

MEMORANDUM

DATE: April 16, 2008

TO: Mayor and Members of the City Council

FROM: Edward R. James, City Manager

SUBJECT: **Transmittal Letter for the Proposed 10-Year Capital Improvement Program (CIP) and Transportation Improvement Program (TIP) for the Period of FY 2008-09 to FY 2017-18**

Introduction

This transmittal letter presents the recommended FY 2008-09 Capital and Transportation Improvement Program (CIP and TIP) Ten-Year Plan for City Council review. Given the number and range of properties and public facilities the City is responsible to maintain, and to keep City facilities and infrastructure in high quality condition, our CIP and TIP represents a varied program. The continuing demand on the City's General Fund to support on-going service costs continues to restrict the availability of this funding source for capital needs.

Declining revenues and rising costs continue as primary concerns for the CIP/TIP. The housing sector crisis has affected the other sectors of the economy. The Legislative Analyst's Office (LAO) forecasts that the housing sector will begin to stabilize towards the end of the year; and that significant improvement will likely not occur until 2009. However, the economy faces a downside risk. Some economists are now predicting a mild recession. Of primary concerns are the declining development fees revenue, proposed NPDES Municipal Regional Permit (MRP) requirements, and the rising oil price (see Current Fiscal Issues).

The City continues to be successful in obtaining grants. The City was awarded \$5.37 million in grants for 5 projects. Additionally, the City obtained approval from the Contra Costa Transportation Authority (CCTA) to reprogram \$ 5.5 million of the \$9.0 million in Measure J Bond funds programmed in the Waterworld Parkway Bridge at Walnut Creek Project to fund higher priority projects - \$3.5 million to complete the Ygnacio Valley Road Permanent Restoration (landslide repair) next year and \$2.0 million for the Treat Blvd./Denkinger Rd./Clayton Rd. Intersection Capacity Improvement Project to relieve traffic congestion. See **Attachment A** for Grants Awarded and **Attachment B** for Funding Approvals for Higher Priority Projects.

The State Department of Finance (DOF) and the State Controller's Office (SCO) have made the first distribution of the City's Proposition 1B Local Streets and Roads funding in the amount of \$1.99 million. This is an accelerated distribution. Based on available information last year, the adopted plan did not forecast receipt of funds this FY and only forecasted \$1.44 million the next two years.

Additional good news includes the repayment of the outstanding Proposition 42 loans. The proposed plan includes a total of \$2.57 million for the second and third years of the plan, which were not forecasted in the adopted plan. The accelerated Proposition 1B distribution of \$1.99 million and the additional \$2.57 million Proposition 42 funding in the proposed plan allowed full funding for street maintenance projects, funding for increased costs of projects in the plan, and funding for new projects (see NEW PROJECTS on page 9).

A new feature in this transmittal letter is a list of projects that the Council approved during the FY, subsequent to the adoption of the CIP/TIP in June 2007 (**Attachment C**).

Revenue Assumptions

As with all City revenue funds and in keeping with Budget and Fiscal Policies (**Attachment D**), 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 2008-09 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 Park Land 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.

Gas Tax (Fund 260) – The adopted FY 2007-08 Ten-Year plan projected \$1.48 million revenue for FY 2008-09. For the first year of the proposed plan (FY 2008-09), the actual FY 2007-08 revenue of \$1.52 million was used, which is \$40,000 (1.01%) higher than the \$1.48 million revenue projected in the adopted plan. Based on the flat trend of the actual revenues over the past years, the proposed plan assumed a flat revenue during the first seven years; and used an escalation rate of 1.01% for the remaining three years.

Proposition 111 (Fund 261) – The adopted FY 2007-08 Ten-Year plan projected a flat revenue of \$0.76 million for each of the ten years. The actual revenue for FY 2007-08 came in at about \$0.76 million as projected. Similar to the gas tax projection, the proposed plan assumed a flat revenue (\$0.76 million per year) for the first seven years; and used an escalation rate of \$1.01% for the remaining three years.

Measure C/Measure J (Fund 472/Fund 475) – This is a Contra Costa County ½ cent sales tax which finances transportation and road construction programs throughout the County. The revenue refers to the 18% return to source component of the Measure, which is distributed by formula. Measure C will sunset in FY 2008-09 and will be succeeded by Measure J. Because the Measure revenue is tied to sales tax revenues, the same assumptions were used to forecast Measure C/J as were used in the Operating Budget to forecast sales tax, which is an annual escalation rate of 3.5%.

Proposition 1B – This is the \$19.9 billion Transportation Bond Act passed by the voters in 2006. In 2007, the State had not decided on the distribution formula for the \$2 billion

Local Streets and Roads component of Proposition 1B. The adopted plan relied on information available last year, which assumed revenue of \$960 million in FY 2008-09, \$480 million in FY 2009-10, and \$251 million for the remaining 8 years for a total of about \$3.45 million. On April 4, 2008, the State Department of Finance (DOF) certified the completeness of the City's plan (approved by the City Council on March 25, 2008) for the first distribution of \$1,986,719 Local Streets and Roads funding; and notified the State Controller's Office (SCO) that such an allocation can be made. With these DOF actions, staff anticipates receiving the first distribution of \$1,986,719 in May 2008 (this FY 2007-08). As such, the proposed plan shows this first distribution amount as prior FY revenue. The League of California Cities website listed \$1,874,000 for the City of Concord's second distribution. However, at this time, information is not available on when this distribution will be made. For planning purposes, staff assumed that the DOF/SCO will make the second distribution in FY 2011-12. This assumption was based on the information that Proposition 1B funds, as a General Obligation Bond, have a three-year expenditure deadline. With the DOF/SCO disbursing most of the first distributions in FY 2008-09 (it appears some jurisdictions did not submit the required expenditure plan early), the third year would fall on FY 2011-12.

