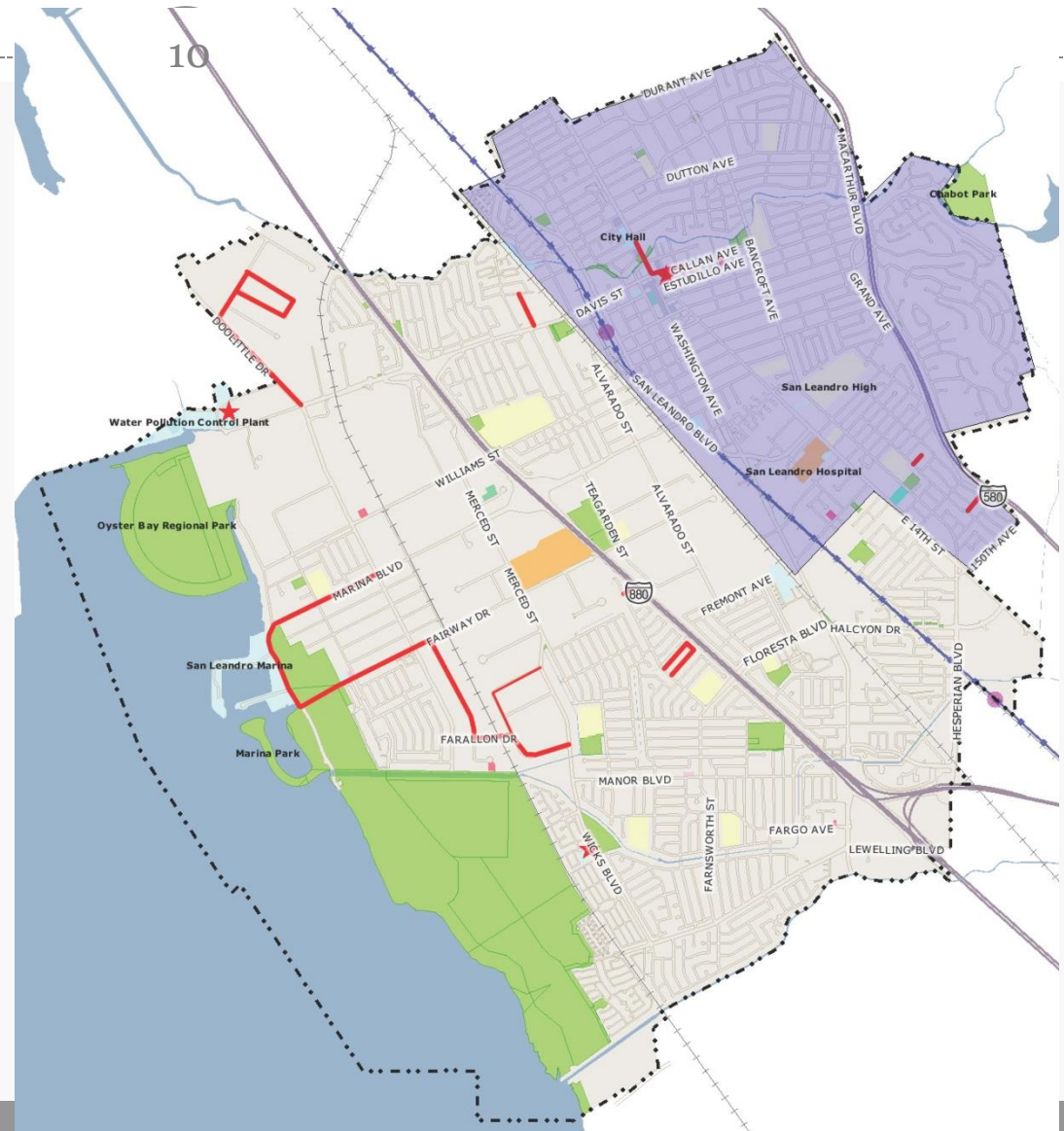
# Map: Completed Projects

## Investment:

WPCP - \$51,300,000

City - \$4,414,000

Total - \$55,714,000



# Active Construction

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- Siempre Verde Park Rehabilitation - \$3,372K
- Storm Drain Outfall Repair - \$21K
- Washington Monterey Traffic Signal Upgrade - \$415K
- West Juana Streetscape - \$981K





