



**DATE:** June 9, 2020  
**TO:** Mayor and City Council  
**FROM:** Director of Public Works  
**SUBJECT:** Review of Capital Improvement Program for FY 2021 – FY 2030

## **RECOMMENDATION**

That the Council reviews and comments on the recommended Capital Improvement Program (CIP) for FY 2021 through FY 2030<sup>1</sup>.

## **SUMMARY**

The Capital Improvement Program (CIP) is a planning document intended to guide the City's capital project expenditures for the upcoming ten-year period. The recommended FY 2021 – FY 2030 CIP includes approximately \$59 million for various projects in FY 2021 and an estimated \$457 million in the next ten years. To reduce the impact on the General Fund and other funds in response to the COVID-19 pandemic, over \$6.8 million in capital improvement programming that staff was originally going to recommend for FY 2021 has been deferred into future years.

Because Hayward is a full-service city, the CIP covers a wide range of projects, which can be generally divided into the following categories: Livable Neighborhoods Projects; Pavement Rehabilitation Projects; Road and Street Projects; Water System Projects; Building & Miscellaneous Projects; Equipment Projects; Airport Projects; and Fleet Management Projects. As in past years, the recommended CIP document also includes Identified and Unfunded Capital Needs, which currently total over \$400 million.

Due to the disruptions caused by the COVID-19 pandemic, this year's CIP was not reviewed by the Council Infrastructure Committee (CIC). State law requires that the Planning Commission review the recommended CIP to ensure conformance with the City's 2040 General Plan. The recommended FY 2021 – FY 2030 CIP was presented to the Planning Commission at their May 14, 2020 meeting<sup>2</sup>, and the Commission unanimously found that the recommended FY 2021 – FY 2030 CIP is consistent with the City's General Plan.

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<sup>1</sup> <https://www.hayward-ca.gov/your-government/documents/capital-improvement-program>

<sup>2</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4454894&GUID=69848D4B-F997-4A07-A807-C2DD9A4092C1&Options=&Search=>

## **BACKGROUND**

The CIP process begins with staff's preparation of projects and related cost estimates, which are framed by the guidance provided by Council, as well as the needs of the community. Capital projects are identified and prioritized with an emphasis on eliminating geographic inequities in the distribution of City services and infrastructure. Highest priority is given to areas in the community that have experienced a disproportionate level of improvements in past years, as well as those communities with the current highest need.

In past years, projects in the CIP had also been identified and prioritized based on their relevancy to Council's Priorities and Strategic Initiatives. This year, the projects in the recommended FY 2021 – FY 2030 CIP have been identified and prioritized based on their relevancy to the recently adopted Strategic Roadmap and its Three-Year Vision. The CIP, by its nature, predominantly supports the Improve Infrastructure Priority, but it also includes a number of projects that support the Combat Climate Change Priority, the Support Quality of Life Priority, the Improve Organizational Health Priority, and the Grow the Economy Priority.

The projects ultimately identified for inclusion in the CIP are designed to meet the requirements of the City's General Plan, specific plans, and master plans. The capital project funding requests are then submitted for evaluation to an internal capital projects review committee. Once the review committee's feedback is incorporated, the recommended Ten-Year CIP is compiled and typically presented to the Council Infrastructure Committee for review and input, as well as the Planning Commission for determination of conformance with the General Plan. However, due to the disruptions caused by the COVID-19 pandemic, this year's CIP was not reviewed by the Council Infrastructure Committee (CIC). The recommended Ten-Year CIP is then reviewed by Council at a work session. The public has the opportunity to provide comments at each of these meetings, as well as at the last public hearing, which will take place later this month. It is at this final public hearing that the capital spending plan for the upcoming year will be considered by Council for adoption.

