



City of Palo Alto  
**City Manager's Report**

**BUDGET**  
**'08 – '09**

**TO:** HONORABLE CITY COUNCIL

**ATTN:** FINANCE COMMITTEE

**FROM:** CITY MANAGER

**DEPARTMENT:** PUBLIC WORKS

**DATE:** MARCH 18, 2008

**CMR:167:08**

**SUBJECT:** UPDATE ON GENERAL FUND INFRASTRUCTURE BACKLOG

**RECOMMENDATION**

Finance Committee to review the General Fund Infrastructure backlog information provided with this report and direct staff to return to the Finance Committee with an implementation plan to address the backlog.

**BACKGROUND**

In 1998, staff proposed a \$100 million, ten-year General Fund Infrastructure Management Plan (IMP) for maintenance and improvement of the City's existing infrastructure based on an infrastructure management study by Adamson Associates (Adamson Study) completed in January of that year. Although the Adamson Study identified nearly \$400 million in recommended infrastructure improvements over a twenty-five year period, staff recommended limiting the IMP to \$100 million over the first ten-year period for only the most critical needs addressing safety and building integrity issues. In 2001, staff presented a proposal to fund the \$100 million, ten year IMP implementation. At that time Council also adopted a policy that existing resources would be used to rehabilitate existing infrastructure and new infrastructure projects would be approved only if new resources could be identified.

Despite that policy direction, a number of new projects have been approved by the Council using the funding designated for the IMP including the Library Bond Measure effort of 2002, Roth Building, Heritage Park, Children's Library renovation and expansion, and the design of the new Public Safety building. Also, the increasing cost of construction has impacted the IMP funding plan as costs have risen dramatically since the Adamson Study. Lastly, the Adamson Study did not provide for additional costs triggered by code requirements such as seismic upgrades and Americans with Disabilities Act (ADA) access. As a result, almost all of the Infrastructure Reserve (IR) funds have been appropriated for infrastructure CIP projects through 2007-08, seven years into the IMP, and there are many more critical rehabilitation projects to be accomplished.

In fiscal year 2006-07 Council adopted a proposal to add \$3 million each year to the IR to address the growing backlog of infrastructure projects needed to be accomplished. This amount was included in the 2007-08 budget and will be continued in future years of the General Fund CIP development and will be increased each to address the rise in construction costs. The 2007-08 IR is currently at \$16.2 million.

## **DISCUSSION**

Staff has updated the General Fund infrastructure inventory, because the Adamson Study is 10 years old and so much has changed since it was done, and because the Council directed staff as part of the 2007-08 Budget process to reconfigure the IMP to incorporate new and existing infrastructure projects in a comprehensive, prioritized plan,

This report provides a snapshot of the total probable backlog for General Fund infrastructure that will need IR funding over the next twenty years (2007-27). This inventory does not include enterprise funded infrastructure such as utilities, water quality control plant, storm drains or the landfill and recycling center. The attached Table 1 shows a total backlog of about \$307 million in 2008 dollars to accomplish infrastructure repairs and renovations over the next 20 years in the areas of streets, sidewalks, bridges, parks and open space, City buildings and at facilities shared with the Palo Alto Unified School District. In addition, the attached Table 2 shows another \$148 million, in 2008 dollars, will be needed to address future infrastructure needs at major City facilities such as building replacements at the Municipal Services Center (MSC), Fire Stations 3 and 4, and the Animal Shelter, replacement of the Civic Center plaza deck and completion of the Charleston Arastradero Corridor and Byxbee Park Phase II projects. Therefore, the total General Fund infrastructure backlog for the next 20 years is projected to be almost \$455 million in 2008 dollars. Unfortunately, the cost of construction will continue to increase these costs over time adding to the projected backlog.

The costs shown on Attachment A were developed using data provided by:

- Kitchell CEM, consultants who have recently completed a review of existing City Buildings and prepared associated cost estimates
- The City's pavement maintenance management system
- The City's 35 district sidewalk replacement program
- Parks and Open Space annual surveys
- Staff survey of all existing bridges within the City, many of which are shared by neighboring cities

## **RESOURCE IMPACT**

While the adopted 2007-12 budget plans to appropriate \$50.6 million \$155.2 million has been identified as the cost to address the infrastructure backlog over the next five years (2007-12) while the Adopted 2007-12 budget plans to appropriate \$50.6 million. This leaves almost \$105 million in unfunded backlog for the first five years. The two primary reasons for this are IR Fund revenue limitations and staff resource limitations necessary to manage the projects. The

Kitchell report also noted that if the City devoted more staff time to facilities maintenance and repairs, future costs devoted to building renovations could likely be reduced.

Staff plans to return to the Finance Committee to present an implementation plan to address the General Fund infrastructure backlog.

