

*Five-Year Economic Forecast
and
Revenue Projections*

2014-2018

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

As has been the practice, potential future-year program expenses in the General Fund have been included in a “**Committed**” Additions section of the General Fund Forecast.

Committed Additions involve expense changes for projects that have been previously approved by the City Council and deemed relatively unavoidable. The majority of items included in this category are additional maintenance and operating expenses that will be required to operate and maintain approved capital projects scheduled for completion within the five-year horizon of this Forecast. These expenses are related to the maintenance and operations of the Police Automated Field Reporting/Records Management System, as well as for new parks and recreational facilities, traffic infrastructure assets, and bond-funded library, parks and public safety facilities. It should be noted that the projected costs included in this category have been submitted by the various departments involved, but have not yet been fully analyzed by the Budget Office. It can be anticipated that refinements of these estimates will be performed prior to bringing them forward for consideration by the City Council in any given year.

A summary of capital projects included in this Forecast is provided below and detailed in Chart A at the end of this section. In addition, based on the City Council’s adoption of Budget Principle #8 during the 2008-2009 budget process, a **General Fund Capital Operating and Maintenance/Budget Principle #8** discussion is included in this section. Capital projects with maintenance and operating costs over \$100,000 and previously certified and included in the approved Capital Improvement Program or approved by the City Council in 2012-2013 are identified in Chart A of this section. Certification for potential new projects or modifications to existing projects identified after the release of this Forecast that have not been previously approved by the City Council may be recommended for certification as part of the 2014-2018 Proposed Capital Improvement Program. If certified by the City Council, the maintenance and operating costs associated with these facilities would then be included in subsequent General Fund Five-Year Forecast documents.

Following is a summary of Committed Additions included in the General Fund Five-Year Forecast. Projections factor in an inflation escalator for the out-years of the forecast and are displayed in a cumulative, not incremental, cost method.

Committed Additions Summary

New Parks and Recreation Facilities Maintenance and Operations – This category reflects the projected additional costs of maintaining and operating new and expanded parks and recreation facilities included in the City’s Five-Year Capital Improvement Program. With the adoption of the 2012-2013 Capital Budget and 2013-2017 Capital Improvement Program, the City Council released the hold on new park construction that had previously been in place since February 2010. As a result, this forecast includes a number of parks scheduled to come online over the next five years, including Del Monte Park, Lake Cunningham Bike Park and Riverview Park. The forecast also includes operating cost estimates for trails such as the Lower Guadalupe River Trail and sections of the Lower Silver Creek Trail, as well as the Vietnamese Heritage Gardens project. Funding continues to be set aside for Future Trail Projects to meet the City’s goal to expand the City’s trail system to 100 miles by the year 2020. The City currently has over 50 miles of trails.

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Committed Additions Summary

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
51,000	331,000	560,000	795,000	862,000

New Police Maintenance and Operations – This category reflects the projected additional maintenance and operations costs of the new Automated Field Reporting/Records Management System (AFR/RMS) project. The AFR/RMS project (including hardware, software, and training costs) has primarily been funded by Urban Area Security Initiatives (UASI), Recovery Act - Justice Assistance, and Supplemental Law Enforcement Services Fund grants. The new system is scheduled to fully come on-line July 2013 and will centralize data, reduce data entry redundancies and enable the Police Department to conduct more thorough and detailed analysis of crime and resources.

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
336,000	399,000	413,000	326,000	340,000

New Traffic Infrastructure Assets Maintenance and Operations – This category reflects the projected additional costs that will be necessary to operate and maintain transportation-related projects included in the City’s Five-Year Capital Improvement Program. Funding to operate and maintain new traffic signals, landscaping, and street lighting is assumed in this category. The majority of the projected costs are for traffic signals and lighting, largely associated with the improvements along Capitol Expressway that includes the installation of over 260 LED streetlights from Capitol Avenue to Eastridge Transit Center. Other projects coming online over the forecast period include maintenance of street trees and lighting related to the Autumn Street Expansion Phase I, Bus Rapid Transit, and The Alameda – A Plan for the Beautiful Way, as well as projects to improve the safety and efficiency of pedestrian and bicycle transportation.