# Active Construction

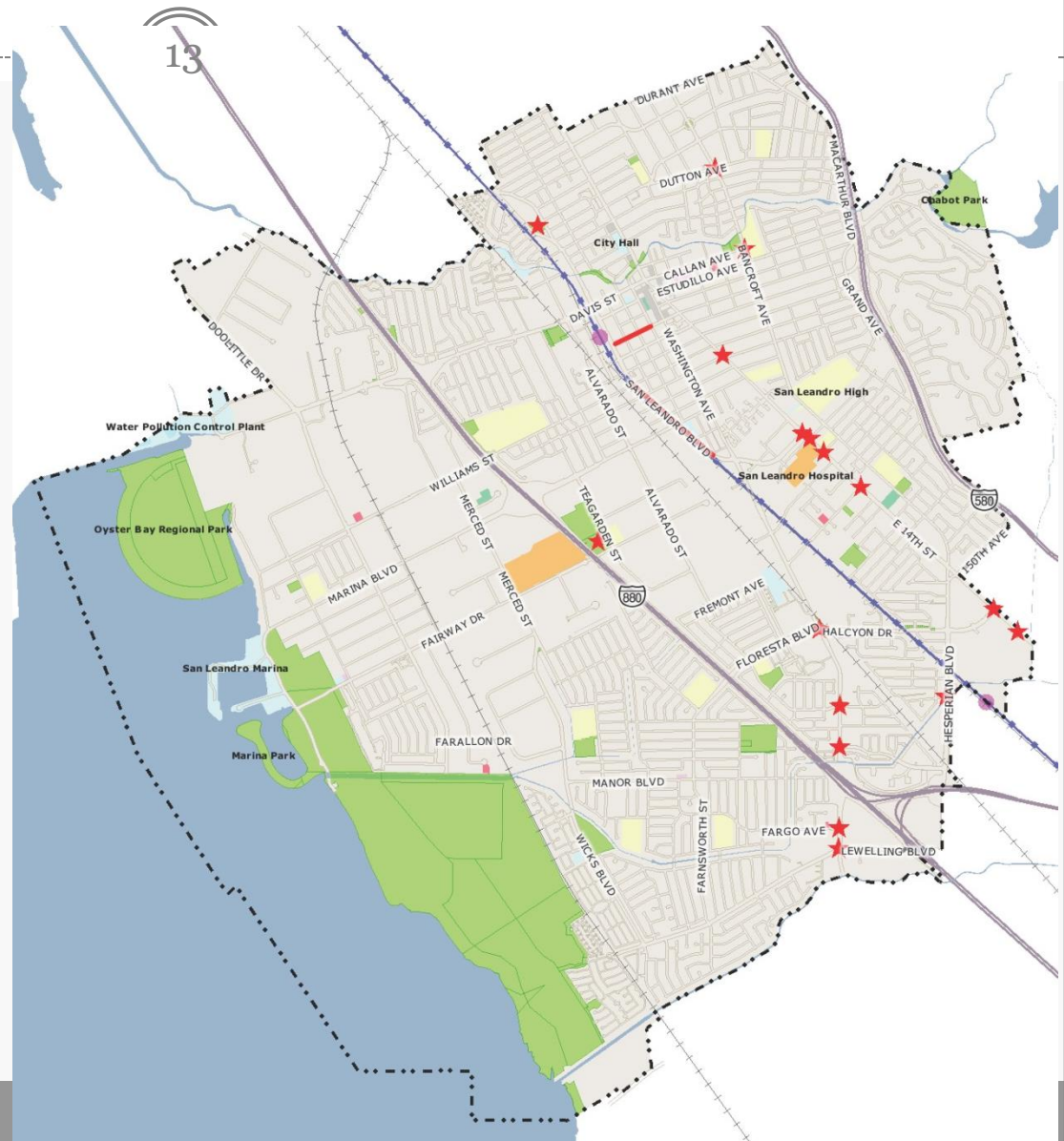
12

- Accessible Pedestrian Signal upgrade 2012 - \$596K
- San Leandro Ballpark Restroom - \$467K
- San Leandro Boulevard Pavement Rehabilitation - \$1,596K
- Sanitary Sewer point repair 13/14 - \$1,379K



# Map: Active Projects

Investment: \$8,827,000



# Bid and Award

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- **Thrasher Park play equipment and fence**  
Scheduled for Award 2/16/16 - \$255K



- **Annual Sidewalk Program 15-16**  
Working on contract paperwork - \$420K

# Design

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- ADA transition 14/15 - \$150K
- Street Overlay/Rehab 15/16 - \$2,340K
- Street Seal 15/16 - \$1,000K
- Bancroft Sybil Signal Improvements - \$530K
- East 14<sup>th</sup> St Triangle - \$4,480K
- East 14<sup>th</sup> St Utility Undergrounding - \$2,490K
- Heron Bay Levee Maintenance - \$300K
- MacArthur/Superior Traffic Circle - \$1,052K
- WPCP Dirt Relocation and Fixed Film Reactor Demolition - \$2,650K

# Upcoming projects

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Notable projects coming soon:

- Casa Peralta - \$800K
- Police Building and South Office modifications - \$6,500K
- WPCP Repaving - \$860K
- Exciting things are happening!
- Questions?



