



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jon Cicirelli
Margaret McCahan

SUBJECT: USE OF COLEMAN PROPERTY
SALE PROCEEDS

DATE: May 8, 2019

Approved

Daniel A. Maguire

Date

5-8-19

BACKGROUND

On March 26, 2019, the City Council approved the Actions Related to the Use of Funds from Sale of the Coleman Avenue Property memorandum. As part of these actions, \$24.8 million was recognized for the sale of the Coleman Property, with \$4.7 million transferred to the Parks and Recreation Bond Projects Fund. The remaining \$20.1 million was placed in the 2019-2020 Proposed Budget Planning Reserve for allocation during 2019-2020. When evaluating the use of the remaining \$20.1 million in sale proceeds, the \$5.1 million associated with the sale of land previously leased by the San Jose Earthquakes was always intended to be allocated as part of the 2019-2020 Proposed Budget process to address General Fund needs. For the remaining balance of \$15.0 million, it was initially thought that this funding was restricted to parks-related capital projects based on advice from the City's bond counsel. However, it was later determined that this funding was not restricted based on a revised analysis from the City's bond counsel.

As part of the City Council direction on March 26, 2019, the Administration was directed to bring forward an option for addressing the unfunded parks maintenance backlog with the remaining \$15.0 million. In the 2019-2020 Proposed Budget, a total of \$13.5 million is recommended to address parks infrastructure needs, including \$9.9 million in the Proposed Capital Budget and \$3.6 million in the Proposed Operating Budget. The remaining balance of \$1.5 million is recommended to address other priority General Fund needs in the 2019-2020 Proposed Budget.

This memorandum summarizes the allocation of the \$13.5 million in the 2019-2020 Proposed Budget as shown in the attachment, provides an option for use of the remaining \$1.5 million for parks infrastructure, and provides potential offsetting actions should the City Council opt to redirect additional General Fund resources to parks from other uses.

ANALYSIS

The attached table summarizes the allocation of Coleman Sale proceeds and documents how the recommended allocations have shifted since the City Council's approval of the Purchase and Sale Agreement at its meeting on September 18, 2018 when it was thought that all sale proceeds needed to be spent on parks capital projects. The revised allocations presented in the table are shown as of March 26, 2019, when bond counsel's revised analysis showed that only \$4.7 million was restricted for parks capital uses; as well as the allocation put forward in the 2019-2020 Proposed Budget, which incorporates direction from the City Council to bring forward an option for addressing the unfunded parks maintenance backlog with the remaining \$15.0 million of unrestricted sale proceeds.

Of the remaining \$15.0 million from the sale of the Coleman property, \$13.55 million is allocated to improve, rehabilitate, or maintain parks capital infrastructure and \$1.5 million is recommended to fund a variety of other items included in the 2019-2020 Proposed Budget. For context, the \$13.55 million recommended for parks uses represents 12.3% of additional General Fund resources allocated in the 2019-2020 Proposed Budget. All General Fund resources recommended to be added to the Parks, Recreation, and Neighborhood Services Department in 2019-2020 totals \$20.5 million, or 18.6% of all additional General Fund resources allocated.

Option to Reallocate Additional Funding to Parks Capital Uses and Potential Offsetting Actions

Should the City Council opt to reallocate additional General Fund resources to fully spend all \$15.0 million of the Coleman sale proceeds on parks infrastructure, the Administration has identified the following uses that the City Council could consider: \$1.0 million to Alviso Park in Council District 4, and \$450,000 to Happy Hollow Park & Zoo.

Alviso Park – In June 2018, PRNS completed, and City Council adopted, a master plan for improvements at Alviso Park. Recent property acquisition has expanded the footprint of the park to the west and north of existing footprint. The master plan identified over \$14 million worth of improvements to the existing park and newly acquired property. This is the only parkland located north of Highway 237 and the space provides a vital resource for the underserved residents of this area. If approved, the \$1 million would supplement existing funding of \$228,000 anticipated to be available in 2019-2020. Improvements performed with the combined funding may include installation of irrigation and grass at the proposed soccer/tee ball field located southwest of Wilson Way, and miscellaneous improvements to existing park amenities such as barbecues, picnic tables and the playground.