**ENVIRONMENTAL REVIEW**

Finance Committee review of the General Fund infrastructure backlog does not represent a project under the California Environmental Quality Act (CEQA).

**ATTACHMENTS**


Attachment A: Table 1 - "General Fund Infrastructure Backlog Summary"

Attachment B: Table 2 - "Other Major Infrastructure Projects"

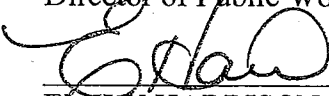
PREPARED BY:

  
\_\_\_\_\_  
J. MICHAEL SARTOR  
Assistant Public Works Director

DEPARTMENT HEAD:

  
\_\_\_\_\_  
GLENN S. ROBERTS  
Director of Public Works

CITY MANAGER APPROVAL:

  
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EMILY HARRISON  
Assistant City Manager



ATTACHMENT A  
TABLE 1

General Fund Infrastructure Backlog Summary

	Current Backlog 2007 - 2012	Adopted General Fund CIP Budget 2007 - 2012	Unfunded Backlog 2007 - 2012	Projected Future Backlog		
				2012 - 2017	2017 - 2022	2022 - 2027
<b>Streets</b>						
Annual Program	\$26,260,000	\$11,831,914	\$14,428,086	\$16,100,000	\$12,200,000	\$10,800,000
Transportation	\$1,030,000	\$1,030,000	\$0	\$2,873,780	\$1,688,154	\$2,015,720
Traffic Signals	\$900,000	\$900,000	\$0	\$1,190,000	\$1,365,000	\$1,540,000
Medians	\$437,000	\$437,000	\$0	\$235,200	\$0 <sup>2</sup>	\$0 <sup>2</sup>
Street lights	\$625,000	\$625,000	\$0	\$875,000	\$875,000	\$875,000
Street Furniture	\$50,000	\$50,000	\$0	\$175,000	\$0 <sup>2</sup>	\$175,000
<b>Sidewalks</b>						
Annual Maintenance	\$4,800,000	\$4,784,945	\$15,055	\$5,341,908	\$5,767,933	\$6,128,152
District Repairs	\$11,676,134	\$3,315,055	\$8,361,079	\$2,758,092	\$2,332,067	\$1,971,848
<b>Bridges/Culverts</b>						
	\$438,490	\$46,000	\$392,490	\$3,119,200 <sup>1</sup>	\$2,626,750	\$1,273,650
<b>Parks</b>						
	\$7,244,000	\$7,244,000	\$0	\$4,148,152	\$7,206,220	\$5,383,700
<b>Open Space</b>						
	\$3,766,828	\$1,306,500	\$2,460,328	\$3,961,787	\$4,899,231	\$2,218,668
<b>City Buildings</b>						
Structures	\$94,788,149	\$18,376,702	\$76,411,447	\$10,911,139	\$7,163,687	\$7,163,687
Parking Lots	\$2,493,565	\$150,000	\$2,343,565	\$3,760,827	\$4,190,620	\$1,788,206
Site Improvements	\$400,000	\$400,000	\$0	\$1,453,340 <sup>1</sup>	\$29,820	\$2,619,249
<b>PAUSD Facilities</b>						
	\$255,000	\$125,000	\$130,000	\$476,490	\$122,500	\$206,500
<b>Subtotals</b>	\$155,164,166	\$50,622,116	\$104,542,050	\$57,379,916	\$50,466,982	\$44,159,380
<b>Total Backlog</b>	\$155,164,166			\$57,379,916	\$50,466,982	\$44,159,380
			<b>Total</b>			\$307,170,445

Costs = construction cost x 1.4 for project development (excluding annual street program and sidewalks)

Costs are in 2008 dollars, inflation not included

<sup>1</sup> No major work is anticipated until 2012

<sup>2</sup> No work is needed due to life cycle analysis



ATTACHMENT A  
TABLE 2

**Other Major Infrastructure Projects**

MSC Building Replacement	<u>Project Cost</u> <sup>1</sup>
Fire Station 3	\$93,000,000
Fire Station 4	\$6,700,000
Animal Shelter	\$7,500,000
Junior Museum	\$6,350,000
Lytton Plaza	\$735,000
Charleston Arastradero Corridor	\$350,000
Civic Center Plaza Deck	\$10,000,000
Bxybee Park Phase II	\$16,000,000
Los Altos Treatment Plant Clean-up & Preparation <sup>2</sup>	\$3,625,000
San Antonio Road Median & Roadway Improvements Phase II	\$2,040,000
Roth Building Restrooms	\$1,500,000
	<u>\$250,000</u>
	<b>\$148,050,000</b>

<sup>1</sup> 2008 Dollars

<sup>2</sup>This is the general fund portion only

Notes:

- Library Bond to be on ballot in November 2008. If bond does not pass, major renovations are expected at Mitchell Park Library & Community Center, Downtown & Main Libraries. The renovations cost are not shown in the infrastructure backlog.
- This list does not include future new infrastructure such as an intermodal transit center, Caltrain grade separations for pedestrians, etc.