# CIP Project Selection Process

# CIP Framework

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1. Identify Projects for Capital Program
- 2. Evaluate and Prioritize Capital Projects**
3. Evaluate Funding Options
4. Program Funding between Prioritized Capital Projects
5. Adopt Capital Program and Capital Improvement Budget

Council asked that we look at improving step 2

Issues with current method

Difficult to rank projects without costs

Single score is hard to determine and compare

Current



Single Score for each project

- a. Projects Rated by Staff (recommendation)
- b. Projects Rated by Council members individually
- c. Council Ratings averaged
- d. Detailed Estimates done after projects are rated

# Estimated Costs

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- **Detailed project estimates require significant time**  
Estimates are perishable, they must be re-evaluated each budget cycle to stay accurate.
- **When evaluating and prioritizing projects**  
Past detailed estimates will be included with project info  
Likely project cost will be included if there is no past detailed estimate
- **Estimates will be confirmed prior to funding**  
Costs may change after projects are evaluated



# Project Selection

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## Step 2. Evaluate and Prioritize Capital Projects

Current

Proposed

### Single Score for each project

- a. Projects Rated by Staff (recommendation)
- b. Projects Rated by Council members individually
- c. Council Ratings averaged
- d. Detailed Estimates done after projects are rated

### Multiple Categories for scoring projects

- a. Projects initially scored by Staff
- b. Suggested Weighting factor distribution by Staff
- c. Council Reviews/Adjusts/Finalizes project scores as a group
- d. Council sets Weighting factor distribution
- e. Projects costs confirmed after scoring

# Multiple Categories for Scoring Projects

**Goal: Select the projects that have the most benefit for the community**

## **5 Categories based on Council Goals**

1. Fiscal Impact: Net Cost (Council Goal A)
2. Economic Development Impact (Council Goal B)
3. Liability, Risk, Public Health, and Safety (Council Goal A & C)
4. Protection of Existing Facilities and Lifespan (Council Goal D)
5. Quality of life (Council Goal E)

## **3 Categories to account for other factors**

1. Population Served
2. External or Internal Mandate
3. One Time Funding Leverage

# Weighting Factor

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<b>Description</b>	<b>Weight</b>	<b>Notes</b>
Critically Important	25	2 categories
Very Important	10	4 categories
Important	5	2 categories



# Example of Category Weights

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Category	Weight
Fiscal Impact: Net Cost	25
Economic Development Impact	10
Liability, Risk, Public Health, and Safety	5
Protection of Existing Facilities and Lifespan	5
Quality of Life	10
Population Served	25
External or Internal Mandate	10
One time Funding Leverage	10

# Example of Project Scores and Weight Factor

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Project Name	Fiscal Impact: Net Cost	Economic Development Impact	Liability, Risk, Public Health, and Safety	Protection of Existing Facilities and Lifespan	Quality of Life	Population Served	External or Internal Mandate	One time Funding Leverage	Weighted Score
Annual Street Sealing 16-17	2	0	0	3	1	3	0	0	150
Main Library - Furniture Replacement	2	0	0	2	3	3	0	0	165
EV charging sta at city parking lots	1	2	0	0	0	2	0	1	105
West Juana Pedestrian Lights	1	1	1	0	1	1	2	0	95
East 14th St Underground Utility Phase 2.2	1	1	0	0	1	2	2	2	135
Begier Court Storm Drain	1	0	2	0	0	0	0	0	35
E14th Pedestrian Imp 136th-S City Limit	0	3	1	0	2	2	2	0	125

# CIP Framework Recap

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1. Identify Projects for Capital Program
- 2. Evaluate and Prioritize Capital Projects**
  - a. Projects initially scored by Staff
  - b. Suggested Weighting factor distribution by Staff
  - c. Council Reviews/Adjusts/Finalizes project scores as a group
  - d. Council sets Weighting factor distribution
  - e. Projects costs confirmed after scoring
3. Evaluate Funding Options
4. Program Funding between Prioritized Capital Projects
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# Project Funding

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## **Staff evaluates available funding**

- 3. Applies restricted funds first
- 4a. Recommends funding highest scoring projects first

## **Council work session to review proposal**

Project scores previously agreed upon

- 4b. Forum for discussion of funding projects out of order, if warranted

## **5. Council Action required to approve budget with CIP funding**

# Summary

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## **Staff requests that Council**

Approve the 8 categories for scoring projects

Approve the use of 3 weighting factors with highest and lowest factor applied to two categories each and middle factor applied to 4 categories.

