

September 6, 2016

HONORABLE MAYOR AND CITY COUNCIL:

I am pleased to present the 2016-2017 Adopted Capital Budget and the 2017-2021 Adopted Capital Improvement Program (CIP) for the City of San José. The Budget and CIP presented in this document guide the City in the planning, scheduling, and budgeting of capital improvement projects during the next five-year period. This overview highlights the major capital investments within each of the six City Service Areas (CSAs) and 14 Capital Programs as well as the major issues associated with this CIP.

Building on the efforts of the last several years and guided by the Envision San José 2040 General Plan (General Plan), this CIP continues targeted investments to maintain, rehabilitate, and rejuvenate a wide array of public infrastructure to improve system reliability, enhance recreational experiences, advance public safety, and ensure that San José remains well-positioned for further economic growth and opportunity. Accordingly, this CIP allocates significant resources to upgrade and revitalize the Water Pollution Control Plant (San José-Santa Clara Regional Wastewater Facility) and rehabilitate the sanitary sewer collection system; invests in and sets aside funding for the rehabilitation and enhancement of a variety of park assets and recreational facilities; reseals and resurfaces pavement; constructs a wide array of bike and pedestrian, traffic safety, and multi-modal improvement projects; and renovates a number of the City's outstanding cultural facilities. The City's 2016-2017 Adopted Capital Budget totals \$878.4 million and the 2017-2021 Adopted CIP totals \$2.4 billion. The 2016-2017 Adopted Capital Budget reflects a 11.9% decrease from the 2015-2016 Adopted Capital Budget of \$996.7 million, and from a five-year perspective, the 2017-2021 Adopted CIP is 5.2% lower than the 2016-2020 Adopted CIP.

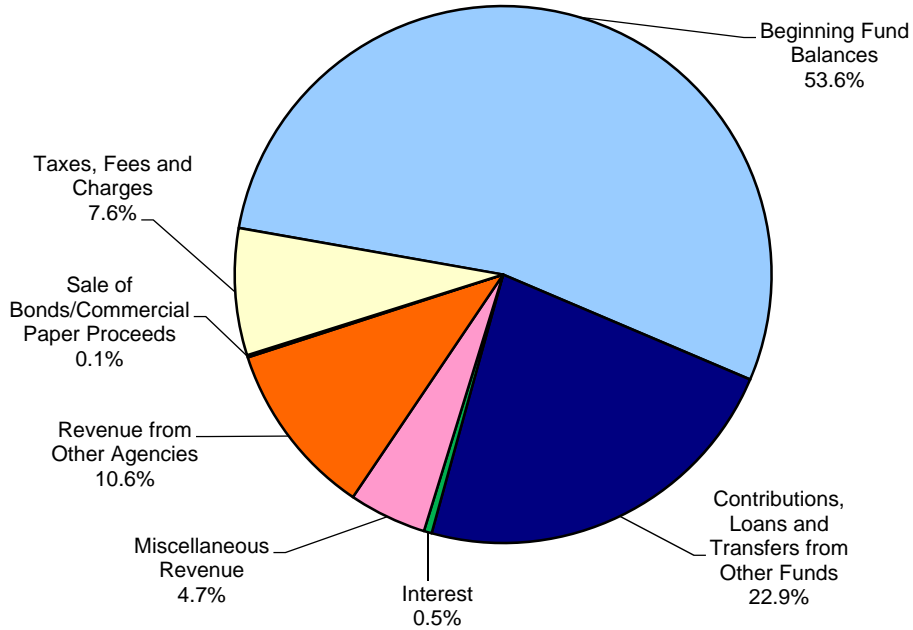
Even with strong emphasis placed on rehabilitation and renewal, the City continues to lack the resources required to fully maintain its infrastructure portfolio. The persistent gap between optimal levels of capital investment and available resources, including grants and revenues from other agencies, results in a growing backlog of unmet/deferred infrastructure needs. Nowhere is this gap between need and funding more apparent than the City's local street network, especially considering recent reductions to the City's State Gas Tax allocation. The Status Report on Deferred Infrastructure Maintenance Backlog accepted by the City Council on February 9, 2016 identifies a backlog of unmet/deferred infrastructure needs for pavement maintenance that has grown from \$250.0 million to \$521.5 million since 2010. The City, however, has made some investments towards addressing the shortfall. Some recent strategies include direction from the Council-approved Mayor's June Budget Message for Fiscal Year 2014-2015 to allocate any additional Construction Excise Tax revenues towards pavement maintenance and the recent voter-approved 2016 sales tax ballot measure, which allocated one-time funding of \$17.7 million from the General Fund towards pavement maintenance activities as described in Manager's Budget Addendum #14, Sales Tax Ballot Measure: 2016-2017 Provisional Budget and Ongoing Spending Priorities Plan, that was approved as part of the Mayor's June Budget Message for Fiscal Year 2016-2017. With these investments, in 2016-2017, the City will be able to fund the annual need for pothole repairs and all major streets in the City at the City Council goal of a pavement condition index of 70 (good) to significantly slow the incidence of pothole formation and general pavement deterioration.

**2016-2017 ADOPTED CAPITAL BUDGET
2017-2021 CAPITAL IMPROVEMENT PROGRAM**

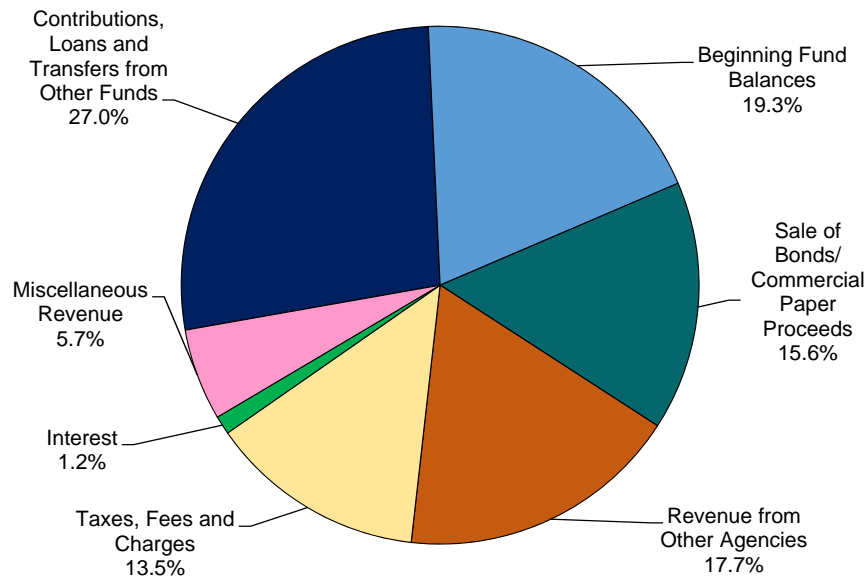
CAPITAL PROGRAM FUNDING SOURCES

The Capital Program is supported by a variety of funding sources as shown in the pie charts below that depict both the 2016-2017 and five-year CIP funding.

