



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Planning Commission

**SUBJECT: RECOMMENDATION ON THE
2014-2018 PROPOSED CAPITAL
IMPROVEMENT PROGRAM**

DATE: May 3, 2013

RECOMMENDATION

The Planning Commission unanimously recommends (7-0-0-0) that the City Council adopt the Proposed 2014-2018 Capital Improvement Program (CIP) and considers additional Planning Commission comments outlined herein.

OUTCOME

Adoption of the Proposed 2014-2018 Capital Improvement Program (CIP) will provide funding for programs and investments that the City Council has established as priorities. The CIP guides the planning, scheduling, and budgeting of capital improvement projects during the next five-year period.

BACKGROUND

The San José City Charter prescribes that the Planning Commission consider the City's Proposed Capital Improvement Program (CIP) and submit its findings and recommendations to the City Council at least ten (10) days prior to a public hearing of the City Council on the CIP. Since the CIP implements the goals and policies of the General Plan, a determination of consistency with the *Envision San José 2040 General Plan* (General Plan) is an important criterion in the Commission's review of the document.

On June 6, 2012, the Planning Commission created a CIP Subcommittee and appointed Commissioners Yob, Kline, and Kamkar to serve on the Subcommittee. The purpose of the Subcommittee was to explore different approaches for the Commission's review of the CIP and, specifically, how the truly "discretionary" funds could be identified early in the process for meaningful dialogue about which new investments should be pursued and recommended in the CIP.

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The Subcommittee met four times and submitted their report to the Planning Commission at their September 27, 2012 retreat. The Commissioners discussed the following Subcommittee recommendation:

*The CIP Review Committee recommends that the City of San Jose modify the Planning Commission's CIP Review Process to be similar to the process followed by the City of Sacramento. Specifically, the CIP Review Committee recommends that the San Jose Planning Commission should continue to make an annual review of the CIP for consistency with the General Plan, however, that such review should be limited to **new** projects added to the CIP in a given year. This recommendation is consistent with the San José City Charter and with the desire of the Planning Commission to make recommendations that will have the most impact given the limited time for review.*

Legal Counsel reminded the Commission that the Charter requires a statement of the entire CIP's consistency with the General Plan. The Commission agreed that an overall finding would still be discussed and determined, and that specific comments to the City Council would focus on the new projects to ensure that those investments furthered the goals and policies of the General Plan.

ANALYSIS

On May 1, 2013, the Planning Commission conducted its annual public hearing on the City's 2014-2018 Capital Improvement Program (CIP). Per the Planning Commission's prior recommendation, the hearing included a presentation by staff from the City Manager's Budget Office and supporting departments that focused on new projects appearing in the CIP for the first time. These approximately 150 new projects totaled approximately \$201 million in investments over the five-year period and representing 10.6% of the \$1.9 billion program. Active Commission discussion occurred with representatives from several City Departments. There were no public comments during the hearing.

The Planning Commission considered the various City Service Areas (CSAs) and Capital Programs of the CIP. Among the fourteen Capital Programs, the Commission's discussion was primarily focused on the Traffic Capital Program, but also included the Airport, Parks and Community Facilities, Public Safety, and Water Pollution Control Capital Programs. The Commission also expressed interest in gaining a better understanding of the capital budgeting process in general.

Traffic Program

Reiterating comments from the last several years, the Planning Commission emphasized the importance of addressing deferred maintenance and repair of roadways, citing a potential future escalation in costs with negative consequences on both the City's budget and economic development efforts. In fact, the CIP indicates that the estimated backlog has increased from \$293 million to \$339 million over the last year, and that if the backlog grows at the same rate as it has in the past, it could escalate to \$870 million by the year 2020. The Commission expressed appreciation for staff highlighting this issue in the presentation, and examined the pavement

maintenance “pyramid” diagram (in the Traffic Program, page V-690 of the CIP) as a valuable tool in categorizing and visualizing the true magnitude of the issue. The Commission questioned whether the City had explored all possible revenue and/or funding options, and encouraged that should a ballot measure move forward after polling of eligible voters in summer, per direction given in the City Council-approved 2013-2014 Mayor’s March Budget Message, potential ballot language should be narrowly focused so as to garner sufficient public support.