Happy Hollow Park & Zoo – Animal exhibit management is critical to the zoo's accreditation through the Association of Zoos & Aquariums. The 2019-2020 Proposed Budget allocates \$500,000 from the Coleman Sale Proceeds for improvements to animal exhibits; adding another \$450,000 would increase the number of potential improvements. A total funding amount of \$950,000 would allow for completion of recommended safety improvements to the Redwood

Lookout wooden play structure; necessary safety inspections on the “Bent Bridge,” which provides entrance access from the east parking lot; provide netting over the alligator exhibit to ensure visitor safety; the addition or improvement of shade structures at various locations within the park, such as picnic areas, the stage and queue lines; replacement of five wood supporting poles for the Jaguar exhibit (including netting); design of the Fossa Night House; and, other miscellaneous improvements necessary to maintain the high quality standards of this facility. It is important to note that the 2019-2020 Rebudget/Clean-up Manager’s Budget Addendum to be released later this month will clarify that the identified safety improvements and inspections will be completed with the existing funding of \$500,000 currently allocated in the 2019-2020 Proposed Budget.

The Administration does not recommend modifying the 2019-2020 Proposed Budget; however, the following potential offsetting actions have been identified to pay for the reallocation of \$1.5 million. In identifying these offsetting actions, the Administration considered those allocations in the 2019-2020 Proposed Operating Budget that fund projects and programs in future years that would not significantly impact anticipated service delivery in 2019-2020 if eliminated or reduced, and did not consider any of the items included in the City Council-approved Mayor’s March Budget Message for Fiscal Year 2019-2020.

Allocate additional funding from the Cultural Facilities Capital Maintenance Reserve to help offset the cost of cultural facilities capital projects – As described in Manager’s Budget Addendum #3, Cultural Facilities Capital Rehabilitation Needs, \$6.6 million from the General Fund is recommended to rehabilitate City-owned cultural buildings in 2019-2020. Of this amount, \$850,000 is offset by using a portion of the Cultural Facilities Capital Maintenance Reserve, which would leave approximately \$2.6 million remaining. The City Council could increase the use from this reserve to offset additional spending on parks capital projects.

Reduce or eliminate the following earmarked reserves that set aside funding for the second year of a two-year strategy – While this option eliminates funding originally intended for the identified program, the current year funding would remain unaffected:

- **2020-2021 Public Life and Parks Activation Reserve \$500,000**

This action sets aside second year funding for the Public Life and Parks Activation program. Placemaking is comprised of two main program areas: *Viva CalleSJ* and *VivaParks!*. *Viva CalleSJ* is the City’s premiere placemaking program that closes approximately six miles of scenic San José streets to cars and brings people from across San José together to walk, bike, skate, play, and explore the City. *Viva Parks!* events provide safe and fun opportunities for the community to come together for prosocial activities at key parks. Events vary and may include opportunities for play, healthy food demonstrations, Zumba and martial arts demonstrations, bounce houses, cultural dance performances, large group games, skate jams and climbing wall, and movie nights. The positions and non-personal expenses to be funded with this reserve will also be deployed to coordinate *Viva Parks!* activations in high need parks throughout the City and will

continue previous efforts at Plaza de Cesar Chavez and St. James Park, which will draw participants during early morning, lunch, and dinner times. The Reserve reflects the net cost anticipated in 2020-2021 as revenue is expected to offset a portion of the costs. Additional one-time funding of \$1.0 million (offset by grants and sponsorships of \$241,500) is included in 2019-2020 to support this program.

• **2020-2021 Talent Development Reserve** **\$330,000**

This action establishes a 2020-2021 Talent Development Reserve in the amount of \$330,000 for the second year of the Talent Development Program. This funding will be used to assess, create, and implement talent development activities for employees, including rebuilding talent development programs and courses and developing a workforce pipeline. Additional one-time funding of \$330,000 is recommended to support this program in 2019-2020.

As all of the 2019-2020 Proposed Budget is submitted for City Council review, amendment, and approval, the City Council may choose to enact all, some, none, or different actions than those identified above.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

/s/
JON CICIRELLI
Director of Parks, Recreation and
Neighborhood Services


MARGARET MCCAHAN
Budget Director

Attachment: Proposed Use of Coleman Property Sale Proceeds

For questions, please contact Nicolle Burnham, Deputy Director of Parks, Recreation and Neighborhood Services, at (408) 973-5514, or Jim Shannon, Assistant Budget Director, at (408) 535-8132.