**2016-2017 Adopted Capital Budget
Source of Funds (\$878.4 million)**



**2017-2021 Adopted Capital Improvement Program
Source of Funds (\$2.4 billion)**



2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM FUNDING SOURCES

The Beginning Fund Balance category is a major funding source at \$470.9 million, representing 53.6% of the 2016-2017 Source of Funds and 19.3% of the five-year CIP funding. Beginning Fund Balances primarily reflect planned carryover funding for projects expected to be initiated or completed in the next five years. The Parks and Community Facilities Development Capital Program has Beginning Fund Balances totaling \$141.8 million, accounting for 30.1% of the total Beginning Fund Balances. A majority of the funds are reserved pending determination of final scope, location, or funding of projects. Other programs with significant Beginning Fund Balances include Traffic (\$91.9 million), Water Pollution Control Program (\$63.2 million), Airport (\$61.6 million), and Sanitary Sewer System (\$52.5 million). With a substantial number of capital projects scheduled to be completed over the next five years, the total Ending Fund Balance in 2020-2021 is estimated to fall to \$48.4 million.

Contributions, Loans, and Transfers from Other Funds is the largest revenue category with 22.9% of the 2016-2017 funding (\$201.2 million) and 27.0% of the CIP funding (\$660.4 million). Over the five-year period, this funding stream includes the transfer of revenue from sanitary, storm, and water operating funds that are supported by utility user fees (\$432.7 million) and the technical transaction to distribute Construction and Conveyance (C&C) taxes allocated to the Parks and Community Facilities Program from the Parks C&C Central Fund to each of the C&C Council District Funds and the Parks City-Wide Fund (\$50.7 million).

Commercial Paper Proceeds of \$1.2 million, programmed only in 2016-2017 for meter replacements in the Water Utility Capital Program and none in the remaining years of the CIP, represents less than one percent of the total funding sources. Although no Sale of Bonds is programmed in 2016-2017, this revenue category increases to 15.6% (\$379.2 million) of the total five-year CIP. The anticipated bond sales primarily support the Water Pollution Control Program (\$370.0 million) due to the large capital improvement program identified by the Plant Master Plan. These figures, however, are likely to change as the financing for the major renovation of this facility is refined.

The Revenue from Other Agencies category, which includes mostly federal, State, and local grants as well as revenue from other agencies that use the Water Pollution Control Plant, comprises 10.6% of the 2016-2017 funding (\$92.7 million) and 17.7% (\$430.9 million) of the five-year CIP. With the expected expansion of the Water Pollution Control Plant, the contributions from user agencies are expected to increase significantly and are currently projected to total \$288.4 million over the five-year period. These figures may also change as low cost funding from the Clean Water State Revolving Fund for all eligible projects is pursued and/or user agencies determine their preferred funding mechanism for the Plant improvements.

The Taxes, Fees and Charges category accounts for 7.6% (\$67.1 million) of the funding in 2016-2017 and 13.5% (\$330.5 million) of the total funding in the CIP. The three largest funding sources in this category are Construction and Conveyance (C&C), Construction Excise, and Building and Structure Construction Taxes, which serve as the major revenue sources for Parks and Traffic Capital projects. The projections for each of these taxes are slightly higher than the estimates used in the 2016-2020 Adopted CIP primarily to reflect the projected continued level of development activity.

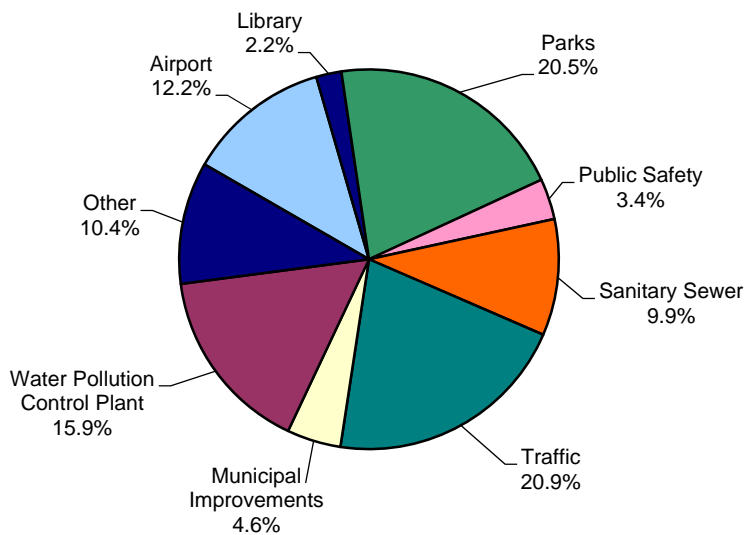
A more detailed discussion of revenues can be found in the Summary Information section of this budget document.

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

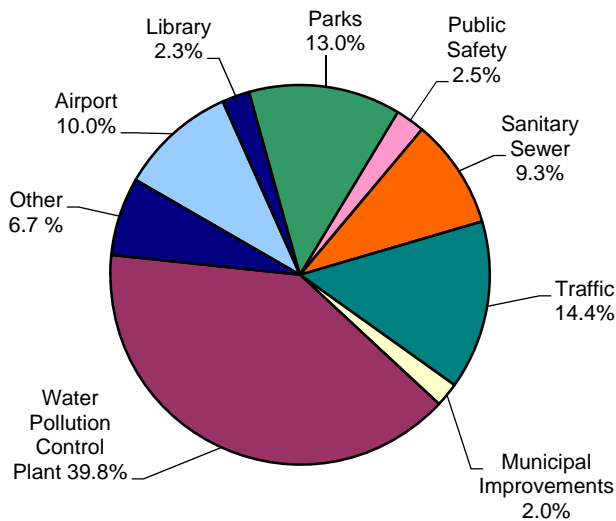
CAPITAL PROGRAM INVESTMENTS

The CIP consists of 14 capital programs. The following pie charts depict the uses of funds by capital program and percentage of funding for the 2016-2017 Capital Budget and the 2017-2021 Capital Improvement Program. Major projects to be completed over the next five years are highlighted in the sidebar.