AB 2928 (Proposition 42) – This bill provides \$1 billion directly to cities and counties for the maintenance of local streets and roads. With its passage, the funds were to be distributed over a five year period based on population. The City received its initial allocation of \$816,000 in FY 2000-01. However, due to the State's budget deficit, it reduced the distribution to the cities and counties in FY 2002-03 (Concord received \$138,000) and cutoff the payments thereafter. The Governor's proposed budget for FY 2008-09 fully funds Proposition 42 and provides repayment of outstanding Proposition 42 loans. The proposed plan revenue projection was based on information posted at the League of California Cities website.

Park Land Fee – The crisis in the housing sector continues to slowdown housing development, the sole source of revenue for this fee. The FY 2007-08 actual revenue was \$637,000 lower than projected. Based on active permit and entitlement applications, relative to the adopted plan, the proposed plan projected a \$3.82 million shortfall in FY 2008-09 but gaining \$1.38 million in FY 2009-10 for a net shortfall of \$2.44 million for the first two years of the proposed plan. Additionally, staff has substantially reduced the revenue projection for the remaining eight years of the plan based on the consideration that the City is a substantially built out City; and that most housing developments, if not all, will result from infill developments or redevelopments. The proposed 10-Year plan projected revenue of \$6.2 million is \$3.7 million (37%) lower than the \$9.9 million adopted plan projected revenue.

Off-site Street Improvement Program (OSIP) Fee or traffic mitigation fee – The FY 2007-08 actual revenue was \$3.7 million lower than projected in the adopted plan due to a number of developments being delayed for one year, which includes two major developments - the Winton/Jones site (\$2.15 million) and Lexus Dealership and Office Space (\$0.72 million). Due to this one year delay in developments, the proposed plan shows an increase in revenue of \$3.5 million for FY 2008-09, the first year of the

proposed plan. This revenue source was not affected as severely as the Park Land fee. The other sources of revenue for the OSIP fee, such as commercial developments, remained strong. Nonetheless, the proposed 10-Year plan projected revenue of \$13.5 million is \$2.0 million (13%) lower than the \$15.5 million adopted plan projected revenue.

Current Fiscal Issues

Development Fees

The Park Land in-lieu fee and the Off-site Street Improvement Program (OSIP) fee revenues continue to decline due to the continuing slowdown in housing development (see the narratives above for these two fees under Revenue Assumptions). In 2007, the problems relating to the housing sector continued to deepen. Residential building activity contracted further; and mortgage delinquencies and foreclosures rose. According to the Legislative Analyst's Office (LAO), more housing deterioration is expected in the near future. Although certain steps such as loan modification programs have been recently taken, a large volume of subprime mortgages are scheduled to reset to higher interest rates during 2008. This will bring the threat of even more delinquencies and foreclosures, which will negatively affect the housing sector in 2008 and 2009. The LAO predicts that the housing sector will begin to stabilize late this year. However, significant improvement will likely not occur until 2009.

Proposed NPDES Municipal Regional Permit (MRP) Requirements

Last year, we reported that while the C.3 requirements are stringent, more onerous requirements may be forthcoming when the Contra Costa Clean Water Program (Concord is a Program co-permittee) renews its 5-year permit. Previously, the San Francisco Bay Regional Water Quality Control Board (Regional Board) extended the Program's 5-year permit while going through the process of preparing and implementing a joint Municipal Regional Permit (MRP) for all Bay Area Clean Water Programs.

In March 2008, the Regional Board held a public hearing on the proposed MRP. Based on testimonies and written comments received, the Regional Board directed its staff to reconvene with the stakeholders and try to reach some level of consensus on significant region-wide issues before the next MRP hearing.

The MRP requirements, as written at the time of the hearing, would increase Concord's operation and maintenance costs by about \$624,000 per year and \$66,000 per year for capital cost to retrofit inlets for trash capture, for a total of \$690,000 per year. These costs, based on staff estimate, are related to the MRP requirement to implement enhanced trash management control by July 1, 2009 and install full trash capture devices by July 12, 2012 on half or more of 10% of the urban land area (the identified high trash and litter area). The \$66,000 per year capital cost is for the 5-year MRP permit and will complete the required trash capture devices for 10% of the land area. For the 5-year period, the total capital cost is \$330,000.

The MRP further requires the submittal of a trash management plan (with the 2012 Annual Report) to prevent trash impacts on beneficial uses with the goal of no impacts on beneficial uses from trash by 2023.

Oil Price for 2008

Cost of capital projects, particularly street projects, are sensitive to the price of oil. Materials such as asphalt concrete and slurry seal are petroleum based and therefore, a rise in oil price causes a rise in cost of these materials. Other non-petroleum based materials are also affected because of the energy cost related in the production of these construction materials. Below is an excerpt from the LAO:

“There is currently a wide range of forecasts for future oil prices. Some analysts believe that the recent factors driving prices upward are largely transitory related to political factors and speculative forces unrelated to supply and demand factors. Others, however, believe high and rising prices are here to stay, due to limited refining capacity and investment, and growing worldwide oil demand. Although short-term oil price volatility is likely to continue, we are assuming that prices will remain high but retreat somewhat from their current level, averaging roughly \$80 per barrel in 2008.”

