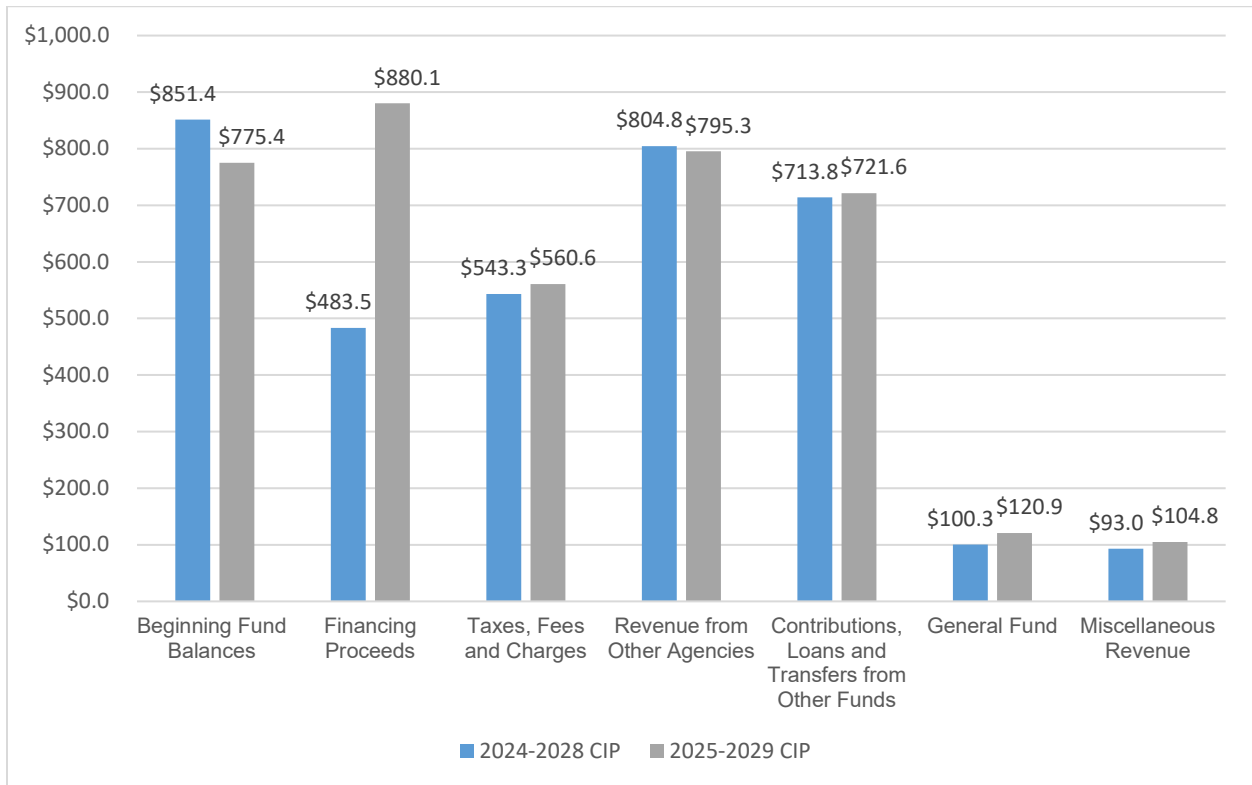


CITY OF SAN JOSE
2024-2025 ADOPTED CAPITAL BUDGET
2025-2029 CAPITAL IMPROVEMENT PROGRAM

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM REVENUES

The 2025-2029 Adopted Capital Improvement Program (CIP) derives its funding from a variety of sources as shown in the chart below. Funding sources are projected to total \$4.0 billion over the 5-year CIP, which is a \$368.6 million increase compared to the 2024-2028 Adopted CIP, with the largest change in the Financing Proceeds category, as discussed further below.



Source	2024-2028 CIP (\$ millions)	2025-2029 CIP (\$ millions)	Difference (\$ millions)
Beginning Fund Balances	\$851.4	\$775.4	\$(76.0)
Financing Proceeds	483.5	880.1	396.5
Revenue from Other Agencies	804.8	795.3	(9.5)
Taxes, Fees and Charges	543.3	560.6	17.3
Contributions, Loans and Transfers from Other Funds	713.8	721.6	7.8
General Fund	100.3	120.9	20.6
Interest Income	83.6	95.0	11.4
Miscellaneous Revenue	9.4	9.8	0.4
TOTAL	\$3,590.1	\$3,958.7	\$368.6

CITY OF SAN JOSE
2024-2025 ADOPTED CAPITAL BUDGET
2025-2029 CAPITAL IMPROVEMENT PROGRAM

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM REVENUES

BEGINNING FUND BALANCES

Beginning Fund Balances total \$775.4 million in the 2025-2029 Adopted CIP, representing funding carried over from prior year allocations. The largest sources of Beginning Fund Balance include Sewer Service and Use Charges Capital Improvement Fund (\$90.6 million), Airport Renewal and Replacement Fund (\$85.0 million), the Subdivision Park Trust (\$81.7 million), Building and Structure Construction Tax (\$78.6 million), the Public Safety and Infrastructure Bond (\$74.9 million), and the Construction Excise Tax (\$74.0 million). Most of the Beginning Fund Balances are reserved pending the determination of a final scope for projects, final project locations, and/or availability of future funding.