**2016-2017 Capital Budget
Use of Funds (\$878.4 million)**



**2017-2021 Capital Improvement Program
Use of Funds (\$2.4 billion)**



Major Projects to be Completed Over the Next Five Years

2016-2017 Projects

Alviso Storm Pump Station
Almaden/Vine Downtown Couplet (OBAG)
Autumn Street Extension
Cadwallader Reservoir Rehabilitation
Chynoweth Avenue Green Street
Emergency Vehicle Preemption Service
Fire Station Alert System
Iris Chang Park Development
Lake Cunningham Bike Park
Large Trash Capture Devices
LED Garage Lighting Upgrade
Martial-Cottle Community Garden
Monterey – Riverside Relief Sanitary Sewer Improvements
Overfelt Garden Improvements
Park Avenue Multimodal Improvements
Plata Arroyo Park Improvements
Silver Leaf Park Renovation
Water Meter Replacements
San José Civic Auditorium HVAC Rehabilitation
TRAIL: Penitencia Creek Reach 1B (Noble Avenue to Dorel Drive)
TRAIL: Thompson Creek (Tully Rd-Quimby Rd)
Trimble Road and Capewood Lane Sanitary Sewer Improvements

2017-2018 Projects

Airfield Geometric Implementation
Branham and Snell Street Improvements
Del Monte Park Expansion Phase II
Fowler Creek Park Improvements
Iron Salt Feed Station
Rincon South Park Development
The Alameda “Beautiful Way” Phase 2 (OBAG)
TRAIL: Coyote Creek (Story Road to Selma Olinder Park)
TRAIL: Lower Silver Creek Reach 4/5A (Alum Rock Avenue to Highway 680)
TRAIL: Three Creeks (Lonus Street to Guadalupe River)
Watson Park Improvements

2018-2019 Projects

60” Brick Interceptor, Phase VIA and VIB
Butcher Park Playlot Renovation
Energy Generation Improvements
Hathaway Park Renovation
Southeast Ramp Reconstruction
Terminal A Baggage Claim Escalators

2019-2020 Projects

Airport Rescue and Fire Fighting Facility
Fourth Major Interceptor, Phase VIIA
Treatment Plant Distributed Control System

2020-2021 Projects

Bollinger Road – Moorpark Avenue – Williams Road Sanitary Sewer Improvements
Headworks Improvements
Perimeter Fence Line Upgrades (Airport)

**2016-2017 ADOPTED CAPITAL BUDGET
2017-2021 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Each of the 14 capital programs is aligned to one of the six City Service Areas (CSAs). The chart below compares the 2016-2020 Adopted CIP with the 2017-2021 Adopted CIP for each CSA. As discussed earlier, the 2017-2021 Adopted CIP is 5.2% lower than the 2016-2020 Adopted CIP. The drop from the prior CIP is primarily due to large construction projects being completed or nearing completion in the Sanitary Sewer System Program and Water Pollution Control Program (Environmental and Utility Services CSA).

2016-2020 Adopted CIP and 2017-2021 Adopted CIP Comparison (By City Service Area)

City Service Area	2016-2020 Adopted CIP	2017-2021 Adopted CIP	% Change
Community and Economic Development	\$ 11,533,381	\$ 14,143,086	22.6%
Environmental and Utility Services	1,401,460,070	1,280,222,906	(8.7%)
Neighborhood Services	375,983,902	373,607,994	(0.6%)
Public Safety	55,887,812	60,768,993	8.7%
Transportation and Aviation Services	635,319,868	614,214,230	(3.3%)
Strategic Support	94,304,261	98,638,396	4.6%
Total	\$ 2,574,489,294	\$ 2,441,595,605	(5.2%)

The following discussion of significant issues and projects included in the CIP is presented by CSA. A more detailed description and justification for the capital projects can be found in the Capital Programs by City Service Area (Section V) of the document.

Community and Economic Development CSA

The Community and Economic Development CSA includes the Developer Assisted Projects Capital Program.

Developer Assisted Projects Capital Program

The Developer Assisted Projects CIP ensures that residential developments within San José include the construction of public improvements necessary to maintain or improve the infrastructure of the City. This capital program is used to facilitate the undergrounding of existing overhead utilities and to reimburse residential developers for the construction of certain street improvements throughout the City. The underground utility projects are prioritized based on several criteria, the most significant of which is the level of fee revenue that has been collected within the Underground District.

The major undergrounding projects in this CIP include:

- ❑ Delmas/Park (Delmas Ave., Santa Clara St. to San Fernando St.; San Fernando St., Delmas Ave. to Route 87; and Park Ave., Bird Ave. to Delmas Ave.)
- ❑ Tully Road (Tully Rd., Kenoga Dr., Senter Rd., Parrott St.)
- ❑ Camden Avenue (Camden Ave., Bascom Ave. to Leigh Ave.)

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA

The Environmental and Utility Services CSA includes the Sanitary Sewer System, Storm Sewer System, Water Pollution Control, and Water Utility System Capital Programs.

Sanitary Sewer System Capital Program

The Sanitary Sewer System consists of approximately 2,250 miles of sewer mains ranging in diameter from six to 90 inches. The system serves the City, as well as three other jurisdictions, and conveys sewage to the San José-Santa Clara Water Pollution Control Plant (Plant). The objectives of this capital program are to reduce sanitary sewer overflows (SSOs); enhance sewer capacity to meet economic development; rehabilitate large diameter sanitary sewers; reduce water inflow and infiltration in sanitary sewers; and improve local neighborhood sewers.

As identified in the Status Report on Deferred Maintenance and Infrastructure Backlog accepted by City Council on February 9, 2016, the Sanitary Sewer Collection System has estimated unfunded needs of approximately \$2.3 million per year. With this remaining backlog, the City will continue to evaluate staffing levels and resources and overall strategic capital improvement priorities at both the Regional Wastewater Facility (RWF) and the sanitary collection system to address the remaining unfunded need in the future.

The Adopted CIP includes a 5.5% rate increase for the Sewer Service and Use Charge (SSUC) Fund in 2016-2017. In the remaining years of the CIP, rate increases ranging from 5.5% up to 7.0% are projected. These increases may be revised based on future assessments of capital and operating needs, changes in project costs, or other unforeseen circumstances.

The major projects in this CIP include:

- 60" Brick Interceptor, Phase VIA and VIB
- Bollinger Road – Moorpark Avenue – Williams Road Sanitary Sewer Improvements
- Fourth Major Interceptor, Phase VIIA
- Rehabilitation of Sanitary Sewer Pump Stations
- Rincon Avenue – Virginia Avenue Sanitary Sewer Improvements
- Trimble Road and Capewood Lane Sanitary Sewer Improvements
- Westmont Avenue and Harriet Avenue Sanitary Sewer Improvements



**Coleman Road
Sanitary Sewer Replacement**

2016-2017 ADOPTED CAPITAL BUDGET

2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA

Storm Sewer System Capital Program

In accordance with the City's Envision San José 2040 General Plan, the goal of the Storm Sewer System CIP is to reduce the risk of drainage-related surface damage and manage the quality of storm water runoff. The City is responsible for the design, construction, and maintenance of facilities for the conveyance of surface runoff in the City's Urban Service Area to adjacent stream channels. However, the Santa Clara Valley Water District and the U.S. Army Corps of Engineers are responsible for the design and construction of flood control facilities or the modification and maintenance of stream channels.

