

CITY OF MILPITAS

MINUTES of: CITY COUNCIL (FINANCE) SUBCOMMITTEE

Date/Time: Thursday, March 17, 2011 – 5:30 p.m.

I. CALL TO ORDER: Council Member Althea Polanski called the meeting to order at 5:35pm

Attendance:

City Council: Mayor Jose S. Esteves, Council Member Althea Polanski
Staff: Emma Karlen, Greg Armendariz, William Marion

II. PUBLIC FORUM: None

III. APPROVAL of MINUTES: The January 24, 2011 meeting minutes were approved.

IV. ITEMS FOR DISCUSSION

A. **Approval of New Capital Improvement Project & Mid Year Budget
Appropriation: Abel Street Transit Connection**

AND

B. **Approve a Mid Year Budget appropriation for the Escuela Parkway Pedestrian &
Bicycle Enhancement, Project No. 4258**

Greg Armendariz, City Engineer – Staff indicated that the City of Milpitas had been given the opportunity to make use of two matching fund grants that were previously given to other cities that were not able to implement them. Time constraints make it necessary to move quickly in order to obtain the grants. The recommended appropriations would enable the design and environmental process to get started as soon as possible. The remaining construction funds for both projects will be budgeted in the next cycle for the Capital Improvement Program.

Abel Street Transit Connection is a community design transportation program that entails completing the streetscape improvements including landscaping, pedestrian lighting and sidewalks south of the Great Mall. Staff is recommending a budget appropriation of \$200,000 from the 2003 RDA tax allocation bond TABS. The total estimate of the proposed project is \$1,260,000, with a maximum grant reimbursement of \$712,000.

Escuela Parkway Project – Staff is recommending a budget appropriation of \$85,000 from the street fund. The total estimated cost of the proposed project is \$710,000, with a maximum grant reimbursement of \$501,000.

Finance Subcommittee – **Approved the two projects and budget appropriations to start the design phase. The recommendations will go to the City Council for final approval.**

C. Approval of New Capital Improvement Project & Mid Year Budget Appropriation: City Hall AV Equipment Replacement & Upgrades

William Marion, Information Services Director – This is a project to replace the majority of the Audio / Visual equipment throughout City Hall. The design of our current equipment was done in the late 1990's. We purchased the equipment in 2000/2001, and it was put into service in late 2002. Our equipment is the old analog type; therefore, replacement parts and repair services are difficult to find. Today's new equipment is digital which cannot be integrated with what we have.

We would go out to bid to an audio/visual firm to provide a new design, spec out equipment and install. Replacement includes the Council chamber control system, cameras and internet connections to all our conference rooms. The goal is to be able to incorporate some "green design". Meetings are currently recorded on video cassettes. Ideally we want to be able to record digitally for immediate availability. There is a limited window of time to uninstall the old equipment, install and test the new.

The cost is \$150,000 for design, \$100,000 for administration and inspection, and \$1,250,000 for removal and improvements. It is estimated that the new equipment should last 10 years. A \$25,000 annual maintenance cost would be paid for one-two years past the 1st year warranty.

Councilmember Polanski – Requested that there be sound capability into the back hallway, council restrooms and council break room.

Emma Karlen, Director of Financial Services – Advised the funds for this project be committed in FY 10-11 in order to be ready to start this coming July.

Finance Subcommittee – Approved the budget appropriation for City Hall AV Equipment Replacement & Upgrades. The recommendation will go to the City Council for final approval

D. Review of 5-Yr Capital Improvement Project Program FY 2011-2016

Greg Armendariz, City Engineer – Staff provided a PowerPoint presentation the proposed Capital Improvement Project (CIP) projects planned for the next five years and highlighted past accomplishments.

Some of the accomplishments were: 1) New Senior Center – working through the warranty period, 2) Public Works/PD – HVAC system replacement using a federal stimulus energy grant, 3) Parks – renovation, seismic upgrades, completion of Cardoza Park Phase I, and ADA improvements, 4) Abel Street – phase I completed, 5) N Main/ Marylinn streets resurfacing and Abbott Avenue resurfacing that was accomplished by combining leftover federal stimulus grant monies passed on to us from other cities, 6) Utilities – replacing aging infrastructure with lines that move with our soil, 7)

Gibraltar Pump Station – pumps and motors replaced, 8) Ayer Water Pump Station – variable frequency drive replacement is underway.