FINANCING PROCEEDS

Financing Proceeds is the largest source of funds in the 2025-2029 Adopted CIP, representing revenues of \$880.1 million. In the Water Pollution Control Capital Program, \$359.0 million from Wastewater Revenue Notes and Bond Proceeds will be used for the implementation of capital improvement projects recommended by the City Council-approved Plant Master Plan. At the Airport, Financing Proceeds totaling \$235.5 million will fund a portion of the construction costs for the Belly Freight Facilities and Short-Term Parking Garage. Measure T bond proceeds totaling \$209.6 million will be issued in 2024-2025 for capital projects in the Traffic (\$159.0 million), Public Safety (\$28.9 million), Storm Sewer (\$15.7 million), and Parks (\$6.0 million) capital programs. The Water Utility Capital Program anticipates using up to \$32.0 million of commercial paper and \$33.0 million of bond proceeds to finance the Water Resources Administration and Operations Facility (WRAOF) and Advanced Metering Infrastructure Improvements projects. The Parks and Community Facilities Development (P&CFD) Capital Program will issue \$11.0 million in commercial paper to address remediation projects related to the 2017 flood event and 2023 winter storms.

REVENUE FROM OTHER AGENCIES

Revenue from Other Agencies totals \$795.3 million and is comprised of the following sources:

- The **Federal Government** provides the largest share (\$238.4 million) and is allocated to several programs including: \$123.0 million in Transportation Security Administration and the Federal Aviation Administration (TSA/FAA) grants for Airport projects, and various One Bay Area Grants in the Traffic Capital Program including a \$32.7 million grant for Story-Keyes complete streets and \$13.0 million for the Julian and St. James Livable Streets Couplet Conversion. The Traffic Capital Program has \$110.4 million in federal grants.
- The **State Government** provides the next largest share of this revenue (\$220.9 million) and is mainly allocated in the Traffic Capital Program (\$192.4 million), which consists of pavement maintenance activities from gas tax revenues (\$140.0 million). There is \$17.8 million in funding from Caltrans for Large Trash Capture Devices in the Storm Sewer Capital Program.
- Revenue from the **Water Pollution Control Regional Water Facility User Agencies** provides \$189.2 million for capital projects at the Water Pollution Control Plant.

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- **Revenue from Local Agencies** provides \$146.7 million which is largely derived from contributions from the Valley Transportation Authority to supplement pavement maintenance activities (\$129.3 million) and to support the Bicycle and Pedestrian Grant Program (\$7.3 million).

TAXES, FEES AND CHARGES

The 2025-2029 Adopted CIP includes an estimate of \$560.6 million in Taxes, Fees and Charges category. Most of this revenue category is comprised of the Construction and Conveyance Tax (\$240.0 million), Airport Passenger Facility Charge proceeds (\$136.4 million), Building and Structure Construction Tax (\$94.0 million), and Construction Excise Tax (\$85.0 million), as shown below.

<u>Source</u>	<u>2024-2028 CIP</u> <u>(\$ millions)</u>	<u>2025-2029 CIP</u> <u>(\$ millions)</u>	<u>Difference</u> <u>(\$ millions)</u>
Construction and Conveyance Tax	\$215.0	\$240.0	\$25.0
Airport Passenger Facility Charge	145.5	136.4	(9.1)
Building and Structure Construction Tax	95.0	94.0	(1.0)
Construction Excise Tax	82.0	85.0	3.0
Sanitary Sewer Connection Fees	2.5	2.5	0
Residential Construction Tax	1.0	1.0	0
Storm Drainage Fees	0.9	0.5	(0.4)
Water Utility Fees	0.2	0.2	0
Other Taxes, Fees, and Charges	1.2	1.0	(0.2)
TOTAL	\$543.3	\$560.6	\$17.3

Construction and Conveyance Tax

The Construction and Conveyance (C&C) Tax is primarily derived from the transfer of real property. Historically, C&C Tax revenues have been volatile, reflecting transaction activity in the real estate market. Due to a slowdown in the local real estate market, C&C collections are anticipated to be \$40.0 million in 2024-2025, which is significantly below the record setting 2021-2022 collection level of \$64.5 million. The five-year estimate of \$240.0 million is 11.6% higher than the estimate of \$215.0 in the 2024-2028 Adopted CIP.

**CITY OF SAN JOSE
2024-2025 ADOPTED CAPITAL BUDGET
2025-2029 CAPITAL IMPROVEMENT PROGRAM**

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM REVENUES

Based on the City Council-approved distribution formula, C&C funds budgeted in the 2025-2029 Adopted CIP are displayed in the following table.