Project funding levels in the CIP will not require a Storm Sewer Service Charge rate increase; however, this may change in the out-years based on the initial recommendations from the Storm Sewer Master Plan, which is scheduled for completion in 2017. The Storm Sewer Master Plan will identify and prioritize capital improvements that maximize the efficiency and capacity of the storm drainage system city-wide. The need for a rate increase will be reassessed annually and any necessary increases will be brought forward for City Council consideration as part of the annual budget process.



Example of a Stormwater Bioretention Treatment Facility in South San José

Provision C.3 (New Development and Redevelopment) of the San Francisco Bay Regional Water Quality Control Board Municipal Regional Permit (MRP) requires development projects to address both soluble and insoluble stormwater runoff pollutant discharges and prevent increases in runoff flows to local water bodies through the implementation of Low Impact Development (LID) techniques. The City has secured grant funding for the green street retrofit pilot projects: Ocala Avenue Green Street Project (\$2.5 million), Chynoweth Avenue Green Street (\$2.2 million), and Park Avenue Green Street Pilot (\$1.2 million). Green elements included in these projects consist of bioretention areas, or "rain gardens", that function as a soil- and plant-based filtration measure, and pervious pavers and infiltration trenches, which will allow stormwater run-off to infiltrate into the ground. In the 2017-2021 Adopted CIP, project allocations total approximately \$5.9 million, sourced by approximately \$3.5 million in grant funding and approximately \$2.4 million in matching funds.

The major projects in this CIP include:

- Alviso Storm Pump Station
- Chynoweth Avenue Green Street
- Large Trash Capture Devices
- Ocala Avenue Green Street
- Park Avenue Green Street Pilot
- Storm Sewer Master Plan – City-wide

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA

Water Pollution Control Capital Program

The Water Pollution Control Plant (WPCP) is a wastewater treatment facility serving eight tributary sewage collection agencies, including municipalities and sanitary sewer districts. Accounting for 39.8% of the 2017-2021 Adopted CIP, the WPCP is the largest capital program. A total of \$970.5 million will be directed to renovate and upgrade the WPCP infrastructure to ensure capacity and reliability of treatment plant processes. This work is guided by the Plant Master Plan (PMP) and includes anticipated bond issuances totaling \$370.0 million over the next five years. The PMP recommends an estimated investment of approximately \$2.0 billion over a 30-



***Aerial View of the San José-Santa Clara
Regional Wastewater Facility***

year planning period to implement more than 114 capital improvement projects, with over \$1.0 billion to be invested in the near-term (the next ten years), to address future regulatory requirements, capacity needs, and an overhaul of the entire solids treatment process. In September 2013, the City Council approved a consultant agreement with MWH Americas, Inc. to assist and support the Environmental Services Department in developing and implementing such a large capital program. In February 2014, the MWH program team completed a detailed project validation process to critically evaluate project needs and priorities. Priorities for the near-term include continuing to pursue low-cost Clean Water State Revolving Funds, prioritizing and programming projects, and managing project risks and variables.



Existing Digester Facilities

As discussed earlier, the 2017-2021 Adopted CIP includes a 5.5% rate increase for the SSUC Fund for 2016-2017, with rate increases of 5.5% up to 7% in the out-years. These rates will be reassessed at a later time once a more detailed implementation plan and financing strategy are identified. The next five to ten years will see significant investment at the Plant based on the PMP, resulting in revitalized infrastructure to meet current and future customer demands, meet future environmental regulatory standards, and reduce odor impacts to the surrounding community.

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA

Water Pollution Control Capital Program (Cont'd.)

The major projects in this CIP include:

- Aeration Tanks and Blower Rehabilitation
- Digested Sludge Dewatering Facility
- Digester and Thickener Facilities Upgrade
- East Primary Rehabilitation, Seismic Retrofit, and Odor Control
- Energy Generation Improvements
- Headworks Improvements
- Lagoons and Drying Beds Retirement
- New Headworks
- Nitrification Clarifier Rehabilitation
- Plant Instrument Air System Upgrade
- Support Building Improvements

Water Utility System Capital Program

The San José Municipal Water System provides water service to 118,000 residents via 26,950 service connections in five areas within the City of San José: Alviso, Coyote Valley, Edenvale, Evergreen, and North San José. Projects in this CIP include the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. Water Utility rates have increased by 3% for 2016-2017 in order to offset increased operating costs. It should be noted that staff anticipates returning to City Council no later than fall 2016 with additional recommendations related to water rates, due to the need to further track ongoing water conservation and its effects on changes in water usage as well as on sources of wholesale water. Until that further analysis can be conducted and evaluated, the use of a portion of the Rate Stabilization Reserve is included as part of the 2016-2017 Adopted Operating Budget as a temporary funding source for the program next fiscal year.

Included in this Adopted CIP are proceeds from a Commercial Paper loan in 2016-2017 of \$1.2 million to complete the \$4.5 million water meter replacement project. In total, approximately 20,000 manual-read water meters in the Municipal Water service area will be replaced with remote-read meters, which will allow staff to focus on system infrastructure and maintenance, as well as provide customers with improved customer service through quicker water meter reads. Importantly, this project will assist in increasing water conservation efforts by allowing for more useful water usage reports to respond more effectively to water leaks at residences, as the new remote-read technology includes indicators of potential leaks.



Detail Work on Trimble Reservoir

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA

Water Utility System Capital Program (Cont'd.)

The major projects in this CIP include:

- Fowler Pump Station Replacement
- Gumdrop Drive Main Replacement
- Meter Replacements
- North San José Reliability Well #6 Construction
- North San José Well #5 Development and Construction
- Orinda Drive Main Replacement

Neighborhood Services CSA

The Neighborhood Services CSA includes the Library and Parks and Community Facilities Development Capital Programs.

Library Capital Program

The City's library system is nearing completion of its major transformation effort as a result of the November 2000 voter-approved bond measure that approved the issuance of \$212 million in General Obligation bonds to improve the branch library system consistent with the Branch Facilities Master Plan. This bond measure provided funding for the reconstruction or replacement of 14 of the 17 existing branches and the construction of six new branches in under-served neighborhoods. The new Village Square Branch, which opened in April 2016 and is located at the Evergreen Village Square, is the final bond-funded new branch library. The 2017-2021 CIP assumes the final sale of bonds will occur in 2017-2018, which allows time to help identify potential bond-eligible projects. Proceeds from the final sale, along with remaining funding, will be used to recommend a new suite of bond-eligible projects in a future budget process.



Village Square Branch Library

Aside from the Bond program, the Library CIP receives funding from the Library C&C Tax Fund and the Library Parcel Tax Fund. On June 3, 2014, over 81% of San José voters approved the continuation of the Library Parcel Tax for the next 25 years, beginning in 2015-2016. For 2016-2017, the Library Parcel Tax provides 32% of the Acquisition of Materials budget and 35% of the Automation Projects and System Maintenance budget. This funding will continue the replacement of library materials on an annual basis, replacement of public and staff computers, replacement and repair of the Library automated handling and self-checkout machines, and provide the stability needed to position the library system for growth.