## **DISCUSSION**

The recommended FY 2021 – FY 2030 CIP includes approximately \$59 million for various projects in FY 2021 and an estimated \$457 million in the next ten years. As previously mentioned, the CIP covers a wide range of projects that can be generally divided into the following categories, which are consistent with the range of projects identified in the Strategic Roadmap: Livable Neighborhoods Projects; Pavement Rehabilitation Projects; Road and Streets Projects; Water System Projects; Sewer System Projects; Building & Miscellaneous Projects; Equipment Projects; Fleet Management Projects; and Airport Projects. Below is a discussion of major projects in each category for which work will begin or continue into FY 2021. All projects and their respective categories are outlined in the second to last section of the recommended CIP<sup>3</sup>. Please note that not all of the projects featured in this report are being recommended to receive new FY 2021 funding.

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<sup>3</sup> [https://www.hayward-ca.gov/sites/default/files/FY21\\_Recommended\\_CIP\\_0.pdf#page=379](https://www.hayward-ca.gov/sites/default/files/FY21_Recommended_CIP_0.pdf#page=379)

### Livable Neighborhoods Projects

Projects categorized as “Livable Neighborhoods Projects” include street lighting projects, pedestrian traffic signal improvements, landscaping, and traffic calming measures, as well as sidewalk and wheelchair ramp improvements throughout the City. Some major Livable Neighborhoods Projects in the recommended FY 2021 – FY 2030 CIP include the Hayward Boulevard Feasibility Study, which will address speeding and safety concerns on Hayward Boulevard and is anticipated to be completed in early FY 2021. The Study will provide recommendations to make this multi-lane arterial a more balanced roadway with traffic calming strategies to improve bicycle and pedestrian accessibility. Another major Livable Neighborhoods Project is La Vista Park, the 50-acre destination park located a quarter mile east of the intersection of Tennyson Road and Mission Boulevard in South Hayward. The project site is currently undergoing geotechnical investigations, and construction bid documents are anticipated to be completed in late Fall 2020, with construction of the park planned to begin in Spring 2021 and be completed in Spring 2022.

New sidewalk projects are another key piece of the Livable Neighborhoods category. New sidewalk projects are selected by prioritizing safe and accessible pathways to schools and through requests from residents. The requests are evaluated based on distance to schools, existing pedestrian routes, and pedestrian volume. This evaluation is used to determine the priorities for new sidewalk locations. The FY 2021 New Sidewalk Program includes \$850,000 in recommended programming and will include new sidewalks on 4th Street (A St. to D St.), Valley Street (A St. to D St.), and on Hesperian Blvd. (Catalpa Wy. to 150' south of Bolero Ave).

### Road and Streets Projects

Projects in the “Road and Streets Projects” category range from curb and gutter repair to major gateway corridor improvements, and are primarily funded through non-discretionary funding including Measure B (Fund 215) and Measure BB (Fund 212), Gas Tax (Fund 210), Vehicle Registration Fee (VRF) (Fund 218), Streets Improvement (Fund 450), and grants such as LATIP and the Alameda County Transportation Commission (Alameda CTC) funds.

Two key projects in this category include Phase 2 and Phase 3 of the Mission Boulevard Corridor Improvement Project. Phase 2 involves the improvement of Mission Boulevard from Industrial Parkway to the south City limit, near Blanche Street. The improvements include new sidewalks, bike lanes, pedestrian crossings, and undergrounded overhead utilities, among other multimodal-focused improvements. The project also includes sustainable landscaping features such as drought tolerant plants, and energy efficient fixtures like LED streetlights with dimming features. Construction of this Phase of the Mission Boulevard Corridor Improvement Project commenced in FY18 and whilst it was impacted by Shelter in Place work disruptions, it is on-track to be completed in Summer 2020.

Phase 3 is the final phase of the Mission Boulevard Corridor Improvement Project. Like the Phases before it, Phase 3 will focus on improving multi-modal access on Mission Blvd from A Street to the north City limit, at Rose Street. Improvements will include the addition of an innovative cycle track bike lane, new sidewalk, curb ramps, pavement rehabilitation, traffic signals, street lighting, transit improvements, landscaping, undergrounding of overhead utilities, and a new gateway feature at Rose Street. Design work on Phase 3 is completed and staff is working to resolve utility undergrounding issues with Pacific Gas & Electric (PG&E). Construction is anticipated to begin in Fall of 2020.