It appears that the LAO’s prediction of an average price of \$80 per barrel is quite optimistic. As of the date of this letter, the price of crude oil has already reached \$110 per barrel. Some analysts are predicting as high as \$130 to \$140 per barrel by the end of the year.

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 our stated Mission, Vision, Values, include (1) public safety, (2) neighborhood vitality, (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 E**) for our FY 2007- 08 CIP/TIP submittal. This is the 9th consecutive year that the City of Concord has received this statewide award. This achievement is attributed mainly to the policies

that the Council has adopted over the past decade and the City practices that stem from those policies. Two of the specific policies/practices which lead to the award are 1) 10-Year financial planning; and 2) the inclusion of incremental operating costs associated with project proposals (i.e., fully loaded cost). These policies/practices 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 (**Attachment F**). Engineering Services staff coordinated this schedule with the Operating Budget Process Schedule prepared by Finance Department staff. Community and Recreation 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 were 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 2007/2008

- “CIP” and “TIP” sections are divided into their respective section-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” is the index 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 appropriate sections for each respective map.
 - “Revenue Assumptions” 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, Parkland, Proposition 1 A (AB2928) and Proposition 1 B.

Discussion of the 2008/09 CIP/TIP

The major improvement categories for the CIP/TIP are listed under the “CIP/TIP Binder Organization” section of this transmittal. Requests for FY2008/09 project funding are shown in graphical representation in Figure 1 and as total dollars in Figure 2.

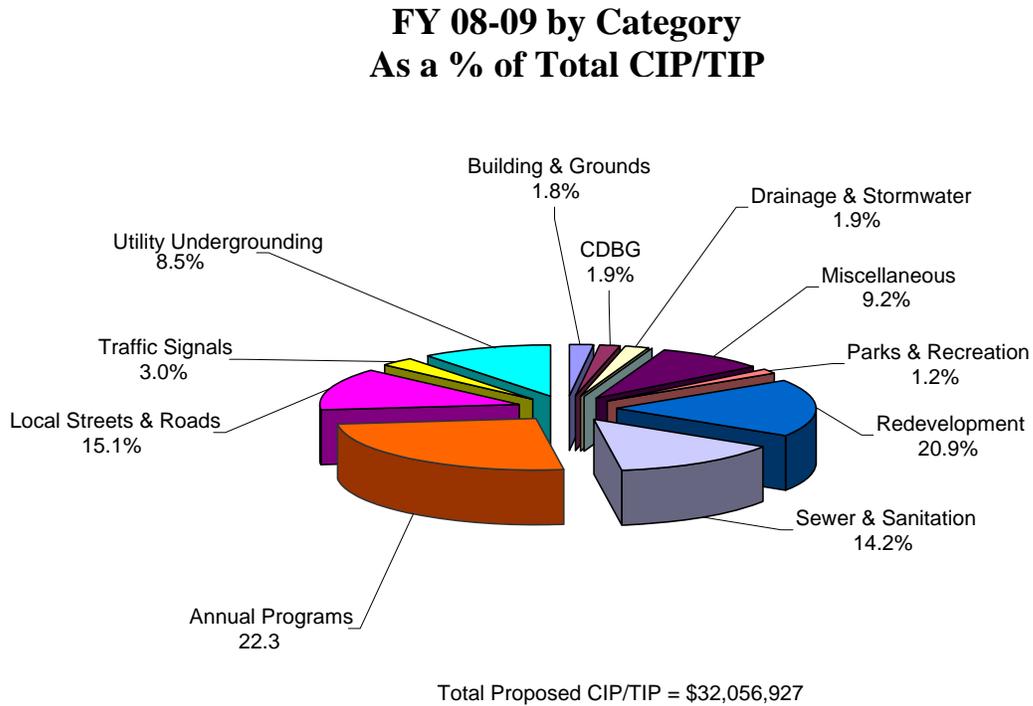


Figure 1

<i>Category</i>	In \$000's
CIP-Building and Grounds	\$ 588
CIP-Community Development Block Grant	\$ 620
CIP-Drainage and Stormwater	\$ 600
CIP-Golf Course	\$ 0
CIP-Miscellaneous	\$ 2,950
CIP-Parks and Recreation	\$ 391
CIP-Redevelopment Agency	\$ 6,689
CIP-Sewer and Sanitation	\$ 4,568
TIP-Annual Programs	\$ 7,140
TIP-Local Streets and Roads	\$ 4,831
TIP-Traffic Signals	\$ 949
TIP-Utility Undergrounding	\$ 2,732
TOTAL	\$ 32,057

NEW PROJECTS

Within the above categories are the following new projects for FY 2008/09:

- **Project 2114, Rehabilitation Services Of Northern California Roof and HVAC:** The project will replace the 20 year old HVAC units that are in poor condition with new energy efficient units, including some roof repair work for the facility located at 490 Golf Club Rd., Pleasant Hill. This facility serves Contra Costa County and more than 50% of the clients they serve are severely disabled Concord residents (adults and seniors). The County, the City of Concord and the City of Walnut Creek are providing joint funding for this project. Concord's share of the project is \$26,000 funded by CDBG. Estimated completion date: December, 2008.
- **Project 2115, Cambridge Community Center Room Addition:** The project will demolish the existing deck area and construct a new 11'6" by 14' space, for their facility located at 1146 Lacey Lane. The new space will provide private office space for the "Self-sufficiency through Licensed Family Day Care" program, and a reception area for parents to access computers, fill out forms, etc. The proposed appropriation is \$65,000 funded by CDBG. Estimated completion date: June, 2009.
- **Project 2116, Community Youth Center-Exterior Pathway Pedestrian Safety:** To accommodate continued growth, this agency is expanding the Academic Excellence and Gymnastics programs into another building at 2241 Galaxy Court. To safely connect programs in different buildings, the agency wishes to install a security pedestrian pathway with protective fencing. This pathway will allow for the safety of children/youth with particular concern for cars and nefarious persons. The proposed appropriation is \$49,076 funded by CDBG. Estimated completion date: June 2010.
- **Project 2117, Michael Chavez Monument Economic Opportunity Center:** The project will expand the present 1,475 square feet Monument Futures location into an adjacent 1,275 square foot space. This will create room for a proposed economic opportunity center which is a collaboration of three nonprofit organizations: Concord Community Economic Development Organization (dba Monument Futures), Housing Rights, Inc. (dba Mt. Diablo Housing Opportunity Center) and A New America Project. The proposed appropriation is \$50,000 funded by CDBG. Estimated completion date: December, 2008.
- **Project 2118, Pavilion Management Agreement:** The Pavilion Management Agreement with Live Nation will expire 12/31/08. This project supports negotiations with Live Nation and funds, if directed by the City Council, a Request for Proposal (RFP) to solicit an alternate operator for the Pavilion. The

- proposed appropriation is \$75,000 funded by General Fund. Estimated completion date: November, 2008.
- **Project 2119, 911 System Replacement and Dispatch Room Remodel:** The project will upgrade the 9-1-1 system equipment and dispatch center furniture. The proposed appropriation is \$400,000 funded by DSG, Department of General Services and \$12,000 funded by Asset Forfeiture. Estimated completion date: June, 2009.
 - **Project 2121, Centre Concord Furniture and Equipment - Banquet chairs and portable dance floor.** The project will allow for the purchase of 500 new banquet chairs and a portable dance floor. The chairs will compliment the décor of the new carpet scheduled to be installed in March 2008. They will be portable and specifically designed for the purpose of comfort, longevity and cost effectiveness. **Portable Dance Floor.** Purchase a large durable portable dance floor with a "locking cam" system. A caddy can be used to transport individual floor panels; the floor size is flexible depending customer needs. The proposed appropriation is \$43,000 funded by General Fund. Estimated completion date: December, 2008.
 - **Project 2122, Centre Concord Parking Lot:** The project will patch pave approximately 1/3 (one third) of the parking lot and then slurry seal and restripe the entire lot. The proposed appropriation is \$30,000 funded by General Fund. Estimated completion date: June, 2009.
 - **Project PR-1004 Park Pathways, Parking Lots, Basketball/Tennis Courts, Playgrounds Asset Management:** This project will renovate park pathways, parking lots, basketball/tennis courts and playgrounds as they deteriorate due to age and use. This project will be funded annually by Parkland Fees starting fiscal year 2011-12.
 - **Project 2123, Paw Patch Lighting Improvements at Newhall Community Park:** Install pedestrian-level lights within the Paw Patch at Newhall Community Park and upgrade the electrical panel at the Bocce Ball court. At this time, the conceptual design calls for the installation of seven pedestrian-level lights. The final number and type of pedestrian-level lights will be determined during design and based on the budget. The proposed appropriation is \$75,000 funded by General Fund. Estimated completion date: June, 2009.
 - **Project 2112, 1948 Colfax Street Parking Lot Light:** The project will install one (1) new parking lot light within a small island in the middle of the Agency-owned Parking Lot located at 1948 Colfax Street (between Willow Pass Road and Salvio Street). The project's proposed appropriation is \$50,000 and it is part of the lease agreement between the Redevelopment Agency and La Piñata Restaurant. Estimated completion date: December, 2008.

- **Project 2107, Market Street @ Fry Way Intersection Improvement:** The project will modify Fry Way entrance at Market Street to provide adequate room for trucks to enter the roadway. The proposed appropriation is \$44,000 funded by General Fund. Estimated completion date: June, 2009.
- **Project LSR-1005, Willow Pass Road / SR4 Freeway Reconstruction Study:** The project will study the need for enhancing the ramp to accommodate the growth in traffic over the past years and the future growth including the development of the former Concord Naval Weapons Station. The proposed appropriation is in fiscal year 2009-10 in the amount of \$800,000 funded by Measure J Bonds. Estimated completion date June, 2010.
- **Project 2108, Treat Boulevard (Oak Grove Rd to San Miguel Rd) Street Median Landscape (Phase 1):** The project will landscape the existing street medians along Treat Boulevard, from San Miguel to Oak Grove Rd. Construction is scheduled to begin in Spring 2009 with completion slated for Summer 2009. The proposed appropriation is \$680,000 and it is funded by Prop. 1B, Measure C Local and Prop. 111.
- **Project LSR-1007, Treat Boulevard (San Miguel to Cowell Road) Median Landscape Improvement (Phase 2):** The project will produce attractive median turn lanes and reduce bare appearance common at many intersections. Construction is scheduled to begin in spring 2010 with completion slated for late summer or early fall 2010. The proposed appropriation is \$845,000 and it is funded by Prop. 111 and Measure J.
- **Project LSR-1008, Clayton Road/Treat Blvd. Intersection Capacity Improvements:** This project will improve the traffic flow and reduce congestion at this intersection. (See Attachment B) The proposed appropriation at this time is \$2,000,000 funded by Measure J Bonds. Estimated completion date: December, 2013.
- **Project 2109, Ygnacio Valley Road Permanent Restoration (Phase 2):** This is the final phase for restoring Ygnacio Valley Road to its pre-landslide condition. (See Attachment B) The proposed appropriation is \$3,500,000 funded by Measure J Bonds. Estimated completion date: fall 2009.
- **Project 2110, Clayton Road/Chestnut Avenue Traffic Signal:** The project will install a traffic signal at the Clayton Road/Chestnut Avenue intersection, equipped with actuated pedestrian push buttons to facilitate pedestrian crossing across Clayton Road. The proposed appropriation is \$350,000 funded by OSIP fees. Estimated completion date: June, 2010.