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Neighborhood Services CSA

Library Capital Program (Cont'd.)

In 2016-2017, the Library Capital Program will fund sprinkler replacements in the basement of the Dr. Martin Luther King, Jr. Library (King Library) to prevent water damage and will also begin funding escalator replacements at the King Library. These projects will be managed by San José State University's Facilities Development and Operations Department in coordination with the Library Department.

The major projects in this CIP include:

- Acquisition of Materials
- Automation Projects and System Maintenance
- Dr. Martin Luther King, Jr. Library Major Maintenance
- Materials Handling Technology

Parks and Community Facilities Development Capital Program



Lake Cunningham Skate Park

The Parks and Community Facilities Development (P&CFD) Capital Program plans for and implements the acquisition, development, and protection of parks, recreation facilities, and open space to maintain a high quality of life in San José. This program provides oversight of the planning and development for approximately 3,500 acres of parks (regional/city-wide and neighborhood/community) and open space in the City's sphere of influence. In addition, the City has plans for construction of a trails and greenways system that will provide a 100-mile network of hiking, biking, jogging, and equestrian trails along the Guadalupe River, Coyote Creek, Los Gatos Creek,

Penitencia Creek, San Tomas/Saratoga Creek, Thompson Creek, and other major feeder streams.

In November 2000, a \$228 million General Obligation Bond was approved by City voters for parks and recreational facilities improvements. The Bond program is nearing completion, with the final two projects, a soccer complex and a softball facility, anticipated to be completed in this CIP.

With the Bond program nearing completion, the primary sources of support for the P&CFD Capital Program remain the C&C Tax revenue and Parkland Dedication Ordinance/Park Impact Ordinance (PDO/PIO) fees. One of the major focuses of the P&CFD Capital Program has been using these revenue sources to reduce the large backlog of deferred maintenance and infrastructure rehabilitation. In addition to programming projects to address the infrastructure backlog, the CIP includes funding in the Park Trust Fund to establish the Parks Rehabilitation Strike Team, a three-year program to address deferred maintenance and infrastructure backlog issues at parks and recreational facilities.

2016-2017 ADOPTED CAPITAL BUDGET 2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Neighborhood Services CSA

Parks and Community Facilities Development Capital Program (Cont'd.)

The major projects in this CIP include:

- Agnews Property Development
- Arcadia Softball Complex
- Coyote Creek Trail (Story Road to Selma Olinder Park)
- Del Monte Park Expansion Phase II
- Hathaway Park Renovation
- Iris Chang Park Development
- Rincon South Park Development
- Thompson Creek Trail (Tully Road to Quimby Road)
- Three Creeks Trail (Lonus Street to Guadalupe River)



Public Safety CSA

The Public Safety CSA includes the Public Safety Capital Program.

Public Safety Capital Program

The objective of the Public Safety Capital Program is to provide, maintain, and improve facilities and equipment that support the delivery of effective emergency services to residents and visitors.

Over the last decade, the major investment in Public Safety infrastructure was made possible because of the voter approved Measure O, the “9-1-1, Fire, Police, Paramedic and Neighborhood Security Act.” This bond measure, approved in March 2002, authorized the City to issue General Obligation Bonds in an amount not to exceed \$159 million to fund both Police and Fire Department capital improvements. Fire Station 37 is the final new station identified for construction as part of the Public Safety Bond Program. As directed in the City Council-approved Mayor’s June Budget Message for Fiscal Year 2016-2017 and the amended Manager’s Budget Addendum #14, Sales Tax Ballot Measure: 2016-2017 Provisional Budget and Ongoing Spending Priorities, a new General Fund Reserve for Fire Station 37 Construction (\$960,000) was established in the 2016-2017 Adopted Operating Budget. However, this reserve, funded by the local sales tax measure approved by the voters in June 2016, is not sufficient to address the funding need. With estimated construction costs of at least \$8.8 million, fixtures, furniture and equipment costs of \$460,000, and new fire engine and related equipment costs of \$750,000, the Fire Station 37 project is approximately \$4.5 million short of the funding and does not include ongoing funding needs of \$3.7 million annually for personnel, operations, and maintenance costs. As directed in the City Council approved Mayor’s March Budget Message for Fiscal Year 2016-2017, the Administration will need to return to the City Council with a multi-year funding strategy to fully fund the construction of Fire Station 37 by 2019. The construction of this project, therefore, is deferred until the funding strategy is developed and approved by the City Council.

2016-2017 ADOPTED CAPITAL BUDGET

2017-2021 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Public Safety CSA

Public Safety Capital Program (Cont'd.)

The Adopted 2017-2021 CIP includes \$36.8 million for fire apparatus replacement, of which \$20.2 million is budgeted in 2016-2017 (\$17.9 million from the General Fund and \$2.3 million from the Fire C&C Tax Fund). This investment will replace fire engines, aerial ladder trucks, brush patrols, water tenders, and other emergency response apparatus. These replacements will maintain the reliability of the Fire Department's fleet. The Adopted CIP also includes \$3.7 million for the Facilities Improvement and Fire Facilities Remediation projects to address capital maintenance needs in the fire stations.

Also included in this Adopted CIP are projects to improve emergency response times. Included is \$1.3 million for the Fire Station Alert System project, an Internet Protocol (IP)-based alert system as directed in the City Council-approved Mayor's June Budget Message for Fiscal Year 2016-2017. The IP system allows the broadcast of an event to happen immediately upon the unit assignment with less than one second delay. Because the vocal alarm uses an IP pathway that does not need to wait for the dispatch channel to be clear, the broadcast of the event can occur immediately. This system has been effective in reducing response time by an average of approximately 30 seconds per call during the first year of implementation with other organizations of similar size and call volume to those of the City of San José. Also, as described in Manager's Budget Addendum #14 that was incorporated into the Mayor's June Budget Message for Fiscal Year 2016-2017, \$1.2 million from the voter-approved sales tax measure is allocated to an emergency vehicle preemption service at all signalized intersections to help improve response times to fire and medical emergencies. As a result of emerging sensor and communication technology advancements, rather than installing or upgrading emergency preemption devices on the City's traffic signals, the integration of the Transportation Department's traffic management controls system and the automated vehicle location features that exist in the Fire Department's Computer Aided Dispatch (CAD) System, combined with minor software upgrades will allow the CAD system to communicate fire apparatus' location information to the traffic management control system. The system would then remotely activate emergency vehicle signal preemption service along a response route within a four second or less resolution, compared to the current rate of 120 seconds.

