



FINANCE DEPARTMENT

# AGENDA REPORT

**DATE:** June 21, 2021

**TO:** Mayor Butt and Members of the City Council

**FROM:** Laura Snideman, City Manager  
Anil Comelo, Interim Deputy City Manager  
Antonio Banuelos, Accounting Manager

**SUBJECT:** RECEIVE THE FIVE-YEAR CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2021-2022 THROUGH 2025-2026 AND THE CAPITAL IMPROVEMENT PLAN BUDGET FOR FISCAL YEAR 2021-2022

## **STATEMENT OF THE ISSUE:**

Annually, the City updates its Capital Improvement Plan (CIP) and adopts a CIP Budget for the first year of the CIP. The attached five-year Capital Improvement Plan for FY 2021-2022 through FY 2025-2026 and related CIP Budget are being submitted for review and adoption.

## **RECOMMENDED ACTION:**

**RECEIVE** the five-year Capital Improvement Plan for Fiscal Years 2021-2022 through 2025-2026, and a budget appropriating \$33,943,629 for projects in the Capital Improvement Plan Budget for the Fiscal Year 2021-2022 – City Manager’s Office/Finance Department (Laura Snideman 510-620-6512/Anil Comelo 510-620- 6740).

## **FINANCIAL IMPACT OF RECOMMENDATION:**

There is no financial impact for receiving the Fiscal Years 2022-2026 Five-Year Capital Improvement Plan. The impact of the adoption of a Capital Improvement Plan Budget as proposed on the General Fund’s FY 2021-2022 Budget is \$1,520,000.

The *Budget* for the Capital Improvement Plan, however, authorizes appropriations in the 2021-2022 fiscal year. These appropriations are as follows: \$98,736,360 / in total expenditures across all Funds. This amount is comprised of \$64,792,731 in projects that

are approved with the adoption of the total Operating Budget, plus \$33,943,629 in projects that are approved with the adoption of a Capital Project Funds Budget. The focus of this staff report is primarily on the \$33,943,629 in expenditures for capital projects accounted for in the Capital Project Funds. Of the \$33,943,629, \$1,520,000 in funding sources will come from the General Fund's FY2020-2021 residual revenue, and \$2,000,000 will come from the American Rescue Plan Act (ARPA). Funding from Non-General Fund sources totals \$32,423,629; said another way, all expenditures except \$1,520,000 are being funded by revenue sources *other than* the General Fund.

## DISCUSSION:

Note to Reader regarding terminology used in this report:

**Capital Improvement Plan** refers to the five-year plan for various projects; costs for years two through five are roughly estimated, subject to revision and refinement. Year one costs comprise the Capital Improvement Plan Budget. The focus is on the projects and the year a given project is scheduled to begin, pending funding.

**Capital Improvement Plan Budget** refers to the one-year plan for various projects; costs are estimated and subject to revision and refinement but are expected to be reliably reflective of staff's best estimates of costs. The focus is on appropriating funds for the projects within the spending plan called the "CIP budget" and establishing the spending authority for those projects.

**Capital Project Funds** refers to separate Funds established for the accounting of capital improvement projects not otherwise accounted for in the Operating Budget.

**General Fund** refers to the City's main Fund for general operations, and the primary or largest Fund with the Operating Budget.

*Background* - The Capital Improvement Plan (CIP) includes a five-year projection of budget needs for capital improvement projects. Each year, the plan is updated and a new fifth year is added to the Plan; this budgeting approach is commonly referred to as a *rolling* projection. Although the Plan reflects projects needed over the next five years, the appropriations authority is only for the first year; in this case, the 2021-2022 fiscal year. Every year, most projects are funded by revenue sources accounted for in Special Funds. Because project funding is not dependent on the General Fund in some years, the CIP may be adopted independently of the General Fund Budget, if desired. Early adoption of capital project budgets that do not require any General Funds can be advantageous if doing so will approve projects that are urgently needed, need to be completed during an off-season, or before inclement weather. Because capital improvement projects often require considerable planning, engineering, formal public works bidding processes, and sometimes debt financing, signaling a firm budget commitment through the adoption of the CIP budget can give staff a head start on refining project planning for the upcoming fiscal year.