- **Project 2111, Market St. Undergrounding (Willow Pass Rd. to Fry Way)**
Underground the overhead utility lines along the easterly side of Market St. between Willow Pass Rd., and Fry Way.

Conclusion

I would like to thank Alex Pascual (Director of Building, Engineering, and Neighborhood Services), Peggy Lefebvre (Director of Finance), Cecilia Skuza (Budget Analyst) and the entire CIP/TIP Committee for their hard work and efforts in producing this document. They have identified every resource available to the City to enable us to reinvest in and maintain the quality of our valuable community infrastructure and facility assets.

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 implementation of projects to enhance the usefulness and purpose of the CIP/TIP for the City.

GRANTS AWARDED
(\$5.37 million)

Project No. 2034, Ygnacio Valley Road Emergency Opening and Permanent Restoration: The Federal Highway Administration (FHWA) using Federal Emergency Relief grant and the State Office of Emergency Services (OES) at 88.53%/11.47% funding split will fund \$1.4 million for the Emergency Opening and \$2.7 million for the Permanent Restoration.

Project No. 2102, Hillcrest Park Creek Repair: The Federal Emergency Management Agency (FEMA) and the State OES at 75%/25% funding split, will fully reimburse the cost of the creek repair at Hillcrest Park, currently estimated at \$300,000. Two creek locations were severely eroded during the 2006 storms and will be repaired under this project.

Project No. 1283, Galindo Creek Trail Gap Closure and Ygnacio Valley Rd. Landslide Repair: The project was awarded a \$150,000 TDA grant and \$60,000 EBRPD funding.

Project No. 1761, Commerce Ave. Roadway Extension and Bridge @ Pine Creek: The Contra Costa Transportation Authority (CCTA) will program an additional \$260,000 Measure C I-680 funds to this project as part of the CCTA Strategic Plan Update in July 2008.

Project No. 2060, Citywide Bridge Preventive Maintenance Program: Caltrans has approved \$500,000 SBMP funds (State Bridge Preventive Maintenance Program) for Preliminary Engineering for repair work involving 22 bridges.

FUNDING APPROVALS FOR HIGHER PRIORITY PROJECTS
(\$5.5 Million)

CCTA approved the City's request to reprogram \$5.5 million of the \$9.0 million Measure J –Bond programmed in Project No. 2053, Waterworld Parkway Bridge over Walnut Creek to fund higher priority projects. This bridge project is not needed in the foreseeable future and will not be needed until the area develops or redevelops and sufficient traffic growth has occurred. In contrast, there is an immediate need to fund the following projects:

- **Project 2109, Ygnacio Valley Road Permanent Restoration (Phase 2): - \$3.5 million Measure J-Bond.** This is the final phase for restoring Ygnacio Valley Road to its pre-landslide condition. The Permanent Restoration (Phase 1) project, scheduled for construction in summer 2008, will only protect a limited portion of the roadway (420 feet of the identified 800 to 1,000 feet that needs protection) due to the restrictions on the use of the grant funds. This Phase 2 project will complete the needed protection for the roadway.
- **LSR-1008, Clayton Road/Treat Blvd. Intersection Capacity Improvements - \$2.0 million Measure J-Bond.** This project will improve the traffic flow and reduce congestion at this intersection by widening the northbound Treat Blvd. approach to accommodate 2 left turn lanes, 2 thru lanes, and 1 right turn lane; and upgrading the signal to an 8-phase operation.

The previous approval by TRANSPAC, the Central County regional planning committee, included \$500,000 Measure J-Bond for the repair of the landslide along westbound Ygnacio Valley Road west of Alberta Way (as part of Project No. 1283, Galindo Creek Gap Closure and Ygnacio Valley Rd. Landslide Repair). With the project scheduled for construction in summer 2008 and Measure J-Bond available in September 2009 at the earliest, use of this fund for this project will trigger the “early use of Measure J-Bond” process. To avoid the related lengthy administrative process and to accommodate the project schedule, CCTA staff recommended that the City use local funds for the \$500,000 amount needed for the landslide repair work. In return, as part of its Strategic Plan update in July 2008, CCTA will program \$260,000 Measure C I-680 funds to Project No. 1761, Commerce Ave. Roadway Extension and Bridge @ Pine Creek. The City could then transfer local funds from Project No. 1761 to Project No. 1283. The \$500,000 Measure J-Bond will remain in Project No. 2053, Waterworld Parkway Bridge over Walnut Creek. The City may still access the remaining funds in Project No. 2053 if the City's other projects in the Strategic Plan need additional funding. This CCTA recommendation has virtually no strings attached and results in additional \$260,000 funding to the City. Based on the CCTA commitment described, staff did not pursue the reprogramming of \$500,000 Measure J-Bond for Project No. 1283.

PROJECTS APPROVED DURING FY 2007-08

Subsequent to the adoption of the CIP/TIP, the Council approved the following projects during FY 2007-08.