Lastly, this CIP includes funding of \$127,000 for a portable emergency mass warning system project. This system will be piloted at major events within San José, including but not limited to events at Happy Hollow Park and Zoo, Discovery Meadow, SAP Center, Avaya Stadium, and other City Parks.

The major projects in this CIP include:

- | | |
|---|---|
| <input type="checkbox"/> Facilities Improvements | <input type="checkbox"/> Fire Station Alert System |
| <input type="checkbox"/> Fire Apparatus Replacement | <input type="checkbox"/> Fire Station 37 (Willow Glen)/Other |
| <input type="checkbox"/> Fire Facilities Remediation | <input type="checkbox"/> Capital Projects Reserve |
| <input type="checkbox"/> Emergency Vehicle Preemption Service | <input type="checkbox"/> Portable Emergency Mass Warning System |

2016-2017 ADOPTED CAPITAL BUDGET

2017-2021 CAPITAL IMPROVEMENT PROGRAM

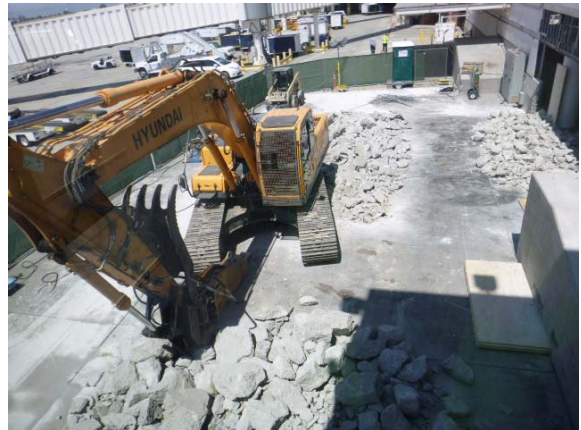
CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA

The Transportation and Aviation Services CSA includes the Airport, Parking, and Traffic Capital Programs.

Airport Capital Program

The 2017-2021 Adopted CIP contains projects reflecting all of SJC's strategic priorities. Recently started new direct flights with British Airways, Lufthansa, Air Canada, and Air China demonstrate significant achievements. It is important that SJC continue to support the airlines and success of the flights by improving safety and security, leveraging technology, maintaining infrastructure, and providing a favorable environment for sustained growth.



FIS Baggage System Upgrade

The Airport targeted high impact projects with expected completion dates by summer 2017 to make the best use of the unspent 2007 bond proceeds. The focus is on security enhancements, reconstruction and modification of aging infrastructure and the non-terminal areas including the Airport's southeast and west sides, as well as projects that address the capacity of the facilities in preparation for growth opportunities.

The major projects in this CIP include:

- Airfield Geometric Implementation
- Airport Rescue and Fire Fighting Facility
- FIS Baggage System Upgrades
- Perimeter Fence Line Upgrades
- Southeast Ramp Reconstruction
- Terminal B Gates 29 & 30

Parking Capital Program

The 2017-2021 Adopted Parking CIP was developed with guidance from the Envision San José 2040 General Plan, particularly to provide a well-maintained parking infrastructure with the goal of supporting Downtown as a regional job, entertainment, and cultural destination. This CIP focuses on projects that will adequately maintain the City's parking facilities in a safe and operational manner, upgrade the Revenue Control System within key garages, expand meter upgrade to Smart Meters, support LED lighting and security program upgrades, provide for multi-modal improvement projects in the greater Downtown and Diridon Areas, and provide preliminary evaluation and planning for a parking garage to serve the greater Downtown Area.

The major projects in this CIP include:

- Greater Downtown Area Multi-Modal/Streetscape Improvements
- Greater Downtown Parking Garage
- LED Garage Lighting Upgrade
- Revenue Control and Meter Upgrades

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CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA

Traffic Capital Program

The mission of the Traffic Capital Program is to implement a safe, efficient, and environmentally sensitive surface transportation system consistent with the goals and policies of the City's General Plan. The investments in the CIP include: funding for maintenance and rehabilitation activities, including bridge and pavement maintenance; the local system expansion; safety and efficiency projects, primarily pedestrian safety improvements; support for the City's contribution to regional system expansion; future transportation improvements in the Downtown and North San José areas; activities that promote community livability, including land management, weed abatement, and monitoring of environmental mitigation sites; and project and program support.



Rendering of Future Improvements in North San José

The Traffic Capital Program is the second largest program, or 14.4% of this CIP, with a budget of \$351.8 million. Of this amount, approximately \$88.3 million, or 25.1% of the Traffic Program is directed toward pavement maintenance activities. This funding level, however, is below the 2016-2020 Adopted CIP level of \$100.3 million primarily due to a decline in State Gas Tax revenues and the cessation of one-time funding from the federal government and General Fund. San José's street system consists of 2,432 miles of pavement and is rated overall in "fair" condition with a Pavement Condition Index (PCI) rating of 64. Additionally, due to insufficient funding for pavement maintenance, the backlog of deferred maintenance has grown from \$250 million in 2010 to \$521.5 million in 2016. The average annual funding in this CIP is approximately \$18.4 million, which is well below both the \$72.5 million needed annually to sustain the current "fair" condition and the \$100.4 million needed annually to bring the system to an overall "good" condition with a PCI rating of 70. An investment of \$18.5 million annually is needed to fund pavement system management, pothole repairs, and proper maintenance of the Priority Street Network. To fund the above and cover the proper maintenance of all the remaining major streets requires a total investment of \$30.6 million annually. In 2016-2017, the City will be able to meet this annual need for pothole repairs and all major streets in the City at the City Council goal of a pavement condition index of 70 (good) primarily as a result of the one-time funding (\$17.7 million) from the General Fund allocated from the voter-approved 2016 sales tax ballot measure.

This Adopted CIP includes investments targeted towards supporting the Vision Zero San José (VZSJ) transportation safety initiative, which was adopted by City Council in May 2015, by funding approximately \$71.3 million in traffic safety and local multi-modal improvements. To the extent possible, the CIP will prioritize delivery of traffic safety projects on the priority safety corridors identified in the VZSJ plan as having the highest incidence of traffic fatalities and severe injuries. A significant portion of these projects is supported by grant funds.

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CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA

Traffic Capital Program (Cont'd.)

The North San José Transportation Plan (Plan) adopted in 2005 identifies traffic infrastructure investments of over \$500 million to facilitate future growth and development of North San José. While these improvements were originally envisioned to be primarily funded from traffic impact fees levied on developers and contributions from the San Jose Redevelopment Agency (SJRA), the lowering of impact fees to entice commercial/job-oriented development into North San José and the loss of SJRA has created a large traffic infrastructure funding gap and made plan implementation more reliant on local City revenues and regional grant funding. As approved as part of the Mayor's June Budget Message for Fiscal Year 2014-2015, Manager's Budget Addendum #8 described a new funding strategy, dedicating future Building and Structure Construction Tax revenues (estimated to exceed \$32 million as development proceeds) and future Business Cooperation Program revenues generated from new development in North San José (estimated to be approximately \$7 million as development proceeds) to be held in reserve for North San José transportation projects. This strategy has resulted in the collection of \$1.7 million in Building and Structure Construction Tax allocated to the North San José New Development Reserve. The 2017-2021 Adopted CIP also includes a North San José Improvements Reserve of \$8.0 million, of which \$4.5 million may be allocated towards the cost of interchange improvements at US 101/Oakland Road and at US 101/Mabury Road and the remaining funding will be allocated in the future for other North San José transportation improvements.