*FY 2021-2022 CIP Budget* - The CIP is managed continuously by measuring progress and anticipating future needs. The CIP budget is typically adopted annually alongside the operating budget, although as mentioned above, this is not required. For FY 2021-2022, expenditures budgeted in CIP Funds total \$33,943,629. The major sources of funding for these projects are as follows:

- State Gas Tax, which are monies received from the State under the provision of the Streets and Highway Code. These monies are restricted to uses for street construction activities. The City's gas tax allocation increased by \$1.8 million to a total of \$4.5 million due to the Road Repair and Accountability Act of 2017. Notable projects:
  - Street paving program - \$2.5 million
  - Bridge Preventive Maintenance - \$248,340 grant match
  
- Measures C and J authorize sales taxes for transportation programs. The voters of Contra Costa County approved a ½ cent sales tax via Measure C, which authorized the creation of the Contra Costa County Transportation Authority (Authority) and established a revenue stream for the Authority to fund transportation activities. The ½ cent transportation sales tax was renewed by Measure J, effective April 1, 2009. The Authority collects one-half of one percent of the sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads, in accordance with Measure C and Measure J requirements. Notable projects:
  - I-80 Central Interchange Phase II - \$2.3 million
  - Americans with Disabilities Act (ADA) Miscellaneous Sidewalk Repairs - \$835,277
  
- Bond Proceeds are used to fund large enterprise projects, mainly capital improvements to Richmond's wastewater system. Notable projects:
  - De-chlorination System Replacement - \$3.5 million
  - Sludge Thickener Replacement - \$1.5 million
  
- State Revolving Fund Loan was awarded in April 2021. Notable project:
  - Wastewater Treatment Plant Grit and Aeration Replacement - \$45 million
  
- Grants that fund CIP projects are mostly awarded by state and local granting agencies. Notable projects:
  - Boorman Park Revitalization - \$3.5 million
  - Bridge Preventive Maintenance - \$1.8 million
  - Carlson Crosstown Connections - \$398,410
  - Cutting Blvd. and Harbour Way S. Bikeways - \$909,012
  - Greening the Yellow Brick Road - \$1.6 million
  - Harbour 8 Park Expansion - \$6.3 million
  - Yellow Brick Road - \$1.5 million
  
- American Rescue Plan Act (ARPA) funding will be used to improve various Heating Ventilation and Air Conditioning (HVAC) systems
  - Museum - \$500 thousand

- Nevin Community Center - \$500 thousand
- Recreation Center Administration - \$500 thousand
- Main Library - \$500 thousand
- General Fund, using excess revenues from FY 2020-2021, will fund the following projects in FY 2021-2022
  - Plunge - Replace pool boiler - \$100 thousand
  - Museum - Additional roof repair - \$175 thousand
  - Shimada Park - Replace restroom roof - \$275 thousand
  - Corporation Yard - Bulk fuel sites upgrades - \$275 thousand
  - Parks Yard - Bulk fuel sites upgrades - \$220 thousand
  - Hilltop Fire Station - Fuel management upgrades - \$50 thousand
  - Native American Health Center - AC/Furnace - \$50 thousand
  - Corporation Yard - Bathrooms demo / remodel - \$150 thousand
  - 824 MacDonald Avenue - Building demolition - \$125 thousand
  - DPRC - Replace HVAC system - \$100 thousand

In addition, the CIP includes other capital projects funded by operating funds, including Enterprise Funds. For FY 2021-2022, these expenditures total \$64,792,731. On-going operations and maintenance costs of capital projects are budgeted in operating budgets.

The CIP document contains detailed information on individual projects and their source and uses of funds.

**DISCUSSION:**

Staff will return on June 29, 2021, with the resolution adopting the five-year Capital Improvement Plan for Fiscal Years 2021-2022 through 2025-2026, and a budget appropriating \$33,943,629 for projects in the Capital Improvement Plan Budget for the Fiscal Year 2021-2022.

**Documents Attached:**

- Attachment 1 – Capital Improvement Plan and Budget
- Attachment 2 – Presentation