

*Five-Year Economic Forecast
and
Revenue Projections*

2017-2021

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 largest item included in this category is the maintenance and operating expenses related to the purchase of body worn cameras. The remaining 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 or to open within the five-year horizon of this forecast. These expenses are related to the maintenance and operations of new parks and recreational facilities, new traffic infrastructure assets, the Library’s Mobile Maker[Space]ship vehicle, and the Arcadia Softball Complex as part of the Measure P (Parks) Bond funds. It should be noted that the estimated 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 the committed additions 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 that have been previously certified by the City Council, or are recommended for certification in the future, 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 2017-2021 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 Police Maintenance and Operations – This category reflects the projected maintenance and operations costs related to the purchase of body worn cameras. As part of the 2014-2015 Annual Report, the City Council approved the purchase of approximately 600 body worn cameras for sworn field personnel. Assumed in this category is funding to operate and maintain the cloud-based evidence management and network storage, and associated staffing to facilitate the body worn camera program.

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
1,300,000	1,339,000	1,379,000	1,420,000	1,463,000

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

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. A number of parks scheduled to come online over the next five years include, but are not limited to, Communications Hill – Grand Staircase, a new ride and animal exhibit at Happy Hollow Park and Zoo, Iris Chang Park, and the Vietnamese Cultural Heritage Garden. The Vietnamese Cultural Heritage Garden project was included in prior Forecast reports, but it was excluded in the 2016-2020 Forecast because the Viet Heritage Society (VHS) is currently maintaining the facility as part of an agreement with the City. However, it is incorporated into this Forecast to reflect the City likely taking over the maintenance of the facility following the completion of the first phase of construction. The forecast also includes operating cost estimates for trail sections for Lower Silver Creek Trail and the Three Creeks Trail. Funding continues to be set aside for Future Trail Projects to help meet the City’s goal to expand the City’s trail system to 100 miles by the year 2022. The City currently has approximately 57 miles of trails.

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
354,000	789,000	977,000	1,095,000	1,204,000

New Traffic Infrastructure Assets Maintenance and Operations – This category reflects the anticipated 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, street lighting, pavement markings, and other traffic infrastructure is assumed in this category. Many projects are related to traffic safety enhancements for pedestrians and bicyclists, such as Bicycle and Pedestrian Facilities, Ocala Avenue Pedestrian Improvements, Pedestrian Oriented Traffic Signals (OBAG), Traffic Signal Improvement Program, and Developer Constructed Traffic Signal. Also assumed in this category is funding to maintain the pedestrian improvements completed along the Valley Transportation Authority’s (VTA) Light Rail route on Capitol Expressway from Capitol Avenue to Quimby Road. The VTA had agreed to fund the costs for three years of the project, starting in 2013-2014, and the City would fund the costs starting in 2016-2017.

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
199,000	237,000	243,000	250,000	259,000

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

Committed Additions Summary

New Library Maintenance and Operations – This category reflects the projected additional costs of maintaining and operating the Mobile Maker[Space]ship, which the purchase of the vehicle was approved as part of the 2015-2016 Adopted Capital Budget. This new vehicle will be outfitted with a variety of technology that includes 3-D printers, laptops and tablets, a vinyl cutter, laser cutter, and several robotic kits, and will serve as a mobile space for patrons to participate in a range of services that include learning digital content creation and advanced computer coding skills. Patrons will also be able to register for library cards, check out library materials, and learn to use the Library’s electronic resources.

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
11,000	11,000	11,000	11,000	11,000

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—and the last remaining Measure P park project—is the Arcadia Softball Complex (previously titled Softball Complex) tentatively scheduled to open in 2017-2018 with a projected net operating expenditure of \$435,000, which reflects partial year funding. It should be noted that the City completed a Request for Proposal to obtain an outside operator for the Management, Operation, and Maintenance of the proposed new softball facility. Only one vendor submitted a proposal and the City began negotiations with the vendor. It is required that the selected vendor enter into a Qualification Management Agreement in compliance with Internal Revenue Service (IRS) Procedure 97-13 to manage, promote, operate, and maintain the proposed softball facility. The IRS regulation is intended to prohibit revenue sharing agreements for public bond funded projects as a way to prevent public funding being used to support corporate interests. The vendor decided to not enter into this type of an agreement with the City, therefore, the Administration is recommending a City-operated model as reflected in this Forecast. It should also be noted that the maintenance costs for the Softball Complex assumes the installation of natural turf as opposed to prior estimates that had assumed artificial turf. As a result of this change, the costs included in this Forecast to maintain the facility are significantly higher than those reported in prior Forecasts. Once the final project scope is completed, the operating costs and amount of anticipated revenue collected from field rental fees will likely be revised further.

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
0	435,000	738,000	783,000	830,000

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

General Fund Capital Operating and Maintenance/Budget Principle #8

In March 2008, the City Council adopted City of San José Budget Principles as part of the approval of the Mayor's 2008-2009 March Budget Message. Budget Principle #8 is as follows:

Capital Improvement Projects 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.