In the FY 2011-2016 5-year CIP plan, RDA represents \$22M. Due to the Redevelopment Agency situation, some projects proposed over the next 5 years remain uncertain if they will be constructed. If the City loses the RDA, the 5-year CIP plan will need to be reduced by \$22M. Additionally, RDA tax increment funds may not be available for us to use in the future. Also, if the proposed water and sewer rate increases do not go through, the CIP will need to be reduced by \$15M for water and \$10M for sewer. We would be forced to sell water for less than what we buy it for, thereby requiring us to subsidize the purchase of water using the General Fund and virtually no fundable capital improvement projects.

Emma Karlen, Director of Financial Services – Indicated that the best financial management practice is to systematically set aside funds yearly for upgrades or replacement of things like equipment, technology, water, sewer etc., thus establishing a fund as part of the budget. We need to also prepare for the City’s future infrastructure needs, especially if RDA is taken away. Other possible ways to help fund projects could be through amortization, bonds could be issued, or a percentage of transient Occupancy Tax (TOT) may be dedicated for this purpose.

Community Improvement Projects

1) Solid Waste Master Plan – in preparation for the next solid waste contract, 2) Milpitas Sports Center pool resurfacing required by the state, 3) Fire station improvements – roofs, HVAC systems, code upgrades and 4) Milpitas Sports Center Master Plan update.

Street Projects

1) Sidewalk replacement, 2) Escuela Parkway pedestrian bike project, 3) Soundwall renovation, 4) RDA area pavement reconstruction, 5) Street light inspection, 6) Street resurfacing.

Street resurfacing – Staff presented two ways to increase the City’s current street PCI of 68 to 76 using one of two scenarios: 1) increase the PCI over a 5-year period; 2) increase the PCI all in 1 year. The first scenario would require an annual budget starting \$6.3M the 1st year increasing up to \$7M by the 5th year. The second scenario would require an investment of \$15M all in the first year. The optimum PCI to aim for would be 72. However, just to maintain our existing PCI of 68 requires a yearly budget of \$4M. If we don’t maintain our current PCI it could cost more in the long run. Due to financial limitations only \$1.5M was proposed for street resurfacing.

Mayor Jose Esteves –

- **Would like to appropriate an additional \$2.5M from the General Fund to the CIP street project in order to maintain our streets at 68 PCI.**
- **Requested staff to provide a table comparing the PCI of other cities.**

Utilities: Water, Sewer, Storm

Issues to address are: 1) Aging infrastructure replacement, 2) seismic emergency preparedness, 3) renovation of major pump stations and 4) revenue increases for water and sewer. Even if the City only receives half the required revenue increases we still would not be able to achieve the minimum necessary. The proposed CIP does not even budget sufficient replacement funds to complete all the necessary projects like they should be.

Water projects: 1) Install a well at Curtis, 2) water seismic improvements, 3) pipeline extension at Abel Street, 4) city reservoir cleaning, 5) turnout improvements, 6) fire hydrant replacements, 7) miscellaneous water projects. The City will be falling behind if we receive anything less than the recommended rate increases. We really need to put \$25M worth of work in our seismic, but it is not realistic. Every year that goes by our probability of disaster increases. When the City holds the community meetings for rate increases, it is very important to show how we need to invest in emergency preparedness sooner than later so that we have backup systems in place.

Sewer projects: We actually need more funds for sewer than what is in the proposed CIP. However, our needs have been prioritized in order to address the worst areas to replace.

Storm: Our storm system does not have a revenue source as water and sewer. Staff would like to make recommendations for the future when considering revenue increases or fees -- rather than increasing the utility bill, we could consider programming revenue for the storm system through the property tax as other communities do. If the RDA goes away, the City will need to look more to the General Fund for funding.

Staff will be presenting this draft of the FY 2011-16 CIP at the City Council Meeting on April 15, 2011 for review and comments. Any comments from today's Finance Subcommittee meeting will additionally be presented to the City Council.

Finance Subcommittee – There is much concern that the City will not be able to withstand a disaster if there are not sufficient funds to replace or repair our infrastructure system to the extent that it should be. RDA status will also be a matter for discussion.

Mayor Jose Esteves – Requested staff to provide a chart that captures all the proposed FY 2011-2016 CIP projects

V. OTHER BUSINESS

Mayor Jose Esteves – A donation request from Rancho Middle School will be considered for the next Finance Subcommittee Meeting.

VI. NEXT MEETING – Scheduled for April 21, 2011

VII. ADJOURNMENT