



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Ryan Russo  
Director, OakDOT

**SUBJECT:** Reallocation of Measure KK  
Infrastructure Bonds

**DATE:** April 19, 2021

City Administrator Approval

Date: May 6, 2021

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution Authorizing The Reallocation Of Up To Twenty Eight Million Dollars (\$28,000,000.00) Of Measure KK Bond Proceeds From Various Oakland Public Works Infrastructure Projects To The Department Of Transportation For The Citywide Street Resurfacing Project (Project 1001293) And The Streetscapes/Complete Street Capital Project (Project 1003348).**

## **EXECUTIVE SUMMARY**

The Department of Transportation (OakDOT) and Oakland Public Works (OPW) seek to reallocate up to \$28,000,000 from OPW capital facility infrastructure projects to OakDOT transportation improvement projects.

Currently the two departments will reallocate a total of \$17,387,200 in the first phase but may reallocate up to \$28,000,000 in the subsequent phases if it is agreed upon by both departments. Of the up to \$28M to be reallocated, \$2,045,000 is from the Series One issuance of the Measure KK Infrastructure and Affordable Housing Bond (Fund 5330), appropriated in the FY 2017-19 Capital Improvement Program (CIP). The remaining \$25,955,000 is from the Series Two issuance of Measure KK (Fund 5332), appropriated in the Fiscal Year 2020 – 2021 Midcycle Budget.

Council approval of this request will not permanently remove funding from any projects; it will merely shift funding to provide cash flow balancing to both OPW and OakDOT projects that are ready to expend funds. Projects that are ready to expend funds include nearly 15 miles of repaving on City streets that are ahead of schedule, and other transportation projects that will advance the near-term spend-down of Measure KK funds. Together, OakDOT and OPW's FY 2021-23 budget proposal appropriates reprogrammed funds to their originally allocated projects, making all projects whole.

City Council  
May 18, 2021

## **BACKGROUND / LEGISLATIVE HISTORY**

In November 2016, the Measure KK General Obligation Bond was approved by the voters of Oakland to fund \$600 million of vital infrastructure improvements and anti-displacement and affordable housing Projects. From the total bond amount, \$350 million is dedicated to streets and roadway projects. Another \$150 million is dedicated to capital improvement projects, improving the quality of City facilities such as fire stations and recreational centers. The Bond requires that the City Council identify and approve each set of projects to be funded and implemented prior to issuance of each set of Measure KK bonds.

On May 30, 2017, staff presented to Council an informational report that described the proposed FY 2017-19 CIP, including the subset of projects proposed to be funded with Measure KK bond funds. On June 19, 2017, City Council approved this list of projects for bond funding (Resolution No. 86773 C.M.S.) (**Attachment A**). On August 1, 2017, the Measure KK Series 2017A-1 General Obligation Bond (the "Bond") was funded in the amount of \$62.735 million, \$40.6 million of which was dedicated to transportation projects and \$21.9 million to facilities projects.

On May 7, 2019, staff presented to Council an informational report that described the proposed Fiscal Year 2019-21 Capital Improvement Program (CIP), including the subset of projects proposed to be funded with Measure KK bond funds. On February 13, 2020, the Measure KK Series 2020B-1 General Obligation Bond (the "Bond") was funded in the amount of \$131.9 million, \$41.4 million for Public Works Infrastructure and \$97.7 million for Transportation.

Since August 2017, both OPW and OakDOT have worked to advance the projects identified for funding in the Bond. It is the Departments' goal to complete all projects and spend down available funding so that the next bond issuance will be available early in the next budget cycle (FY 2021-23).

First tranche bond documents stated that the City reasonably expected to expend more than 85% of Net Sale Proceeds for governmental purposes before August 2020. For the second tranche, 85% spend-down is expected before February 2023. As of March 2021, OakDOT projects have spent 93% of Tranche One and 39% of Tranche Two, while OPW projects have spent 67% of Tranche One and 16% of Tranche Two.

In general, transportation project spending is increasing rapidly. The first year of KK spending was devoted largely to design of improvements, but during FY 2018-19, projects increasingly moved into the construction phase, including in-house construction by DOT crews, which constitute most of project spending. Spending has continued to escalate since then. The table below shows Measure KK spending, by year, for transportation projects.