- **Project 2077, Civic Center Roof Improvements:** Approved by the Council on September 4, 2007. The project completed the overhang roof structure at the Building C breezeway.
- **Project 2094, Civic Center Wing “A” Lobby Improvements:** Approved by the Council on October 23, 2007. The project remodeled the front offices of the Planning and Economic Development in Wing A.
- **Project 2096, Bates Avenue Port Chicago Highway:** Approved by the Council on November 27, 2007. The project will rebuild and enhance the signalized intersection at Port Chicago Highway and Bates Avenue by removing the pork chop island, replacing and relocating existing traffic signals and adding a fourth leg to the intersection opposite Bates Avenue to accommodate new development on the east side of Port Chicago Highway.
- **Project 2097, Redevelopment Agency Property Purchase:** Approved by the Council on November 27, 2007. On that date Council approved the ancillary costs relating to the purchase of property located at 1751/1753/1757 Concord Avenue. At a subsequent meeting, February 8, 2008 Council authorized the purchase and sale agreement with Sulcar Properties to purchase the parcels. The purchase of these parcels will provide a larger site suitable for a future multifamily residential redevelopment project.
- **Project 2098, Mira Vista Sub-drain Rehabilitation:** Approved by the Council on November 27, 2007 as part of the holding account Project 2040, Drainage Studies. For financial tracking purposes, the project was given a new project number. The project assessed and repaired a sub-drain system at Mira Vista Terrace to address the continuous flow out of the pavement.
- **Project 2101, Highway 680/Burnett Ave. off Ramp Right of Way Close Out:** Approved by the Council on March 25, 2008. The project will complete the close out of City Project 148, Highway 680/Burnett Ave. off Ramp Right of Way, as required by Caltrans.
- **Project 2102, Hillcrest Park Creek Repair.** Approved by the Council on March 25, 2008: Severe rainstorms in winter 2005-06 produced unusually heavy rains and flooding. The heavy storms severely eroded, at two locations, the creek bank along the Hillcrest Park Creek. The project will repair eroded creek banks to prevent further deterioration. This project is fully funded by FEMA (75%) and OES (25%).

- **Project 2103, Close out of Iron Horse Trail Gap Closure (Bancroft/Hookston):** Approved by the Council on March 25, 2008. The project will complete the close out of City Project 1869, Iron Horse Trail Gap Closure at Bancroft/Hookston, as required by Caltrans.
- **Project 2106, Farm Bureau Rd Drain Floodway/Floodplain Amendment:** Approved by the Council on May 12, 2008. The project will update the FEMA Floodway and Floodplain maps to reflect current conditions and risks; compliance with the National Flood Insurance Program and the City's ordinance.
- **Project 2120, Loaves and Fishes Tenant Improvements: Approved by the Council on June 2, 2008.** The project is the cost of tenant improvements at the new Loaves and Fishes site to make it possible for them to relocate their Concord Dining Room to 2047 Arnold Industrial Way.

BUDGET AND FISCAL POLICIES

1. PURPOSE

To guide City budget decisions toward maintaining long-term financial stability, to ensure that basic City services are delivered, and to protect past and future investments in the City's infrastructure and facilities.

2. ADOPTION AND REVIEW

A set of policies were originally adopted in 1995 with the initiation of long-term financial planning for the City. The policies set a course to achieve financial stability. With implementation of the original policies, financial stability for the City has been attained and this document revised to establish a more comprehensive approach to budget and fiscal policies to ensure that the City maintains its financial stability long into the future. Each year at the time the City budget is considered, the City Council shall review the Budget and Fiscal Policies and conduct a review of the proposed budget for consistency with these Budget and Fiscal Policies.

3. POLICIES

3.1 10-Year Financial Planning

- 3.11 City Manager will present a budget (Capital and Operating) that is balanced over the 10-year planning period for all funds.
- 3.12 Utilize the 10-Year Plan as the basis for making long-range financial planning decisions.
- 3.13 Maintain contingency reserves equal to 10% of designated operating expenses for the General Fund and the Enterprise funds.
- 3.14 Maintain a capital and operational fund to address unforecasted needs.
- 3.15 Develop and maintain a revenue monitoring and forecasting system to assist in trend analysis and revenue forecasting for the 10-year planning period.
- 3.16 Document all assumptions for revenue and expenditure forecasts each year.
- 3.17 Establish a financial plan for the Redevelopment Agency that ensures a positive cash balance at the end of the life of the Agency.
- 3.18 Seek reimbursement for State and Federal mandated programs and projects.
- 3.19 Conduct periodic audits for sales tax (point-of-sale), franchises and concessions, and transient occupancy tax (TOT).
- 3.110 Carefully review and discourage grants that may expand or add services without a reliable replacement revenue after the grant period ends.
- 3.111 Maintain an aggressive collection system for all accounts receivable.
- 3.112 Be alert to potential development of new revenue sources.