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
31,000	56,000	83,000	108,000	136,000

Measure O (Library) Maintenance and Operations – This category reflects the projected additional maintenance and operations costs of new and expanded branch libraries that were approved by voters in November 2000. With the openings of branch libraries Bascom, Calabazas, Educational Park and Seven Trees occurring in 2012-2013, the costs included in this forecast now only account for the Southeast Branch Library, scheduled to open in 2015-2016, which is the final Measure O-approved library.

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
0	0	648,000	725,000	742,000

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Committed Additions Summary

Measure P (Parks) Maintenance and Operations – This category reflects the projected additional maintenance and operations costs of new and expanded parks and community facilities that were included as part of a bond measure approved by the voters in November 2000. The only project included in this forecast, which is the last remaining Measure P park project, is the Softball Complex scheduled to open in 2015-2016 with a projected net operating expenditure of \$50,000. The maintenance and operations expenditures for this complex are currently anticipated at \$521,000, but are partially offset by estimated earned revenue of \$471,000 for fee based activity and concessions. While its location has not yet been determined, the complex will most likely include artificial turf, which results in the fields having a significantly lower maintenance and operations cost than the much larger natural turf complex that was originally envisioned.

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
0	0	50,000	87,000	81,000

Measure O (Public Safety) Maintenance and Operations: Fire – This category reflects the projected additional maintenance and operations costs of new and expanded fire facilities that were included as part of a bond measure adopted by the voters in March 2002. These include Fire Station 21 (relocation to White Road), programmed to open July 2015, and Fire Station 37 (South Willow Glen) programmed to open July 2016. As discussed later in this section of the report, Fire Station 37 includes the addition of 14 sworn positions, but no new apparatus. However, prior to the award of the construction contract, per City Council direction, further analysis will be conducted by the Administration to determine the actual recommended staffing needed for this station.

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
0	8,000	24,000	3,026,000	3,146,000

Measure O (Public Safety) Maintenance and Operations: Police – This category reflects the projected additional maintenance and operations costs of new and expanded police facilities that were included as part of a bond measure adopted by the voters in March 2002. Included in this forecast is the projected cost for maintaining and operating the South San José Substation. For 2013-2014, the forecast assumes the Substation opening in January 2014 (partial occupancy) at a cost of approximately \$1.6 million that annualizes to approximately \$2.3 million in 2014-2015. The maintenance and operations funding for the Substation will be used to fund various positions and non-personal/equipment needs in several departments to support the new facility. In the Police Department, funding will provide for Central Supply Unit positions that distribute safety equipment to field patrol personnel and intake and catalog evidence collected by the patrol staff. In the Public Works Department, funding will pay for heating, ventilation, air conditioning system maintenance, as well plumbing, electrical, carpentry, and other preventative and corrective maintenance needs; contracted custodial services; and fleet mechanic personnel and equipment to maintain the marked fleet for the Southern Patrol Division. In the Parks,

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Committed Additions Summary

Recreation and Neighborhood Services Department, funding will be used for personnel and equipment to maintain and upkeep the building's green roof. With the partial occupancy, the Southern Patrol Division, new Central Supply Unit staff, and some Investigations Division staff would occupy the new facility, however, there would not be a Pre-Processing Center in operation, no public access to the building, and no records or administrative staff. It should be noted that, for purposes of the forecast, only the ongoing operating costs have been included. A total of \$3.9 million in one-time costs will be needed to open the facility to pay for various fixtures, furniture, equipment, tools, corrective work, as well as some new items not included in the original construction contract, including a back-up 911 center. While the majority of one-time costs will be covered within existing appropriations, an additional \$915,000 will need to be identified in 2013-2014 for the Substation to open.

<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
1,616,000	2,253,000	2,303,000	2,355,000	2,405,000

General Fund Capital Operating and Maintenance/Budget Principle #8

In March 2008, the City Council adopted the Budget Principles as part of the approval of the Mayor's 2008-2009 March Budget Message. Budget Principle #8 pertains to Capital Improvement Projects and directs that capital improvement projects with annual operating and maintenance costs "shall not proceed for projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact. Certification shall demonstrate that funding for the entire project, including maintenance and operations costs, will not require a decrease in existing basic neighborhood services."