In addition to reserves, the CIP includes projects funded by previously collected traffic impact fees, including Montague Expressway Improvements Phase 2 (\$12.0 million), Route 101/Zanker (\$600,000), and Route 880/Charcot (\$284,000). Payments to the County of Santa Clara (\$2.5 million), which will fully fund the \$12.5 million commitment, are also included to settle litigation regarding Montague Expressway Improvements within the Cities of Milpitas and Santa Clara.

On June 9, 2015, the City Council directed staff to proceed with a North San José Area Development Policy update, including evaluation of the transportation plan and potential adjustments to the Traffic Impact Fee that would reflect a policy update and increased regional funding. On April 12, 2016, the City Council further directed staff to complete the policy update with additional considerations given to near-term residential development as a way to further balance transportation demands and impacts and contribute towards potential adjustments to the Traffic Impact Fee. Staff will be completing that analysis in 2016-2017 and bringing the recommended policy update to City Council for consideration in spring 2017.

The level of regional transportation system planning and construction occurring in the City of San José has reached historic levels. The effective delivery of the major projects over the next decade is essential to the economic and mobility needs of our community, and to support the growth anticipated in General Plan. Currently under construction is the BART Phase I project into North San José and the Santa Clara Alum Rock Bus Rapid Transit project connecting East San José to Downtown and the Diridon Transportation Center. Numerous regional projects are in various stages of conceptual planning and environmental clearance including BART Phase II, California High Speed Rail, Caltrain Modernization, and the Diridon Transportation Center, in addition to numerous highway interchange

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Transportation and Aviation Services CSA

Traffic Capital Program (Cont'd.)

and overcrossing improvements that support the City's Area Development Policies. Resources invested in the Traffic CIP fund staff activities to ensure the projects are planned, funded, and delivered in a way that aligns with the City's interests.

The major projects in this CIP include:

- ADA Sidewalk Accessibility Program
- Autumn Street Extension
- Montague Expressway Improvements Phase 2
- Pavement Maintenance
- Pedestrian Improvements (e.g., enhanced crosswalks with beacons and markings)
- Route 101/Blossom Hill Road Interchange
- The Alameda "Beautiful Way," Phase 2

Strategic Support CSA

The Strategic Support CSA includes the Communications, Municipal Improvements, and the Service Yards Capital Programs.

Communications Capital Program

The guiding objective of the Communications Capital Program is the provision of reliable and necessary public safety and non-public safety-related communications equipment for all City employees who need this equipment to perform their job duties. In addition, this Program funds capital improvements related to communications facilities including land and interests in land, buildings, structures, and radio and other equipment.

The Silicon Valley Regional Interoperability Authority (SVRIA) is a joint powers authority consisting of 15 member agencies, including the City of San José, whose mission is to identify, coordinate and implement communication interoperability solutions to its member agencies by integrating voice and data communications between law enforcement, fire and rescue services, emergency medical services, and emergency management for routine operations, critical incidents and disaster response and recovery. The Silicon Valley Regional Communications System (SVRCS), a multi-stage project coordinated by SVRIA, will replace the existing public safety radio systems currently in use in Santa Clara County with a system that uses the 700/800MHz spectrum, which allows for enhanced data transmissions, additional capacity for mutual aid scenarios, and the ability to record transmissions for training purposes. The additional transmission towers, repeater sites, and other infrastructure required to build out the SVRCS is estimated to cost \$28.9 million. The City's estimated share, based on its proportionate number of communication devices, is



ECOMM Antennae at Eagle Rock

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Strategic Support CSA

Communications Capital Program (Cont'd.)

\$7.5 million. The City will also need to purchase new radios (\$14.4 million) and dispatch consoles (\$2.8 million) that can fully operate on the new system, bringing the City's total one-time need for the SVRCS to \$24.7 million.

The City entered into a Memorandum of Understanding (MOU) with SVRIA, as approved by the City Council on June 16, 2015, for the City's proportionate share of the infrastructure buildout for the SVRCS project in the amount of \$7.5 million over a three-year period. The City prepaid \$3.13 million to SVRIA which funded the 2015-2016 payment and a portion of the 2016-2017 payment. Also, as part of the 2015-2016 Adopted Operating Budget, an additional \$3.0 million was set aside in the Silicon Valley Regional Communications System (SVRCS) Reserve in the General Fund. The remaining need of \$1.4 million was added to the SVRCS Reserve as part of the 2016-2017 Adopted Operating Budget, which will fully fund the City's share of the system's infrastructure costs. Three sites have been completed in the central cell with an additional 11 to be constructed.

To address the \$14.4 million needed for radio replacements, the City will use grant and local funding from several sources. A total of \$10.2 million, to date, has been used to fund radio replacements. In addition, over the five-year CIP, approximately \$2.5 million is included in the Silicon Valley Regional Communications System – Radios project. After taking these investments into account, the remaining unfunded amount for radio replacement is \$1.7 million. To date, 1,967 subscribers (licenses), portables and mobile radios have been replaced. This leaves approximately 800 radios to be replaced.

The need for dispatch console replacements totals \$2.8 million. In 2015-2016, the City replaced two dispatch consoles for \$187,000, leaving a remaining unfunded need of \$2.6 million.

The City's total unfunded need for implementation of the SVRCS is approximately \$4.3 million. The City will continue to explore additional sources of grant funding to further defray these costs, and is working with the SVRIA to appropriately phase the contribution schedule for the SVRCS build out county-wide.

The major projects in this CIP include:

- Communications Equipment Replacement and Upgrade
- Silicon Valley Regional Communications System – Radios
- Silicon Valley Regional Interoperability Authority

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Strategic Support CSA

Municipal Improvements Capital Program

The Municipal Improvements Capital Program provides capital improvements and maintenance for City facilities and their operating systems that are not funded in other capital programs. The CIP includes new one-time funding of \$5.0 million from the General Fund for the City Hall HVAC Control System Replacement project and key safety and reliability improvements that address a small portion of the deferred maintenance and infrastructure backlog of municipal buildings.