- 3.2 Performance-Based Budgeting (PBB)
 - 3.21 Establish the PBB as the City Council's service delivery policy document.
 - 3.22 Establish a PBB that measures service levels, efficiency and effectiveness.
 - 3.23 Follow the principles of outcome management in utilizing the PBB.
 - 3.24 Ensure all costs (direct and indirect) are charged against each program budget.
 - 3.25 Measure work efficiency and effectiveness to ensure an optimal allocation of human and fiscal resources to budget approved services and programs.
 - 3.26 Ensure all operating programs have measurable performance objectives which identify the service and level of service, and the resources required to accomplish the objectives.
 - 3.27 Complete year-end reports and audits to measure the work accomplished against what was planned at the beginning of the fiscal year and evaluate future service levels.
- 3.3 Capital Improvement Program (CIP)
 - 3.31 Develop a 10-year plan for CIP.
 - 3.32 Seek grants for needed capital projects which can offset use of other City funds, which can then be utilized for other needed projects.
 - 3.33 Maintain capital improvements to the level required to adequately protect the City's capital investment and to minimize future maintenance and replacement costs.
 - 3.34 Include resources required to maintain and operate new capital improvements commencing the year the project is completed and continuing through the balance of the 10-Year Plan.
 - 3.35 Ensure capital budgets contain all costs to complete the project (design, right-of-way, construction, inspection, contract management, contingency).
 - 3.36 Ensure all proposed projects in the 10-Year Plan have a viable source of funding for both construction and maintenance.
 - 3.37 Fund projects proposed for Enterprise programs by revenues derived from user fees.
 - 3.37 Encourage pay-as-you-go financing of capital improvements where feasible.
- 3.4 Internal Service Funds
 - 3.41 Maintain Internal Service Funds for Workers' Compensation, Risk Management, Storm Water, Fleet Maintenance and Replacement, Technology Maintenance and Replacement (including all computer/software and communications equipment), Building Maintenance and Replacement, and Miscellaneous/Office Equipment Maintenance and Replacement.
 - 3.42 Maintain a 10-year financial plan for all Internal Service Funds.
 - 3.43 Include cost of operation, maintenance and replacement in the 10-year financial plans.
 - 3.44 All costs (operation, maintenance and replacement) associated with each Internal Service Fund will be charged to the appropriate user department.
 - 3.45 Maintain equipment and facilities to the level required to adequately protect the City's investment and to minimize future maintenance and replacement costs.

- 3.5 Enterprise Funds
 - 3.51 Maintain a 10-year financial plan for all Enterprise Funds.
 - 3.52 All costs associated with providing administrative support (finance, personnel, legal, etc.) shall be charged to the appropriate Enterprise Fund.
 - 3.53 Periodically review market driven enterprise operations for partnerships, sponsorships and other mutually beneficial business development opportunities.
 - 3.54 The cost of each enterprise shall be completely offset by user charges and fees derived from the enterprise activity. Costs shall include operating, maintenance, capital, debt service, contingency and administrative costs.
 - 3.55 Periodically review and adjust user fees in order to avoid large one-time fee increases. For Golf the review should include the market established for similar services.
 - 3.56 Periodically review concession agreements, lease agreements and all other revenue generating agreements in order to determine if the City is receiving a return that reflects the market for similar agreements.
- 3.6 Investment Policies/Financial Practices
 - 3.61 Maintain an Investment Policy consistent with established regulations and guidelines. Said policy is to be reviewed each year by the City Council.
 - 3.62 The Investment Policy shall address safety, liquidity and yield.
 - 3.63 Limit use of debt to minimize future commitment of the fiscal resources of the City and its taxpayers.
 - 3.64 Debt payment should not exceed the anticipated useful life of an improvement, and in no case should it exceed 30 years.
 - 3.65 Maintain accounting systems and financial management practices in accordance with generally accepted accounting principles, so as to result in an unqualified opinion from the City's independent auditor.
- 3.7 Two-Year Operating and Performance Based Budget Adoption
 - 3.71 Beginning with the fiscal year 2001-02 budget, a two-year budgeting cycle for the operating and Performance Based Budget will be initiated. The first year of the cycle will be adopted as shown in the operating and Performance Based Budget document. The second year will be adopted with a Cost of Living Index adjustment to be identified with consideration of the second year budget approvals.
 - 3.72 Budget review for the second year of the cycle will be focused on changes to the base year operating and Performance Based Budget, such as service level adjustments and new programs.
 - 3.73 Full review of revenue assumptions and preparation of the Capital Improvement Program and Ten-Year Plans on all funds will continue to be done annually.
 - 3.74 The City Council will hold public hearings and formally approve a budget for the City annually.
- 3.8 Reserve Funds

- 3.81 An aggregate reserve, in addition to the 10% operating contingency, will be established and maintained at a level not less than equal to 20% of the General Fund total operating budget. The reserve shall be determined to be fully funded when 20% of the General Fund operating budget can be maintained as the reserve projected balance at the end of each fiscal year and funded within the approved General Fund Ten-Year Plan.
- 3.82 Reserve funds will have four subaccounts: the Economic Contingency Reserve, the Unforecasted Reserve, the Capital/Maintenance Reserve, and the Benefits Reserve.
- 3.83 Reserve funds will be built and replenished as necessary to maintain full funding of the minimum reserve through regular annual contributions at least equal to 4% of the General Fund operating budget. The City Council will annually review and approve the distribution of reserve contributions among the four subaccounts as part of the budget process.
- 3.84 The City Council may act to override the individual purposes of some or all of the four subaccount reserves in the face of a major economic crisis of calamitous dimensions and draw on reserves to maintain the City's fiscal stability. In such a case the Council will take formal action determining that multiple adverse factors exist that warrant this exceptional use of one or more of the subaccount reserve funds.
- 3.85 The Economic Contingency Reserve is to be made available by Council appropriation to meet unanticipated needs caused by State or Federal redirection of City resources, general economic downturns, or reductions in operating revenues.
- 3.86 The Unforecasted Reserve is to be made available by Council appropriation to continue services if State, Federal or other grant funding sources are lost, and to offset the costs of unanticipated, unfunded governmental mandates.
- 3.87 The Capital/Maintenance Reserve is to be made available by Council appropriation to meet unanticipated, unscheduled and or unprogrammed capital and maintenance needs of City infrastructure and facilities. This reserve is intended to be used for major capital repair where facility failure, unexpected hazards, or destruction of City property has occurred and where repair or replacement is not planned within the established capital, operations or internal replacement funds. The threshold for work meeting this intent will be the same dollar amount as the threshold set for inclusion of projects in the City Capital Improvement Program.
- In exceptional circumstances and where adequate funding sources are not available, the City Council may consider appropriation of Capital/Maintenance Reserve funds for a new capital improvement. When making such an appropriation, the City Council will first determine that the maintenance and operating costs of the new project can be fully supported in the Ten-Year Plan in accordance with Policy 3.33.
- 3.88 The Benefits Reserve Fund is available to support unplanned costs and obligations of existing employment benefits. The Benefits Reserve is not intended for use to enhance benefits negotiated through the collective bargaining process that require City Council approval.