CONSTRUCTION AND CONVEYANCE TAX DISTRIBUTION

PROGRAM	Distribution	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	5 Year Total
		Budget						
PARKS	64.00%	25,600,000	25,600,000	28,800,000	32,000,000	32,000,000	35,200,000	153,600,000
PARK YARDS	1.20%	480,000	480,000	540,000	600,000	600,000	660,000	2,880,000
FIRE	8.40%	3,360,000	3,360,000	3,780,000	4,200,000	4,200,000	4,620,000	20,160,000
LIBRARY	14.22%	5,688,000	5,688,000	6,399,000	7,110,000	7,110,000	7,821,000	34,128,000
SERVICE YARDS	8.78%	3,512,000	3,512,000	3,951,000	4,390,000	4,390,000	4,829,000	21,072,000
COMMUNICATIONS	3.40%	1,360,000	1,360,000	1,530,000	1,700,000	1,700,000	1,870,000	8,160,000
TOTAL		40,000,000	40,000,000	45,000,000	50,000,000	50,000,000	55,000,000	240,000,000

Airport Passenger Facility Charge

The Airport Passenger Facility Charge is a fee charged to every enplaned passenger at San José Mineta International Airport (SJC). Proceeds from the fee are used to support eligible debt service or capital renewal and replacement projects at the Airport. The estimate of \$136.4 million in the 2025-2029 Adopted CIP is a \$9.1 million (6.3%) decrease from the five-year estimate in the 2024-2028 Adopted CIP. Prior to the pandemic, SJC was experiencing robust growth in passenger traffic, breaking its record for most passengers served in 2018-2019 with 14.9 million. The 2025-2029 Adopted CIP assumes a passenger scenario where the Airport reaches 13.0 million passengers by 2026-2027 with continued moderate growth through 2028-2029.

Building and Structure Construction Tax

The Building and Structure Construction Tax is imposed upon the construction, repair or improvement of any building or structure where a building permit is required. The proceeds from the Building and Structure Construction Tax are restricted by ordinance for use for traffic capital improvements on major arterials and collectors.

Based on the construction activity forecasts supplied by the PBCE Department and analysis of actual collection patterns, the five-year projection for the Building and Structure Construction Tax collections totals \$94.0 million, which is a \$1.0 million (1.1%) decrease from the amount projected in the 2024-2028 Adopted CIP.

Construction Excise Tax

The Construction Excise Tax (also referred to as the Commercial-Residential-Mobile Home Park Building Tax) is imposed upon the construction, alteration, repair or improvement of any building or structure that is for residential or commercial purposes or is associated with a mobile home. This general-purpose tax may be used for any “usual current expenses” of the City; however, the City Council has historically used most of these funds for traffic improvements.

CITY OF SAN JOSE
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SUMMARY OF CAPITAL IMPROVEMENT PROGRAM REVENUES

Based upon the construction forecast provided by the Planning, Building and Code Enforcement (PBCE) Department and actual collections on this tax, Construction Excise Tax revenues are projected to total \$85.0 million over the five-year CIP period. This collection level represents a \$3.0 million (3.7%) increase from the 2024-2028 Adopted CIP collection level of \$82.0 million.

CONTRIBUTIONS, LOANS AND TRANSFERS – GENERAL FUND

General Fund contributions to capital projects included in the Adopted 2025-2029 CIP total \$120.9 million, up \$20.6 million (20.5%) from the Adopted 2024-2028 CIP of \$100.3 million.

General Fund contributions in this CIP are primarily used to support the following capital programs:

- Municipal Improvements (\$66.8 million)
- Public Safety (\$33.8 million)
- Communications (\$15.3 million)
- P&CFD (\$3.6 million)

A list of the capital projects receiving General Fund contributions can be found in the Transfers between the General Fund and Capital Funds table located in section III — Summary Information of this document and more details can be found in the various capital programs.

CONTRIBUTIONS, LOANS AND TRANSFERS – OTHER FUNDS

Transfers from funds other than the General Fund total \$721.6 million – Special Funds making up \$667.7 million and Capital Funds totaling \$53.9 million. This CIP is a \$7.8 million (1.1%) increase over the amount of \$713.8 million included in the 2024-2028 Adopted CIP. The largest transfers of funds are from the Sewer Service and Use Charge Fund to the Water Pollution Control Capital Program (\$296.0 million) and to the Sanitary Sewer System Capital Program (\$175.0 million). Examples of other transfers from operating funds to support capital projects in various capital funds include \$131.9 million from the Airport Surplus Revenue Fund to the Airport Renewal and Replacement Fund; \$44.0 million from the Water Utility Fund to the Water Utility Capital Fund; and \$12.0 million from Storm Sewer Operating Fund to Storm Sewer Capital Fund.

INTEREST INCOME AND MISCELLANEOUS REVENUE

The estimated \$95.0 million in the Interest Income category is \$11.4 million (13.6%) higher than those included in the 2024-2028 Adopted CIP primarily due to higher short term interest rates. The Miscellaneous Revenue category totaling \$9.8 million includes developer contributions and other payments such as \$1.9 million in repayment for Calpine Metcalf Energy Center Facilities in the Water Pollution Control Capital Program, and \$500,000 from inter-agency encroachment permit fees in the Traffic Capital Program.