### *Pavement Rehabilitation*

Pavement Rehabilitation projects are a subsection of the Road and Streets projects, which are typically discussed separately because they represent such a large part of the annual CIP. Approximately \$9.7 million in Pavement Rehabilitation programming is recommended for FY 2021, which is 17% of the total FY 2021 recommended CIP budget.

Street selection for pavement rehabilitation projects is based on several criteria. First, the Pavement Management Program (PMP) is used to evaluate current roadway conditions and future condition predictions. The PMP provides a logical, data-based, and efficient method of identifying street rehabilitation needs and determining a path for implementation. Staff also refers to the Metropolitan Transportation Commission's (MTC) guidelines, Maintenance Services staff's reports on streets in need of repair, especially after a severe rainy season, and public requests for street rehabilitation. The PMP is updated every two years and is a prerequisite for certain funding sources. The industry standard practice recommended by MTC is that a minimum of 15% of funding be spent on preventive maintenance and a maximum of 85% on pavement rehabilitation. The City improves on this standard with a minimum of 20% spent on preventive maintenance and 80% on pavement rehabilitation. Additionally, in 2014, Council approved the Economic Development Strategic Plan, which recommended additional improvements be made to streets in the Industrial area. Approximately 15% to 20% of the overall paving budget is allocated to improvements in that area. Staff also has an internal policy to allocate at least 10% of the overall paving budget to roads with a pavement condition index (PCI) of less than 30.

### *Building and Miscellaneous*

The "Building and Miscellaneous Projects" category includes projects that directly involve the construction of buildings, as well as capital projects that do not neatly fit into the other categories. One major project included in this category is the Fire Station No. 6 & Fire Training Center Project, which is currently budgeted at \$60.4 million, and for which total project cost estimates have recently been revised to \$76 million; however, true project costs will not be known until project bids are received later this month. The project includes the deconstruction of the existing buildings and the construction of nine new buildings and structures. These include: Fire Station 6/Classroom Building; Apparatus Building; Burn Building; Training Tower; Storage Building; Hangar Building; Outdoor Classroom Building; Urban Search & Rescue/BART Training Structure; and the Entry Structure. Construction of Fire Station No. 6 & the Fire Training Center is targeted to begin in the late summer of 2020.

### Sewer System Projects

The “Sewer Systems Projects” category includes projects that are Enterprise Fund-supported, and that are related to the improvement of our sewer system, water re-use efforts, and Water Pollution Control Facility (WPCF). The City’s various sewer line replacement projects are examples of key projects in this category. They typically involve the replacement of pipelines that are showing signs of age, or the upsizing of undersized mains to increase their conveyance capacity to handle current and future flows. The proposed CIP recommends \$4 million in funding for the FY 2021 Sewer Line Replacement Program.

Another major project in the Sewer Systems Category is the WPCF Headworks Bar Screens Project. The WPCF collects and treats wastewater from the City’s residents and businesses, and the first treatment process that wastewater undergoes once entering the plant occurs in the Headworks Facility, where it passes through grinders that remove large debris that can harm downstream equipment. The WPCF Headworks Bar Screens Project, budgeted at approximately \$4 million, will include the installation of a new bar screens system to replace the existing grinders and improve debris removal efficiency. Construction of this effort is anticipated to begin in Summer 2020.