Also within the Traffic Capital Program, the Commission inquired about the relatively small (i.e., \$1 million over 5 years) Habitat Conservation Plan (HCP) line item. Staff clarified that this allocation provides funding to pay the Nitrogen Deposition Fee applicable to public projects. Proceeds from this fee will be used to fund an environmental impact mitigation program for the acquisition and long-term management of various habitat areas.

Other Programs and Budget Process Discussion

The Planning Commission also discussed various other programs; however, this discussion occurred primarily in the context of gaining a better understanding of the budget process itself. For example, one Commissioner explored how multiple, potentially competing objectives, such as safety and competitiveness in the Airport Capital Program, are balanced and prioritized. Staff responded that safety is the clear first priority. Similarly, in relation to the Parks and Community Facilities Capital Program, one Commissioner inquired about the process for determining specific recreational demands and needs within a particular area. Staff explained that extensive community outreach, depending on the project, is carried out to determine community priorities regarding the rehabilitation or construction of parks and related infrastructure.

More broadly, the Planning Commission wondered what had been “left on the cutting room floor”, and thus couldn’t reasonably be considered as an alternative to projects identified in the CIP. Staff explained that projects are selected for the CIP based on immediate priorities, funding availability, organizational capacity, facility master plans, and the General Plan. The Commission also questioned the trade-off between using monies to make an addition to an existing project as opposed to pursuing an entirely new project, and whether there is any perceived bias towards funding an existing project. Staff responded that typically additional funds need to be added to an existing project when the scope of the project changes or when design and construction costs are greater than anticipated. For example, funds were added to the Plant to improve reliability.

As it relates to the preparation of the CIP, staff responded that employees throughout the City organization were involved in development of the goals and policies of the *Envision San José 2040 General Plan*. Thus, General Plan priorities are well known by those who are responsible for implementing the various CIP Programs, and staff conversations regarding CIP-General Plan consistency are ongoing year-round — not solely confined to the budget season. Further, limitations on the size of the CIP are not merely financial, but are also constrained by the staff capacity required for project design, construction, and other implementation tasks. On this final point, the Planning Commission was encouraged by the recent upward trend in City revenues that fund the CIP, and hopeful that this trend would continue.

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Finally, one Commissioner inquired about the possibility of a more strategic and flexible approach to the allocation of public art than the “one percent” funding requirement for specific capital projects. Specifically, it was suggested that certain CIP programs, such as Water Pollution Control, have facilities that are not frequently visited by members of the public, and are therefore not an effective use of funds for public art. Staff responded that the public art would serve multiple purposes including aesthetics, community education, and engagement towards environmental stewardship.

CONCLUSION

Based on information contained in the 2014-2018 Proposed Capital Improvement Program and discussed at the hearing, the Planning Commission found that the CIP is consistent with the *Envision San Jose 2040 General Plan*. The Planning Commission recommended that the City Council adopts the 2014-2018 Capital Improvement Program.

PUBLIC OUTREACH

Notice of the Planning Commission’s public hearing on the CIP was posted on the City’s website, and staff was available to answer questions from the public. No members of the public chose to speak at the public hearing. The Commission’s formal recommendation to the City Council on the CIP occurred as a public hearing item on the agenda of the Planning Commission’s evening session on May 1, 2013. The Proposed 2014-2018 Capital Improvement Program has been available for public review on the City’s website at <http://www.sanjoseca.gov/DocumentCenter/View/15446>.

COORDINATION

This memorandum was coordinated with the City Manager’s Budget Office and City Attorney’s Office.

CEQA

Not a project, City Organizational & Administrative Activities, PP10-069.

/s/

JOSEPH HORWEDEL, SECRETARY
Planning Commission

For questions, please contact Laurel Prevetti at (408) 535-7901.