**Annual Transportation Bond Spending To Date**

	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21 (Thru March)</b>
Transportation KK Expenditures	\$ 3,028,025	\$ 19,891,753	\$ 30,046,698	\$ 22,568,532

OPW’s capital facility improvement projects are on a different timeline and cash flow curve. At their onset, capital facility improvement projects require robust processes for community engagement, planning, design, and contract solicitation, which can take a few years to complete. Because most of the project costs are expended in construction, the bulk of the spending is closer to the end of the project timeline. The cash flow based on this project timeline characteristics result in an initial lower spend down rate through the design and contracting phases and rapidly increased spending during construction.

Due to the misalignment in spend down between paving projects and facility projects, OPW adjusted its fund request in the Series II bond issuance to budget projects for their feasibility studies in the planning phase of a project, as opposed to their full design and construction project costs. This affords these complex projects time to complete studies and not hold up project spend down for construction phases. For the Series III bond issuance, OPW is beginning to explore funding projects with longer timelines by phase and to partially certify construction contracts. This will allow for further flexibility to ensure 85% KK funding is expended by the three-year timeline. While multiple OPW capital facility improvement projects funded by Measure KK have entered and completed construction, another large cohort are now in the planning or design phase. As such, the construction phase funds for these projects are not yet needed and can be reprogrammed to the transportation category temporarily so that OakDOT paving projects ready for construction ahead of schedule can maximize the City’s spenddown of existing debt. These funds will be rebalanced in the Series III bond issuance to ensure OPW projects are fully funded.

**ANALYSIS AND POLICY ALTERNATIVES**

OakDOT’s Paving Program is both the largest single recipient of Measure KK funds and the fastest spender of fund categories within OakDOT. To date, the paving program has spent a total of 60% of its budgeted funds. Funds have been spent both in paving contracts and by in-house crews who have become increasingly critical in the delivery of street resurfacing projects.

At present, the paving program has approximately \$2.2M in Measure KK funds remaining in Project 1005420 (FY21 paving CIP parent project). All other available Measure KK balances (\$38M) are allocated to individual paving projects that are in construction. While a balance of \$38M may seem significant, a single paving project can expend \$1-2M per month during peak operations. The paving program currently has nine projects in construction and the current \$38M balance is expected to be 80% drawn down by August 2021.

Without new funds, no new paving projects can be initiated until cash arrives. This would create an artificial slowdown during the prime paving season, break publicly communicated schedule

commitments to close out the 2019 3-Year Paving Plan (Resolution No. 87673 C.M.S.), and subject dozens of miles of streets to another wet winter season. The proposed loan from OPW would provide gap funding that enables projects currently moving into construction this spring and early summer to continue. These projects include an 11-mile project addressing the majority of mileage in the North Oakland Hills prioritized in the Three-Year Paving Plan (3YP), and another four mile project comprised of local streets in the East Oakland Hills and Glenview/Redwood Heights areas, also prioritized in the 3YP. This gap funding would support the final paving that could be completed until new cash arrives after the next bond sale.

To continue to ramp-up the delivery of freshly paved streets, it is important to provide additional funding in the current bond. It is also important to move funds to paving to spend down the entire bond to 85% as quickly as possible, so that both paving and all other KK funded Capital Improvement Projects (CIP) can progress with the next tranche of funding.

To date, OPW has spent a total of 67% of the budgeted funds for Series I and 16% for Series II. OPW has identified projects that do not require funds before A December 2021 Series III issuance and would not suffer project delays if their funds are transferred to transportation projects in the current fiscal year. These project funds would be rebalanced in the FY 21-23 budget cycle upon the City's issuance of the Series III tranche. In total, OPW proposes to reallocate up to \$28M in funds to transportation projects. The projects are summarized below:

**Proposed Measure KK Funding Reallocation**

<b>Project number</b>	<b>Project</b>	<b>Up to Reallocation amount</b>	<b>Reason funds available</b>
1003440	3 Branch Library Renovation	\$1,500,000	Project design scope revisions requested by the Library. Project in design, will not need construction dollars until 2022.
1003443	Head Start – Arroyo Viejo Remodel	\$25,000	Remaining funds upon project completion
1003442	Head Start – Brookfield Upgrade	\$88,000	Remaining funds upon project completion
1003445	Head Start – Manzanita Ctr. Renovation	\$28,000	Remaining funds upon project completion
1003451	Main Library Improvements	\$904,000	Project design scope revisions requested by the Library. Project in design, will not need construction dollars until 2022.
1003435	Fire Station #4 Feasibility/Design	\$750,000	Project in Planning Phase. Will not need full design budget until 2022
1004856	Hoover Library	\$280,000	Project in Planning phase. Will not need full construction budget until 2022