On February 9, 2010, the City Council approved a hold on the design and construction of 12 new parks and recreation facilities (including trails) in order to avoid the impact of ongoing operating and maintenance costs to the General Fund. However, this hold was released with the adoption of the 2012-2013 Capital Budget and 2013-2017 Capital Improvement Program, thereby allowing for the planned construction of 12 parks projects that were previously placed on hold.

Chart A details a list of all project maintenance and operations costs assumed in this Forecast. Funding for all those projects have been included as part of approved Capital Improvement Programs or approved by the City Council in 2012-2013. There are no new projects identified in the Forecast that would need certification in accordance with Budget Principle #8. All capital projects that were previously approved for certification by the City Council with annual maintenance and operating costs in the General Fund greater than \$100,000 have been denoted in the chart with an asterisk. The majority of these costs are associated with the voter-approved General Obligation bonds for Park, Library, and Public Safety facilities. The maintenance and operating costs for these facilities are included in the figures presented in this General Fund Forecast. By 2017-2018, the annualized costs to maintain and operate all City Council approved

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

General Fund Capital Operating and Maintenance/Budget Principle #8

projects expected to come online during the five year period are projected at approximately \$7.7 million annually, of which approximately \$6.4 million are related to voter-approved bond measures.

All project maintenance and operating costs will be evaluated on an annual basis for inclusion in subsequent Five-Year General Fund Forecasts. As part of this evaluation, the staffing necessary to maintain and operate these facilities, as well as other costs, may change as further analysis on the operational needs of each facility or project are conducted. Notably, further analysis will be required to determine the actual staffing need of Fire Station 37. For purposes of this document, however, pending this further analysis, the maintenance and operating costs for Fire Station 37 – Willow Glen reflects the City Council-directed assumption that no staff would be relocated from Fire Station 6 and that new personnel (four additional duty positions per shift plus reserve staffing or 14 positions) would staff that facility. This assumption is drawn from the *“City-Wide Policy for the Relocation/Closure and/or Selling Fire Stations and Removal of Fire Station 6 from the Budget,”* approved by the City Council on September 9, 2008. The additional annual General Fund maintenance and operating costs projected for this facility alone, if this policy were to be implemented, represents approximately \$3.0 million in new for costs for 2015-2016, the first full year of the fire station’s operation. In addition, it is currently assumed an unstaffed apparatus from a deactivated company will be reallocated to Station 37 and this newly staffed station will be part of the Dynamic Deployment model implemented by the Fire Department for efficient and effective resource allocations. Pending the outcome of the staffing and apparatus analysis, funding for a new apparatus may be required at a later date. Note also that the personal services costs do not include funding for an additional Fire Fighter Recruit Academy. It is anticipated that there will be a low number of retirements in the near future; therefore, the Fire Department is expected to be able to recruit for new personnel at Fire Station 37 as part of the regular recruitment process.

Maintenance and operating costs will present challenges to the General Fund in future years until the General Fund Structural Deficit is resolved. A careful evaluation of the project schedules and/or staffing necessary to maintain and operate these facilities will be performed prior to bringing them forward for consideration by the City Council in any given year.