FINANCE COMMITTEE  
MINUTESRegular Meeting  
March 18, 2008

Chairperson Morton called the meeting to order at 7:01 p.m. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: Burt, Morton (chair), Schmid, Yeh

1. Oral Communications

Wynn Grcich, 3045 Mira Loma, Union City, spoke regarding water pollution in the bay and where it is coming from.

Mike Francois, 224 Gardenia Way, East Palo Alto, spoke regarding pollution in the water in East Palo Alto.

2. Update on General Fund Infrastructure Backlog

Assistant Public Works Director Mike Sartor spoke regarding original general fund infrastructure reserve backlog versus updated inventory, summary of updated plan, challenges and next steps.

**MOTION:** Chairman Morton moved, seconded by Council Member Schmid to have staff incorporate tonight's visual presentation during the upcoming budget process for full Council review.

**MOTION PASSED** 4-0.

3. Utilities Advisory Commission Recommendation to Adopt a Resolution Adopting a Water Rate Increase and Amending Utility Rate Schedules W-1, W-2, W-4, and W-7

Utilities Director Valerie Fong presented the need for rate increases for the water, gas, and electric funds via the Proposition 218 process.

Wynn Grcich, 3045 Mira Loma, Union City spoke regarding water rates charged to Bay Area residents and not to raise water rates for Palo Alto residents.

**MOTION:** Council Member Yeh moved, seconded by Chairman Morton, that the Finance Committee recommend to the City Council to adopt the attached resolution to:

- (a) Approve an 8 percent increase to retail water rates, for Fiscal Year (FY) 2008-09, effective July 1, 2008, which will increase annual revenues by \$2.0 million; and
- (b) Approve the changes to the Water Utility Rate Schedules (W-1, W-2, W-4, and W-7).

**MOTION PASSED 4-0**

The Committee took a break at 8:30 p.m., returning at 8:35 p.m.

4. Utilities Advisory Commission Recommendations to Adopt a Resolution to Adopting a Natural Gas Rate Increase and Amending Utility Rate Schedules G-1, G-2, G-6, and G-10

**MOTION:** Council Member Burt moved, seconded by Council Member Yeh, that the Finance Committee recommend to the City Council to approve the attached resolution to:

- (a) Approve a 7.1 percent increase to natural gas retail rates, for Fiscal Year (FY) 2008-09, effective July 1, 2008, which will increase annual revenues by \$3.4 million; and
- (b) Approve the changes to the Gas Utility Rate Schedules (G-1, G-2, G-6 and G-10).

**MOTION PASSED 4-0**

5. Utilities Advisory Commission Recommendation to Adopt a Resolution Adopting an Electric Rate Increase and Amending Utility Rate Schedules E-1, E-1-G, E-2, E-2-G, E-4, E-4-G, E-4-TOU, E-7, E-7-G, E-7-TOU, E-14, E-16, E-18 and E-18-G

**MOTION:** Chairman Morton moved, seconded by Council Member Schmid, that the Finance Committee recommend to the City Council to approve to adopt the attached resolution to:

- (a) Approve a 14 percent increase to electric retail rates, for Fiscal Year (FY) 2008-09, effective July 1, 2008, which will increase annual revenues by \$12.9 million; and,

- (b) Approve the changes to the Electric Utility Rate Schedules (E-1, E-1-G, E-2, E-2-G, E-2, E-2-G, E-4, E-4-G, E-4-TOU, E-7, E-7-G, E-7-TOU, E-14, E-16, E-18 AND E-18-G).

**MOTION PASSED** 4-0.

6. Approval of Refuse Rate Increase; Request for Adoption of a Resolution to Amend Utility Rate Schedules R-1, R-2, and R-3

Public Works Director Glen Roberts spoke regarding challenges in the refuse fund and the need for rate increases for refuse services via the Proposition 218 process.

**MOTION:** Council Member Schmid moved, seconded by Council Member Burt that the Finance Committee recommend to the City Council to approve the increase in Refuse Rates; and to adopt the resolution to Amend Utility Rate Schedules R-1, R-2, and R-3;

**MOTION PASSED:** 4-0

**MOTION:** Council Member Burt moved, seconded by Council Member Yeh that Staff bring back with the budget additional information based on discussion with the City Attorney on ways in which the cost structure might encourage waste reduction.

**MOTION PASSED** 4-0.

7. Discussion for Future Meeting Schedules and Agendas

April 1, 2008  
April 22, 2008  
May 2008- Budget Meetings

ADJOURNMENT: The meeting adjourned at 10:01 p.m.