California Society of Municipal Finance Officers

Certificate of Award

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Presented to

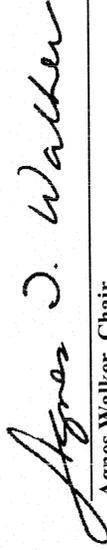
City of Concord

This certificate recognizes the achievement of Excellence in Capital Budgeting and reflects an outstanding budget document and the underlying budgeting process through which the budget is implemented.

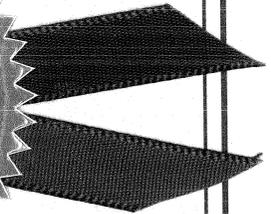
March 6, 2007



Mark Alvarado
CSMFO President



Agnes Walker, Chair
Budgeting & Financial Management



Dedicated to Excellence in Municipal Financial Management

**CITY OF CONCORD
CIP/TIP CALENDAR 2008-2009**

ACTION ITEM NUMBER	DATE	DESCRIPTION
1	08/23/07	BENS and Finance draft Budget/CIP process schedule.
2	10/31/07	CM and BENS & Finance hold Kick-Off Meeting with Department Heads and Project proponents to provide guidance (CM) and instructions on schedule and process (BENS & Finance).
3	11/08/07	BENS transmits CIP memos and CIP Schedule to Parks, Recreation & Open Space Commission and Planning Commission.
4	11/09/07	Project proponent departments meet with BENS and Finance to discuss operating costs.
5	11/14/07	BENS, PW, P&ED, and Finance meet to update revenue assumptions.
6	11/19/07	Draft 1 inputs due, including updates and new project proposals. Carry-over projects should show any changes/additions to funding. Be sure to identify those projects you are certain will be completed by June 30, 2008, (which will be removed from the Draft Binder).
7	11/30/07	Draft 1 CIP/TIP to Printing
8	12/10/07	Draft 1 CIP/TIP binder to CIP Committee
9	12/20/07	CM/CIP/TIP Committee meets to review Draft 1 of the CIP. 1:00 PM to 4:30 PM
10	01/03/08	BENS, P&ED, PW and Finance meet to finalize revenue assumptions).
11	01/07/08	Draft 2 inputs due. (Project proponents to obtain CM concurrence for new projects after this date prior to BENS accepting the proposal for consideration by the CIP Committee).
12	01/14/08	Draft 2 CIP/TIP to Printing
13	01/18/08	Draft 2 CIP/TIP binder to CIP Committee
14	01/23/08	CM/CIP/TIP Committee meets to review Draft 2 of the CIP 10: 00 AM to 2:00 PM break 1 hour for lunch.
15	02/04/08	Draft 3 inputs due.
16	02/14/08	Draft 3 CIP/TIP to Printing
17	02/22/08	Draft 3 to CIP/TIP Committee.

**CITY OF CONCORD
CIP/TIP CALENDAR 2008-2009**

ACTION ITEM NUMBER	DATE	DESCRIPTION
18	02/28/08	CM/CIP/TIP Committee meets to review Draft 3 of the CIP 1:00 PM to 4: 00 PM
19	Coordinate with CDBG Redevelopment and Operating Budget Calendars.	CIP cash-flows are coordinated with Operating Budget, Redevelopment and CDBG budgets (Ongoing with budget process).
20	03/21/08	Final Changes for the Proposed Draft due. Database will be locked out after this date and no more changes will be made.
21	04/11/08	Proposed CIP/TIP to Printing
22	04/21/08	Proposed CIP/TIP to CM/CIP Committee, City Council, Planning Commission. Prepare memo for Parks, Recreation & Open Space Commission Hearing.
23	05/01/08	Report and Proposed CIP to Parks, Recreation & Open Space Commission. Prepare agenda report for Planning Commission Hearing
24	05/05/08 05/12/08	Council Budget Workshop.
25	05/14/08	Parks, Recreation & Open Space Commission Hearing.
26	05/15/08	Begin follow-up actions per Council and CM direction. Redraft as needed for next public hearings.
27	05/21/08	Planning Commission Hearing
28	06/02/08	Council Hearing CIP/TIP, 1 st Public Hearing
29	06/16/08	Council Hearing. 2 nd Public Hearing, CIP/TIP Adoption
30	06/18/08	Redraft CIP//TIP as needed per 06/17/08 hearing and adoption.
31	07/01-08/15	Publish, distribute, Adopted CIP/TIP