Chart A details a list of all project maintenance and operations costs assumed in this Forecast. Funding for these projects has been included as part of the approved Capital Improvement Program, approved by the City Council in 2015-2016, or align with previous City Council direction. 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. As denoted by a double asterisk in the chart, the maintenance and operations costs for the Arcadia Softball Complex (previously titled Softball Complex) and Vietnamese Cultural Heritage Garden projects were established prior to the adoption of Budget Principle #8 and did not need to be certified by City Council. By 2020-2021, the costs to maintain and operate all City Council approved projects expected to come online during the five-year period are estimated at approximately \$3.8 million annually, of which approximately \$830,000 is related to a voter-approved bond measure for parks.

As always, maintenance and operating costs for new capital facilities will continue to be closely scrutinized to ensure that costs for any newly built or expanded infrastructure are supported on an ongoing basis without a decrease in existing basic neighborhood services. All project maintenance and operating costs will be evaluated on an annual basis for inclusion in subsequent Five-Year General Fund Forecasts. 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 - 2017-2021 GENERAL FUND FORECAST
Net Operating Impact of Committed Additions

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
NEW POLICE MAINTENANCE AND OPERATIONS					
Body Worn Cameras	1,300,000	1,339,000	1,379,000	1,420,000	1,463,000
TOTAL NEW POLICE MAINTENANCE AND OPERATIONS	1,300,000	1,339,000	1,379,000	1,420,000	1,463,000
NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS					
Future Trail Projects*	0	42,000	109,000	180,000	255,000
Alum Rock Avenue and 31st Street Park	0	23,000	23,000	24,000	24,000
Baypointe Park	9,000	18,000	19,000	19,000	19,000
Communications Hill - Grand Staircase	82,000	90,000	99,000	109,000	120,000
Communications Hill II - Hillsdale Fitness Staircase	0	22,000	38,000	39,000	41,000
Communications Hill II - Turnkey Park	0	36,000	37,000	38,000	38,000
Del Monte Park Phase II	0	33,000	58,000	59,000	61,000
Del Monte Phase III (Fencing and Weed Abatement)	7,000	14,000	15,000	15,000	15,000
Happy Hollow Park and Zoo - Amusement Ride	37,000	37,000	37,000	37,000	37,000
Happy Hollow Park and Zoo - Exhibit	80,000	80,000	80,000	80,000	80,000
Iris Chang Park	7,000	45,000	46,000	47,000	48,000
Pellier Park	0	0	20,000	20,000	21,000
Rincon South Park	0	12,000	29,000	30,000	31,000
Santana Park	0	0	0	14,000	15,000
Spartan Keyes (Fencing/Weed Abatement)	7,000	15,000	15,000	15,000	15,000
Tamien Park Phase I	19,000	40,000	40,000	41,000	42,000
Tamien Park Phase II	0	29,000	27,000	30,000	31,000
TRAIL: Lower Silver Creek (Alum Rock Ave to Highway 680)	0	20,000	40,000	41,000	41,000
TRAIL: Three Creeks Trail (Lonus Street to Minnesota Avenue)	11,000	83,000	85,000	87,000	89,000
Vietnamese Cultural Heritage Garden**	95,000	150,000	160,000	170,000	181,000
TOTAL NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS	354,000	789,000	977,000	1,095,000	1,204,000
NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS					
Bicycle and Pedestrian Facilities***	98,000	101,000	104,000	107,000	110,000
Capitol Expressway Light Rail Pedestrian Improvements	27,000	28,000	29,000	30,000	31,000
Neighborhood Traffic Calming	1,000	1,000	1,000	1,000	2,000
Ocala Avenue Pedestrian Improvements	2,000	11,000	11,000	11,000	12,000
Park Avenue Multimodal Improvements	1,000	4,000	4,000	4,000	5,000
Pedestrian Oriented Traffic Signals (OBAG)	14,000	15,000	15,000	16,000	16,000
The Alameda "Beautiful Way" Phase 2 (OBAG)	1,000	5,000	5,000	5,000	5,000
Traffic Signal Improvement Program	2,000	2,000	2,000	2,000	2,000
Developer Constructed Traffic Signal	53,000	70,000	72,000	74,000	76,000
TOTAL NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS	199,000	237,000	243,000	250,000	259,000
NEW LIBRARY MAINTENANCE AND OPERATIONS					
Mobile Maker[Space]ship Vehicle	11,000	11,000	11,000	11,000	11,000
TOTAL NEW LIBRARY MAINTENANCE AND OPERATIONS	11,000	11,000	11,000	11,000	11,000
MEASURE P (PARKS) MAINTENANCE AND OPERATIONS					
Arcadia Softball Complex**	0	435,000	738,000	783,000	830,000
TOTAL MEASURE P (PARKS) MAINTENANCE AND OPERATIONS	0	435,000	738,000	783,000	830,000
TOTAL OPERATING IMPACT OF COMMITTED ADDITIONS	1,864,000	2,811,000	3,348,000	3,559,000	3,767,000

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

**These projects were established prior to the adoption of Budget Principle #8 and did not need to be certified by City Council.

***While this line item exceeds \$100,000 annually, it is composed of several projects which have operating and maintenance costs well below \$100,000. Since these projects have common traffic infrastructure components (e.g. pavement markings and detection sensors) in different locations throughout the City, they are displayed on one line item for ease of reference.

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