## **Discussion/Questions?**



# Mid Cycle CIP Project Requests

City of San Leandro  
Council Work Session  
February 9, 2016

# 2015-17 City Council Goals

- A Capital Improvement Program (CIP) is necessary to accomplish City Council Goals
  - A. Place San Leandro on a firm foundation for long-term fiscal sustainability
  - B. Advance project and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation
  - C. Provide quality public safety service and grow our partnership with the community to keep San Leandro safe
  - D. Maintain and enhance San Leandro's infrastructure**
  - E. Support and implement programs, activities and strengthen communication that enhances the quality of life and wellness, celebrates the arts and diversity and promotes civic pride
  - F. Maintain and support a strong positive relationship between the City, schools and the educational community

# 2016-2017 CIP Budget

<b>Project Name</b>	<b>Amount</b>
East 14th St Underground Utility Phase 2.2	70,000
Police Bldg & South Office Modifications	2,116,983
ADA Transition Plan Construction 16-17	150,000
Annual Overlay/Rehabilitation 16-17	5,965,000
Annual Sidewalk Repair 16-17	570,000
Annual Street Sealing 16-17	1,500,000
Traffic Studies & Signal Equipment 16-17	20,000
PWS Maintenance Projects 16-17	100,000
Sanitary Sewer Replacement/Repair 16-17	500,000
Internal Service Charges	90,733
Fiscal Year Total	11,082,716

# Mid-Cycle CIP Update

- Funding for Programs
- Regulatory Mandates
- New Funding Opportunities
- New Project Proposal

# Funding for Programs

- **Neighborhood Traffic Calming Program (\$100K DFSI funds)**
  - Validate traffic issues
  - Confirm neighborhood support
  - Install traffic calming improvements
- **Miscellaneous Bicycle and Pedestrian Improvement Program (\$50k Measure B Bike and Ped funds)**
  - bike to work day events
  - Bike rack program
  - Bike and ped safety education
  - Minor (spot) improvements such as individual signs, bike detection at a signal

# Regulatory Mandates

- **Citywide Speed Limit Certification (\$70k DFSI funds)**
  - Survey vehicle speeds to confirm existing speed limits are within State guidelines
  - Periodic survey is required by State
  - We have exhausted our time extensions
  - Without current certification speed limits are unenforceable
- **Bicycle and Pedestrian Master Plan Update (\$70k Measure B Bike and Ped funds)**
  - Update plan to reflect work installed to date
  - Review current policies of Alameda County Transportation Commission and update the plan as required
  - Meet with Bicycle and Pedestrian Advisory Commission to receive input on changes
  - Required to continue to receive bike and ped funds from ACTC

# New Funding Opportunities

- State reimbursement under the Recognized Obligation Payment Schedule (ROPS), former Redevelopment funds.
- Cash paid to the City annually in June
- **MacArthur Boulevard and Superior Avenue Traffic Circle (\$1,274,134 ROPS funding)**
  - Project will improve traffic level of service
  - Project will include landscaping
  - Design funded in 2015-16 Budget
  - Currently negotiating contract with design firm

# Proposed New Projects

- **Pedestrian Crossing Improvements (\$380k DFSI funds and Measure B Bike and Ped Funds)**
  - Install Rectangular Rapid Flashing Beacons at key crosswalks
    1. Bancroft Avenue and Dowling Boulevard
    2. Estudillo Avenue and Collier Drive
    3. Teagarden Street mid block at Lincoln High School
    4. Wicks Boulevard and Burkhart Avenue
    5. Doolittle Drive and Bermuda Avenue
  - Install updated curb ramps at the above crossings
  - Install standard curb return and sidewalk at Bancroft and Dowling



# Proposed New Projects

- **Marina Mulford Library Design (\$300k General funds)**
  - Prepare plans to be constructed by Shoreline developer
  - Design team led by City selected Architect
    - Lead community meetings to define scope
    - Develop conceptual plans to address needs
    - Develop detailed plans for construction

# Summary DFSI and Measure

## BB

	DFSI	Measure BB Local Streets & Roads
Projected Fund Balance End FY 16	467,157	951,843
Estimated Revenue FY 17	Not considered	1,242,230
Projects in 16-17 budget	(31,528)	(1,275,000)
Neighborhood Traffic Calming	(100,000)	
Citywide Speed Limit Survey	(70,000)	
Pedestrian Crossing Improvements	(260,000)	(120,000)
Miscellaneous Bicycle and Pedestrian Improvement Program		(50,000)
Bicycle and Pedestrian Master Plan Update		(70,000)
Projected Fund Balance End FY 17	5,629	679,073

# Summary General Fund and Other

	ROPS	General Fund
MacArthur Superior Traffic Circle	1,274,134	
Marina Mulford Library Design		300,000

ROPS = new funding source

General Fund expenses offset by savings on Siempre Verde Park Reconstruction Project

# Recommendation

We request that the City Council recommend appropriation of the Measure BB, DFSI, General Fund funds for the mid-cycle budget adjustment for the proposed CIP Projects.