**CHART A - 2014-2018 GENERAL FUND FORECAST
Net Operating Impact of Capital Programs**

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS					
Buena Vista Park	1,000	1,000	1,000	1,000	1,000
Del Monte Park	-	53,000	59,000	60,000	61,000
Essex Turnkey Park (Land only)	3,000	3,000	3,000	3,000	3,000
Future Trail Projects*	-	-	32,000	86,000	140,000
Lake Cunningham Bike Park	-	70,000	71,000	72,000	73,000
Martial-Cottle Community Garden	-	37,000	37,000	38,000	39,000
Martin Park	-	-	70,000	72,000	74,000
Montecito Vista Park	-	15,000	38,000	39,000	39,000
Noble Park Dog Park	-	10,000	20,000	20,000	21,000
North San Pedro Turnkey Park and Tot Lot	-	-	14,000	14,000	14,000
Pellier Park	-	-	7,000	7,000	7,000
Roberto Antonio Balermينو Park	-	10,000	21,000	22,000	22,000
Riverview Park	35,000	71,000	73,000	74,000	75,000
Tamien Specific Plan Area Park	-	-	36,000	37,000	38,000
TRAIL: Coyote Creek (Highway 237 to Tasman Dr)	4,000	8,000	8,000	8,000	8,000
TRAIL: Doerr Parkway (Curtner Ave. to Comstock Ln)	3,000	7,000	7,000	7,000	7,000
TRAIL: Guadalupe River (Branham Ln to Chnoweth Ave)	-	-	-	-	1,000
TRAIL: Lower Silver Creek 4/5A (Alum Rock to Hwy 680)	-	-	17,000	19,000	20,000
TRAIL: Lower Silver Creek 6 (Dobern Ave to Story Rd)	5,000	9,000	9,000	9,000	9,000
TRAIL: Penitencia Creek 1B (Dorel Dr to Noble Ave)	-	13,000	13,000	13,000	13,000
TRAIL: Thomspon Creek (Tully Road to Quimby Ave)	-	6,000	6,000	6,000	6,000
Vietnamese Heritage Garden*	-	-	-	169,000	172,000
West Evergreen Park	-	18,000	18,000	19,000	19,000
TOTAL NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS	51,000	331,000	560,000	795,000	862,000
NEW POLICE MAINTENANCE AND OPERATIONS					
Automated Field Reporting/Records Management System*	336,000	399,000	413,000	326,000	340,000
TOTAL NEW POLICE MAINTENANCE AND OPERATIONS	336,000	399,000	413,000	326,000	340,000
NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS					
Autumn Street Extension	4,000	4,000	4,000	4,000	5,000
Bus Rapid Transit	-	-	14,000	15,000	16,000
Capitol Expressway Pedestrian Improvements	25,000	35,000	37,000	59,000	85,000
Innovative Bicycle Detection	-	-	3,000	4,000	4,000
The Alameda - A Plan for the Beautiful Way	-	1,000	1,000	1,000	1,000
Safety - Pedestrian Improvements	-	-	8,000	8,000	8,000
Traffic Lighting and Signals	2,000	16,000	16,000	17,000	17,000
TOTAL NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS	31,000	56,000	83,000	108,000	136,000
MEASURE O (LIBRARY) MAINTENANCE AND OPERATIONS					
Southeast Branch*	-	-	648,000	725,000	742,000
TOTAL MEASURE O (LIBRARY) MAINTENANCE AND OPERATIONS	-	-	648,000	725,000	742,000
MEASURE P (PARKS) MAINTENANCE AND OPERATIONS					
Softball Complex*	-	-	50,000	87,000	81,000
TOTAL MEASURE P (PARKS) MAINTENANCE AND OPERATIONS	-	-	50,000	87,000	81,000
MEASURE O (PUBLIC SAFETY) MAINTENANCE AND OPERATIONS: FIRE					
Fire Station 21 - Maintenance and Utilities	-	8,000	24,000	24,000	25,000
Fire Station 37 - South Willow Glen - Staffing/NP*	-	-	-	2,956,000	3,074,000
Fire Station 37 - South Willow Glen - Maint/Util*	-	-	-	46,000	47,000
TOTAL MEASURE O (PUBLIC SAFETY) MAINTENANCE AND OPERATIONS: FIRE	0	8,000	24,000	3,026,000	3,146,000
MEASURE O (PUBLIC SAFETY) MAINTENANCE AND OPERATIONS: POLICE					
South San José Substation - Maint/Oper*	1,380,000	1,819,000	1,859,000	1,900,000	1,940,000
South San José Substation - Fleet*	178,000	345,000	353,000	362,000	371,000
South San José Substation - Parks Maintenance*	58,000	89,000	91,000	93,000	94,000
TOTAL MEASURE O (PUBLIC SAFETY) MAINTENANCE AND OPERATIONS: POLICE	1,616,000	2,253,000	2,303,000	2,355,000	2,405,000
TOTAL OPERATING IMPACT OF CAPITAL PROGRAMS	2,034,000	3,047,000	4,081,000	7,422,000	7,712,000

* Capital Projects with operating and maintenance costs in the General Fund greater than \$100,000 annually that have been previously certified.