Additionally, a Phase II Facilities Plan is currently being developed for the WPCF, which is intended to guide the plant’s infrastructure and technology needs for the next 25 years. The design phase is expected to last approximately eighteen months, followed by a two- to three-year construction period for the recommended improvements, with total Phase II improvement projects estimated to cost \$90 million. The Phase II Facilities Plan will include a conceptual plan for various WPCF upgrades including the construction of a new water laboratory and administration building, as well as improvements to the treatment facility. However, the development of a nutrient removal management strategy to meet the future State Water Board regulations is perhaps the most important function of the Facilities Plan. Nutrients in the San Francisco Bay are a growing concern for the regional water quality community and, as a result, requirements are being developed by the State to regulate their discharge into the Bay. Over the past two years, staff has worked with an external engineering firm to develop a nutrient management strategy for the WPCF Phase II Upgrade, which is currently undergoing a comprehensive third-party peer review before the plan is finalized.

Phase 1 of the Recycled Water Project is also a major project in the Sewer Systems category. This project is being implemented to improve Hayward’s overall water supply reliability and conserve drinking water supplies, and the first phase of the project involves the delivery of tertiary treated recycled water to sites near the WPCF for landscape irrigation and industrial uses. Construction of the storage tank, pump station, and distribution pipelines for the system was completed in FY 2020. Construction of the treatment facility and customer connections to the recycled water system is currently underway, and recycled water deliveries to the first phase of customers are anticipated to begin in early FY 2021. The Phase I customer sites include four parks, six schools, one college, nineteen private businesses, and City street landscaping.

### Water Systems Projects

“Water System Projects” are Enterprise Fund-supported and are related to the improvement of our water system, as well as projects that promote water conservation. One key program in this category is the Cast Iron Water Pipeline Replacement Program. Over the next ten years, the City will annually replace existing cast iron and asbestos cement pipes that are either reaching the end of their practical useful life, as evidenced by the frequency of the main and service connection breaks and leaks, or they are hydraulically undersized. There are nearly 300 miles of asbestos cement and cast-iron pipes in the City’s water distribution system, and staff plan to systematically replace an average of four to six miles of cast-iron and asbestos cement water pipelines annually, which represents approximately 2% of the existing 300 miles in the water distribution system. The recommended CIP includes \$500,000 in annual programming to support this effort.

The FY 2021 Water Line Replacement Program is another key Water Systems project, which involves the replacement of existing four-inch water mains that are hydraulically undersized, older asbestos cement (AC) pipes, and pipes that have experienced frequent breaks in recent years. Each year, a group of mains will be identified for replacement. The proposed CIP includes \$2.5 million in funding for the FY 2021 Water Line Replacement Program.

### Fleet Management

The “Fleet Management” category is comprised of projects involving the replacement of fleet units in various departments, divisions, and work groups. Fleet purchases benefitting the Fire and Police departments are predominantly funded by transfers from the General Fund, while fleet purchases benefitting the Airport, Stormwater, Sewer, and Water divisions are predominantly supported by Enterprise funding. Approximately \$1.6 million in FY 2021 Fleet Management projects are included in the proposed CIP, and approximately \$2.5 million in other Fleet Management projects, which were originally going to be proposed in FY 2021, have been deferred into future years to reduce the CIP’s impact on the General Fund and Enterprise Funds in response to COVID-19.

The City maintains a fleet of approximately 450 vehicles and equipment units, and the useful life of these fleet units is maximized and managed via the Fleet Capital Replacement Plan. The Plan identifies replacement timelines based on age, mileage, maintenance, and safety. When it comes time to retire a unit, carbon emissions are a key consideration in the selection of its replacement. In FY 2020, 40 vehicles were scheduled for replacement, and 18 of the new replacement vehicles purchased were either electric or hybrid vehicles. Three of those 18 vehicles included patrol vehicles. Staff are monitoring these hybrid patrol vehicles to ensure they meet necessary operation and performance requirements in the field. If demonstrated to perform as required, the Fleet Division will continue to work to hybridize the patrol fleet as those vehicles reach the end of their useful life. Staff will also work to invest in electric vehicles (EV) where possible within current replacement cycles and budget parameters, as is aligned with the Strategic Roadmap project under the Combat Climate Change Priority to transition 15% of the City’s fleet to EV/hybrid models.