1004858	Main Library – New Facility Feasibility Study	\$500,000	Project in Planning phase. Will not need full project budget until 2022
1004859	Main Library Renovation– Phase 2	\$1,800,000	Project in Design Phase. Will not need construction budget until 2022
1004864	West Oakland Library Improvements-Ph. 2	\$1,500,000	Project on hold per Library Dept.
1004848	Arroyo Viejo Recreation Center Renovations	\$2,600,000	Project in Planning Phase. Will not need construction budget until 2022
1004849	Brookdale Recreation Center Expansion	\$1,660,000	Project in Planning phase. Will not need construction budget until 2022
1001412	Caldecott Trailhead	\$400,000	Finishing design. Won't need full construction budget until 2022
1004851	Digital Arts & Culinary Academy	\$1,300,000	In Design Phase. May not need full construction budget until 2022
1004857	Lincoln Rec. Center Expansion/Renovation	\$960,000	In Design Phase. Will not need full design budget until 2022
1003625	Mosswood Comm. Center	\$3,940,000	In Design Phase. Construction funds not needed until 2022
1004863	San Antonio Rec. Ctr & HS Improvements	\$1,650,000	In Planning Phase. Will not need full project budget until 2022
1004852	E. Oakland Sr. Ctr. Renovation	\$1,560,000	In Planning Phase. Will not need full project budget until 2022
1004865	W. Oakland Sr. Ctr Renovation	\$600,000	In Design Phase. Will not need full project budget until 2022
1004984	Downtown Oakland Sr. Ctr. Renovation	\$1,000,000	In Design Phase. Will not need construction budget until 2022
1004978	E. Oakland Sport Ctr. – Outdoor Pool	\$1,500,000	In Planning Phase. Will not need full project budget until 2022
1004854	Fire Station 29 & Training Complex Master Plan	\$3,500,000	In Planning Phase. Will not need full project budget until 2022
TOTAL		\$28,045,000	

The reallocated dollars will flow to two transportation programs as shown in the table below. All reallocated dollars will be reprogrammed to the original Measure KK bond buckets, i.e. Fire Department, Police Department, Library, Parks, Recreation and Youth Development and Department of Human Services upon the sale of the third Measure KK tranche anticipated in December 2021.

**Proposed Measure KK Funding Reallocation**

Project number	Project	Reallocation amount	Need for funding
1003348	Streetscapes/Complete Street Capital	\$1,500,000	Supports grant matching for existing and newly awarded funds.
1001293	Citywide Street Resurfacing	\$16.5-\$26.5M	Remaining FY 20-21 budget is fully allocated but additional paving projects are ready for construction. No new funds are expected to be available until the next bond sale, which would delay up to 41 miles of paving.
<b>TOTAL</b>		<b>\$18 - \$28M</b>	

The proposed reallocation will allow projects that are ready for construction to progress and will advance the spend-down of the bond. This will have a positive impact on the City by efficiently utilizing resources, both labor and capital. In turn, this will allow the City to stay on schedule and expeditiously issue the next Measure KK capital improvement bond to continue to advance the delivery of capital projects. The table below summarizes expected bond spenddown in three scenarios: (1) the full transfer of \$28M from OPW to OakDOT (2) a smaller transfer of \$18M from OPW to OakDOT (3) no transfer of funds. In scenarios 1 and 2, the issued bonds will have reached or be close to reaching 85% spent by the end of calendar year 2021. This level of spending would necessitate the issuance of the third tranche in late 2021. Both transfer scenarios ensure that the target of 85% of bond funds spent by February 2023 will be met.