Attachment

Proposed Use of Coleman Sale Proceeds

Source of Funds:

Source	Sep. 2018 Memo	Mar. 2019 Memo	2019-2020 Proposed Budget
Coleman Sale Proceeds	\$24.8 Million	\$24.8 Million	\$24.8 Million
Total Source	\$24.8 Million	\$24.8 Million	\$24.8 Million

Use of Funds:

Use	Sep. 2018 Memo	Mar. 2019 Memo	2019-2020 Proposed Budget
<p>General Fund (Sale of land previously leased by SJ Earthquakes)</p> <p>In the September 18, 2018 memorandum, the proceeds related to the Earthquake practice fields were always intended to be allocated as part of the 2019-2020 Proposed Budget Process.</p>	\$5.1 Million	\$5.1 Million	\$5.1 Million
<p>Parks and Recreation Bond Projects Fund Capital Projects</p> <p>These allocations reflect the amount of funding required to be spent on parks-related capital projects based on bond counsel's analysis at the time of the September 18, 2018 memorandum (\$19.7 million) and bond counsel's revised analysis (\$4.7 million).</p>	\$19.7 million	\$4.7 Million	\$4.7 Million

Use	Sep. 2018 Memo	Mar. 2019 Memo	2019-2020 Proposed Budget
<p>PRNS Sport Field Projects</p> <p>These allocations will provide funding to convert deteriorated turf fields to artificial turf fields at the Police Activities League Stadium and Ramac Park.</p>		\$5.0 Million	\$5.0 Million
<p>Re-Use Facilities Capital Improvements and PRNS Strike Team</p> <p>These allocations will provide funding to assess and prioritize the capital improvements for aging infrastructure needs of 50 community centers ranging in the age of 10-60 years old and 2.5 years of funding to continue the Parks Rehabilitation Strike and Capital Infrastructure Team.</p>		\$3.0 Million	\$3.5 Million
<p>Playground Renovations</p> <p>These allocations will provide funding for renovation and capital improvements to various playgrounds and tot lots.</p>			\$1.7 million
<p>Pest Management</p> <p>This allocation provides two years of funding for Pest Management to remove pests from parks in a safe, humane, and environmentally friendly manner.</p>			\$1.5 million

Use	Sep. 2018 Memo	Mar. 2019 Memo	2019-2020 Proposed Budget
<p>Guadalupe River Park Trail Safety, Beautification, and Partnership Development</p> <p>This allocation provides funding to design and construct signage and striping updates to the Guadalupe River Trail's downtown reaches from Highways 280 to 880, and provides support funding for the Guadalupe River Park Conservancy leadership staff costs for a two-year period to assist in the recruitment of an Executive Director. Note that the original title of this project, "Guadalupe River Park Trail Signage and Striping" will be recommended to be changed to the above title as part of the 2019-2020 Rebudget/Clean-up Manager's Budget Addendum scheduled for release later this month.</p>			\$550,000
<p>Happy Hollow Park and Zoo Exhibit Improvements</p> <p>This allocation provides funding to address capital projects that serve Association of Zoo and Aquariums accreditation needs, such as replacement of five wood supporting poles for the Jaguar exhibit, the Parrot Island shade structure, and the Fossa Night House design.</p>			\$500,000
<p>Bench and Drinking Fountain Improvements</p> <p>This allocation provides funding for water fountain replacements with bottle fillers at parks and install new park benches at parks throughout the City.</p>			\$400,000
<p>Police Activities League Master Planning</p> <p>This allocation provides funding for master planning efforts for the Police Activities League Stadium to evaluate and address</p>			\$400,000

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Use	Sep. 2018 Memo	Mar. 2019 Memo	2019-2020 Proposed Budget
future park investment needs, such as multi-use artificial turf field, irrigation improvements, lighting, additional benches and other capital improvements.			
Other General Fund Priority Projects and Programs Remaining amount of Coleman proceeds allocated to other General Fund priority projects and programs in the 2019-2020 Proposed Budget.		\$7.0 Million	\$1.45 million
Total Use of Funds	\$24.8 Million	\$24.8 Million	\$24.8 Million