In order to accommodate future increases in the City's EV Fleet, expanding City EV charging infrastructure will be necessary – an effort which has been separately identified in the Strategic Roadmap under the Improve Infrastructure Priority. Expanding EV infrastructure is a resource-intensive undertaking, as installation of the charging units can be very costly due fact that it often requires additional improvements, like the installation of separate hardware to connect the unit to an adequate energy source. Staff plan to conduct an analysis of future electric vehicle demand, which will be used to guide long term EV infrastructure expansion efforts and strategies to secure funding.

### Equipment

The “Equipment” category is predominantly comprised of equipment-related purchases supporting the Fire, Police, and Information Technology Departments, such as the purchase of Fire Department radios, purchase of fleet cameras, and replacement of aging fiber optic lines between City facilities. The recommended FY 2021 CIP includes programming of approximately \$2 million in this category. An additional approximately \$850,000 in other equipment projects have been deferred into future years to reduce the CIP's impact on the General Fund in FY 2021.

### Airport

This category encompasses all projects related to the improvement of the Hayward Executive Airport (HEA), the City's self-supporting, general aviation reliever airport that encompasses nearly 500 acres. One key project in this category is the Sulphur Creek Mitigation Project, which involves the enclosure of open creek channels that cross the Airport in an effort to mitigate runway safety concerns. The design phase of this project was recently completed, and construction is anticipated to begin in mid 2021. The project includes a total of \$4.16 million in previously authorized funding, and \$40,000 in proposed new FY 2021 funding. Funding for this project is being provided by the Federal Aviation Administration (FAA), Caltrans Division of Aeronautics, and the City's Airport Enterprise fund.

Another key project in this category relates to improvements to the Airport's hangars. The FY 2019 CIP included a Hangar Condition Assessment (HCA), through which a consultant was hired to conduct a physical evaluation of various Airport-owned hangars. The final assessment was provided to Airport staff late last year. In concert with the City's Council Airport Committee, and with input from the tenants, a ten-year maintenance schedule was developed based on this assessment. Implementation of this maintenance schedule began earlier this year, and activities in the first two years of the ten-year plan will primarily involve roof repairs -- particularly those required on the larger executive hangars, which are in the greatest need of refurbishment.

An additional project that has recently been identified as a need this year but has not been included in the proposed FY 2021 CIP is the preparation of a conceptual plan to guide future development of the currently closed Skywest Golf Course, located on the Airport property. Hayward Area Recreation and Park District (HARD) has informed the City that it is not interested in renewing the property's lease and will not continue to operate it as a

golf course once the lease expires in September. Staff will identify the funding needs and funding source for preparing this conceptual plan and will present their findings to the Council Airport Committee and City Council in the first quarter of FY 2021.

Identified and Unfunded Capital Needs

The last section of the recommended FY 2021 – FY 2030 CIP is the Identified and Unfunded Capital Needs section. This list was last significantly modified for the FY 2016 CIP to remove projects that were funded with Measure C and Measure BB funds, like improvements to Fire Stations 1-6, construction of a new 21st Century Library and Community Learning Center, and \$1 million per year for paving improvements. A significant reduction occurred with street and transportation-related projects, due to the passage of Measure C, Measure BB, and the Road Repair and Accountability Act (RRAA (SB1)).

While the approval of Measure C allowed the City to address many critical facility needs (e.g. the new Library, upgrades to Fire Stations, and the new Fire Training Center), the single most expensive unfunded capital need continues to be the replacement of the City’s Police Building (currently estimated to be anywhere from at least \$130,000,000 to over \$200,000,000). This aging and outdated facility houses the City’s 911 dispatch center for the Police and Fire Departments, as well as the City’s jail. The facility does not meet current seismic standards, nor does it meet the operational needs of a modern policing agency. Another review is currently underway to determine a refined cost estimate for this project.

The facility update to the City’s Corporation Yard (Corp Yard) is another significant capital need that remains unfunded. The Corp Yard is comprised of six buildings on Soto Road that were originally constructed in the early 1980s and need major improvements. The necessary improvements to the Corp Yard were estimated several years ago to amount to more than \$50,000,000.