**Estimated Spenddown of Bond Proceeds in Each Transfer Scenario\***

Funding Category	% Spent	\$18M Transfer (Expected % Spent)			\$28M Transfer (Expected % Spent)			No Transfer (Expected % Spent)		
		06.30.21	09.30.21	12.31.21	06.30.21	09.30.21	12.31.21	06.30.21	09.30.21	12.31.21
<b>Transportation</b>										
5330 (first tranche)	93%	99%	100%	100%	99%	100%	100%	99%	100%	100%
5332 (second tranche)	39%	58%	79%	93%	54%	72%	86%	69%	93%	98%
<b>Public Works Capital Facility Infrastructure</b>										
5330 (first tranche)	67%	84%	93%	96%	84%	93%	96%	76%	84%	87%
5332 (second tranche)	7%	41%	51%	73%	68%	84%	100%	25%	32%	45%
<b>Total</b>										
5330 (first tranche)	84%	94%	98%	99%	94%	98%	99%	91%	94%	95%
5332 (second tranche)	29%	56%	74%	90%	56%	74%	90%	56%	74%	82%

\* 85% spenddown for second tranche is required by 2/23

If the reallocation is not approved, spending of bond proceeds may be slower than anticipated and impact the City's ability to meet bond spending targets required to issue the third tranche of Measure KK in late 2021. The next bond issuance proposes to fund projects developed under the new FY 2021-23 Capital Improvement Program (CIP), which incorporates a project prioritization process developed with extensive community outreach, as well as objectives required by Measure KK. This prioritization process was approved by the City Council on October 16, 2018, Resolution 87376 C.M.S. The next bond issuance will not only fund the

remaining streets prioritized in the 2019 3-Year Paving Plan but will also fund additional Complete Streets, Safety and School projects in the Department of Transportation. The next bond issuance will also be critical for continuing work on seven facilities projects approved in 2019, including Citywide Fire Station Remodels, the Lincoln Recreation Center Expansion, and the Downtown Senior Center Upgrade projects among others. Additionally, it will provide funding for 19 new facilities projects to begin in the Department of Public Works. Delays in funding the next issuance will delay implementation of these FY 21-23 CIP projects.

### **FISCAL IMPACT**

There is no fiscal impact as the proposed net-zero reallocation will not change the overall FY 2020-21 budget for the Measure KK Capital Improvement Program projects.

### **PUBLIC OUTREACH / INTEREST**

The funds available for allocation are the result of 82% of Oakland voters approving Measure KK, a General Obligation bond, in the November 2016 election. In 2017 and 18, staff developed a CIP process to expand community input and participation for the Fiscal Year 2019-21 CIP, and the FY2021-23 CIP includes the next issuance of Measure KK capital improvement project bonds.

### **COORDINATION**

The report has been reviewed by the Office of the City Attorney and Controller's Bureau.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** The capital improvement projects implemented under Measure KK are required to comply with all Local Business Enterprise and Small Local Business Enterprise (LBE/SLBE) and local hire programs with verification by the Social Equity Division of the Department of Contracting and Purchasing. The projects improve roadways, sidewalks, facilities and many other improvements to the economic benefit of the City.

**Environmental:** the capital improvement projects are required to adhere to the City's environmental mandates such as Leadership in Energy and Environmental Design (LEED), Bay Friendly Ordinance, the use of recycled materials in the products specified as well as integrate other environmental, waste reduction and energy conservation opportunities.

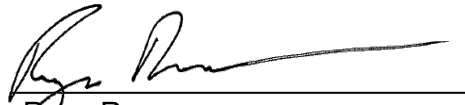
**Race & Equity:** As required in the Bond Ordinance, social and geographic equity are considerations in the development of the Measure KK capital improvement projects. All resulting projects will also comply with Americans with Disabilities Act (ADA) and enhance the City's infrastructure.

**ACTION REQUESTED OF THE CITY COUNCIL**


Staff Recommends That the City Council Adopt A Resolution Authorizing The Reallocation Of Up To Twenty Eight Million Dollars (\$28,000,000.00) Of Measure KK Bond Proceeds From Various Oakland Public Works Infrastructure Projects To The Department Of Transportation For The Citywide Street Resurfacing Project (Project 1001293) And The Streetscapes/Complete Street Capital Project (Project 1003348).

For questions regarding this report, please contact Ariel Espiritu Santo, Strategic Planning and Administration Division at 510-421-8691 and Ali Schwarz, Project and Grant Management Division 510-238-7310.

Respectfully submitted,



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Attachment: (1)  
Attachment A, CMS 87759