Unfunded Capital Needs are generally broken down into the following categories:

Technology Services:	\$0
Fleet:	\$600,000
Miscellaneous:	\$850,000
Airport:	\$16,500,000
Facilities and Equipment:	\$189,450,000
Street and Transportation:	<u>\$201,502,000</u>
Total:	\$408,902,000

It is important to reiterate that this list identifies critical needs that have, as of now, no identified funding sources. The number of projects will continue to grow over time, as will the amounts needed to fund these extremely important upgrades/repairs to infrastructure and equipment.

Proposed changes to the Published Recommended FY 2021 – FY 2030 CIP



Route 238 Corridor Improvement Fund 410 – Shortly after publication of the Recommended CIP, staff identified a discrepancy within Fund 410, which resulted in an apparent negative balance to the fund. The “Route 238 Corridor Improvement - Phase 3 Final Design and Construction” project experienced an increase in FY 2020 expenditures, which was intended to be offset by a decrease in FY 2021 expenditures. However, the referenced decrease to FY 2021 expenditures was inadvertently not accounted for in the current recommended CIP document. Once corrected, this project will reflect a revised total of \$6.092 million in FY 2021 expenditures and a revised Project Total of \$16 million. Additionally, the fund will reflect a revised FY 2021 balance of \$174,000. Should Council approve of this adjustment, staff will incorporate the change during the preparation of the FY 2021 – FY 2030 capital budget for Council adoption.

Water Improvement Fund 604 – A critical Water Systems project which is essential in keeping the City’s water pump systems running smoothly is the Supervisory Control and Data Acquisition (SCADA) replacement and upgrade project. The currently programmed annual budget of \$20,000 for this project has proven insufficient, so staff proposes increasing this annual budget to \$60,000. The Water Improvement fund balance has sufficient funds to accommodate this budget adjustment. Should Council approve of this adjustment, staff will incorporate the change during the preparation of the FY 2021 – FY 2030 capital budget for Council adoption.

Enterprise Fleet Replacement Fund 737 – To further strengthen the General Fund, staff has identified an opportunity to shift \$180,000 in FY 2021 projected Citation Revenue from Fund 737 to the General Fund. To offset this CIP revenue reduction, and due to changing Fleet Replacement plans, staff also recommend decreasing FY 2021 Stormwater Fleet Replacement funding from \$350,000 to \$0. These changes, if approved by Council, would result in a positive impact to the General Fund, as well as an increase to the Fund 737 fund balance in all years through FY 2030. Should Council approve of this adjustment, staff will incorporate the change during the preparation of the FY 2021 – FY 2030 capital budget for Council adoption.

## **ECONOMIC IMPACT**

The direct economic impact of these projects is not quantifiable. However, maintaining and improving the City’s infrastructure, fleet, and equipment will have an unquestionable impact on maintaining and improving economic health and vitality of the City.

## **FISCAL IMPACT**

As mentioned previously, the capital budget for FY 2021 totals about \$59 million, with a total of approximately \$457 million tentatively programmed for the entire ten-year period from FY 2021 through FY 2030. An additional \$409 million of unfunded needs have been identified for the same period.

FY 2021 new recommended project costs by CIP category are as follows:

Project Category	FY 2020 Adopted	FY 2021 Recommended	Change from FY 2020 CIP
Sewer System Projects	\$18,908,000	\$14,351,000	(\$4,557,000)
Livable Neighborhoods Projects	\$27,192,000	\$11,880,080	(\$15,311,920)
Pavement Rehabilitation	\$10,913,000	\$9,727,500	(\$1,185,500)
Road and Street Projects	\$24,120,000	\$8,198,000	(\$15,922,000)
Water System Projects	\$22,240,000	\$6,000,000	(\$16,240,000)
Building & Misc. Projects	\$31,825,000	\$3,105,000	(\$28,720,000)
Equipment Projects	\$2,499,000	\$1,955,860	(\$543,140)
Airport Projects	\$5,884,000	\$1,787,000	(\$4,097,000)
Fleet Management Projects	\$4,249,000	\$1,565,000	(\$2,684,000)
<b>Total CIP Projects</b>	<b>\$147,830,000</b>	<b>\$58,569,440</b>	<b>(\$89,260,560)</b>

Five of the twenty-three CIP funds rely on transfers from the General Fund for project expenses. FY 2021 General Fund transfer amounts included in the Recommended FY 2021 CIP budget are noted in the table below:

CIP Fund	FY 2020 GF Transfer	FY 2021 GF Transfer	Change from FY 2020 CIP
405/Capital Projects (General)	\$640,000	\$15,000	(\$625,000)
460/Transport. System Improvement	\$350,000	\$400,000	\$50,000
726/Facilities Management Capital	\$360,000	---	(\$360,000)
731/Information Technology Capital	\$700,000	\$435,000	(\$265,000)
736/Fleet Replacement	\$35,000	---	(\$35,000)
<b>Total Cost to General Fund</b>	<b>\$2,085,000</b>	<b>\$850,000</b>	<b>(\$1,235,000)</b>

Three of the CIP funds are also Internal Service Funds (ISF), meaning they use Internal Service fees received from benefitting departments to finance project expenses. Internal Service fees are collected when one City department provides a service to another, drawing those service expenses from the operating budget of the benefitting department. Although some departments are funded by Enterprise funds, many are part of the General Fund.

CIP Fund	FY 2020 ISF	FY 2021 ISF	Change from FY 2020 CIP
726/Facilities Management Capital*	\$225,000	\$300,000	\$75,000
731/Information Technology Capital*	\$756,000	\$756,000	---
736/Fleet Management Capital (GF)	\$2,325,000	\$500,000	(\$1,825,000)
<b>Total Cost to General Fund</b>	<b>\$3,306,000</b>	<b>\$1,556,000</b>	<b>(\$1,750,000)</b>

-Partially funded by General Fund contribution.

As reflected in the two tables above, there is an overall decrease of \$2,985,000 in the General Fund impact compared with the FY 2020 adopted CIP.

The major CIP funding sources are as follows:

CIP Funding Source	FY 2021
Enterprise/Utilities	41%
Other	19%
General Fund (GF)/Internal Service Funds (ISF)	17%
Gas Tax/Vehicle Registration Fee/Road Repair and Accountability Act	11%
Measure B/BB	11%
Measure C	1%
Grants	<1%

### Funding Shortfalls

Capital Projects Fund 405 – Shortly before the publication of the Recommended FY 2021 – FY 2030 CIP, staff realized a prior year's project totaling \$127,000 had been inadvertently left out of the FY 2020 expenditures in Fund 405. Once the necessary adjustments were made, it resulted in a negative fund balance of approximately \$100,000 in FY 2021 to FY 2023. To correct this, staff increased FY 2021 Construction Tax Revenues to \$325,000 and FY 2021 Planning Fee Charges to \$250,000 from their original projections (\$250,000 and \$200,000, respectively). These proposed changes are currently reflected in the Recommended FY 2021 – FY 2030 CIP.

Measure C Fund 406 – The current total budget for the Fire Station No. 6 and Fire Training Center project is \$60.4 million, which has been outlined in the FY 2020 adopted CIP and prior CIPs. This project will be supported by a contribution of \$20 million by Chabot-Las Positas Community College District, and the City's share of project expenses is the remaining \$40.4 million. However, as staff previously discussed with Council at the November 19, 2019<sup>4</sup> and January 21, 2020<sup>5</sup> City Council meetings, the most recent estimated project costs are much higher -- now estimated at approximately \$76 million. As anticipated, the inclusion of this higher project total in the Recommended FY 2021 CIP has resulted in an over \$15 million shortfall in Fund 406, which must be resolved. Actual project costs will not be known until the receipt of construction bids later this Summer, and staff will seek Council's direction regarding how to proceed once bids are received.

### **COVID-19 Impacts on CIP Funding**

In response to COVID-19, the Alameda County Public Health Department has mandated that residents "Shelter in Place" (SIP) when not engaged in essential activities. The SIP order has

<sup>4</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4244335&GUID=13F11749-D9CB-4507-95F3-813DF74D04F2&Options=&Search=>

<sup>5</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4310191&GUID=989A319B-355D-4AAD-AB7D-BB8094C3ED4D&Options=&Search=>

resulted in the closure of many local businesses and historically high job losses in the community, leading to reduced sales transactions and dramatic decreases in sales tax revenue, as well as the sale of transportation fuel -- both of which are major sources of revenue for many CIP funds. It is also important to note that, in response to COVID-19, the Alameda County Public Health Department ordered a halt on all nonessential construction, resulting in delays to a number of CIP projects. That order has recently been relaxed, and some construction projects are now beginning to resume.

Staff has reviewed all affected CIP funds and has made necessary adjustments in revenues and expenditures to account for the anticipated revenue shortfalls. Many revenue projections have remained unchanged because their respective funds have sufficient FY 2021 fund balances to cushion a partial moderate shortfall. For instance, Highway User Tax (HUTA) FY 2021 revenue projections, which partially fund Gas Tax Fund 210, remain at the pre-SIP figure of \$3,964,000 within the recommended CIP. Staff propose leaving this revenue amount unchanged within the CIP because the FY 2021 balance in this fund is sufficient to tolerate a moderate shortfall that may occur due to fewer drivers on the road and, therefore, reduced HUTA revenue.

As previously mentioned, to reduce impact on the General Fund and other funds in response to the COVID-19 pandemic, \$6.8 million in capital improvement programming that staff was originally going to recommend for FY 2021 has been deferred into future years. Notably, \$2 million in funding for the South Hayward Youth & Family Center was deferred to future years, as was approximately \$2.5 million in fleet replacements for Fire, Police, and other departments. For the complete list of projects and deferment amounts, visit page 3 of the recommended FY 2021 – FY 2030 CIP document.

## **STRATEGIC ROADMAP**

The Strategic Roadmap and its Three-Year Vision is at the forefront of the City's capital project planning efforts. To the greatest extent possible, a formal management and implementation process has been utilized to ensure that CIP projects are aligned with the City's Strategic Roadmap and that the value each generates is maximized.

CIP Projects touch the Combat Climate Change, Support Quality of Life, Improve Organizational Health, and Grow the Economy Priorities, but predominantly support the Improve Infrastructure Priority. However, many projects that fall under the Improve Infrastructure Priority support other Priorities, as well.

## **SUSTAINABILITY FEATURES**

The action taken for this agenda report will not result in a physical development, purchase or service, or a new policy or legislation. Any physical work will depend upon a future Council action. Sustainability features for individual CIP projects are listed in each staff report as those come forward for approval.

## **PUBLIC CONTACT**

The public will have opportunities to review and comment on the CIP at this evening's Council Work Session and the City Council Public Hearing scheduled for later this month. The public also had the opportunity to review and comment during the Planning Commission Public Hearing on May 14, 2020. Notices advising residents about public hearings regarding the CIP are published in the paper ten days in advance. The agenda for the Council work session on the CIP is posted in City Hall and online. A copy of the recommended CIP is made available online and by contacting the office of the City Clerk. Additionally, individual projects receive Council approval and public input as appropriate.

## **NEXT STEPS**

Once Council has reviewed and offered comments on the recommended CIP, as well as the additional proposed changes identified on Page 9 and the funding shortfalls identified on Page 11 of this report, the appropriate changes will be made. The Council public hearing and adoption of the CIP budget are currently scheduled to take place on June 23, 2020.

*Prepared by:* Kait Byrne, Management Analyst

*Recommended by:* Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

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Kelly McAdoo, City Manager