As directed in the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, the growth in General Fund Transient Occupancy Tax (TOT) revenue above the 2013-2014 actual collections is to be set aside to support capital rehabilitation at City-owned cultural and arts facilities (\$5.1 million estimated in 2016-2017 and \$5.0 million set aside in a reserve in 2015-2016, for a total of \$10.1 million). The recent rapid rise in TOT revenue and its continued anticipated strength sufficiently funds the estimated capital needs of the City's cultural facilities in the next five years. As such, the Mayor's March Budget Message for Fiscal Year 2016-2017, as approved by the City Council, directed the Administration to continue to fully fund the reserve to address capital needs, but also to redirect some supplemental dollars for specific cultural priorities, but only where those dollars can be leveraged with substantial contributions from private or other public sources. Of the estimated \$10.1 million available, \$845,000 is programmed in 2016-2017 to address capital needs at City-owned cultural and arts facilities, which include the Children's Discovery Museum, Hammer Theatre Center, History San José, Mexican Heritage Plaza, and Tech Museum of Innovation. As directed by the Mayor's March Budget Message for Fiscal Year 2016-2017, \$1.0 million is allocated as part of this CIP to secure a permanent, publicly-owned site for San José Stage Company. Additionally, the Mayor's June Budget Message for Fiscal Year 2016-2017 allocated one-time funding for projects, including City Hall Rotunda Lighting (\$350,000), Family-Friendly City Facilities (\$110,000), and Downtown Ice Rink Improvements (\$100,000). A portion of the remaining funds will provide for the planning development of a Vietnamese-American Community Center in the 2017-2021 Adopted Parks and Community Facilities Development – Council District 7 (\$230,000) and other cultural specific needs in the 2016-2017 Adopted Operating Budget (\$1.6 million).

The Convention and Cultural Affairs Fund and the Convention Center Facilities District Revenue Fund, also both driven by strong hotel taxes, provide funding of \$19.6 million to address a variety of electrical, mechanical, structures, unanticipated, and miscellaneous rehabilitation and repair projects at the Convention Center and cultural facilities managed by Team San Jose.

The major projects in this CIP include:

- Animal Care and Services – Various Improvements
- City Hall HVAC Control System Replacements
- Convention Center Exhibit Hall Lighting and Ceiling Upgrades
- San José Civic Auditorium HVAC Rehabilitation
- San José Municipal Stadium Improvements
- San José Stage Company

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Strategic Support CSA

Service Yards Capital Program

The objective of the Service Yards Capital Program is to maintain and improve the existing conditions at the City's Service Yards by implementing projects to reduce safety hazards, increase efficiencies, and provide necessary equipment and materials for operations. While ongoing funding is allocated to address general capital improvement needs, the repayment of debt associated with the Central Service Yard Phase I and Phase II projects represents the largest use of funds in the 2017-2021 CIP. The anticipated proceeds from the sale of the old Main Service Yard in 2016-2017 will be used to pay off the short-term debt for Phase II of the Central Service Yard project.



Fire Truck Maintenance at the Central Service Yard

The major projects in this CIP include:

- Debt Service on Phase I Bonds for the Central Service Yard Expansion
- Mabury Yard Improvements
- West Yard – Restroom Retrofit

OTHER CAPITAL PROGRAM HIGHLIGHTS

Unmet Infrastructure/Maintenance Needs

As presented in a report to the City Council on October 1, 2007, insufficient funding has created a structural deficit between the funding available and the resources necessary to maintain the overall condition of the City infrastructure. This includes the City's buildings, parks, traffic (streets, traffic lights, signs, and streetlights), utility, and technology infrastructure. The figures in this report are updated annually, and the most recent report was reviewed by the Transportation and Environment Committee on February 1, 2016 and approved by the City Council on February 9, 2016 (latest report included as an Appendix to this document). In this most recent report, the infrastructure backlog totaled \$1.08 billion across the City. Assuming this one-time backlog could be met, an ongoing annual investment of approximately \$174 million would also be needed to maintain and prevent further degradation of the City's infrastructure. This CIP, as well as investments included in the 2016-2017 Adopted Operating Budget, allocate limited resources to the most immediate and critical deferred infrastructure needs.

**2016-2017 ADOPTED CAPITAL BUDGET
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OTHER CAPITAL PROGRAM HIGHLIGHTS

Operating Budget Impacts

This CIP continues to balance the delivery of capital programs with the limited resources available to operate and maintain existing and newly-constructed facilities. The Administration continues to pursue strategies to ensure the most cost effective operation of City facilities, such as entering into agreements with developers to initially maintain facilities, and installing capital improvements that would reduce costs, such as energy efficient traffic signals.

In March 2008, the City Council approved Budget Principle #8 that states 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 operating and maintenance costs, will not require a decrease in existing basic neighborhood services.” In addition, all capital improvement projects with new General Fund operating and maintenance costs will be detailed in the Five-Year General Fund Forecast and included as part of the annual CIP. There are no projects in this CIP that require City Council certification due to the annual operating and maintenance impact of the facility exceeding \$100,000. Although the Arcadia Softball Complex is anticipated to open to the public in 2017-2018 with a partial year net operating and maintenance cost of \$435,000 (increasing to \$738,000 annually in 2018-2019), this project was established prior to the adoption of Budget Principle #8 and therefore, does not need to be certified by the City Council.

The table below summarizes the additional annual resources required to operate and maintain new facilities coming on-line during the five-year CIP or planned by other agencies (such as developers).

**Projected Total New Operating and Maintenance Costs
(Cumulative)**

Project Title	2017-2018	2018-2019	2019-2020	2020-2021
Parks Facilities	\$ 601,000	\$ 983,000	\$ 1,035,000	\$ 1,087,000
Parks Facilities-Other Agencies ¹	0	20,000	20,000	21,000
Traffic Projects	57,000	112,000	115,000	118,000
General Fund Total	\$ 658,000	\$ 1,115,000	\$ 1,170,000	\$ 1,226,000
Municipal Improvements (Special Fund)	(150,000)	(300,000)	(300,000)	(300,000)
Water Pollution Control Plant (Special Fund)	988,000	1,009,000	2,529,000	2,611,000
All Funds Total	\$ 1,496,000	\$ 1,824,000	\$ 3,399,000	\$ 3,537,000

¹ Projects being constructed by other agencies, but will be maintained by the City of San José.

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OTHER CAPITAL PROGRAM HIGHLIGHTS

Operating Budget Impacts (Cont'd.)

For the General Fund, these costs are estimated at \$658,000 in 2017-2018 and are anticipated to increase to \$1.2 million by 2020-2021. These figures do not include the funding needed in 2016-2017 to operate and maintain new facilities as these amounts have been incorporated into the 2016-2017 Adopted Operating Budget. A total of \$564,000 is allocated in 2016-2017 to operate and maintain several facilities including the Happy Hollow Park and Zoo (new animal exhibits and a new ride), Iris Chang Park, Penitencia Creek Trail (Lonus Street to Minnesota Avenue), Vietnamese Cultural Heritage Garden, and various transportation-related infrastructure.

In the Municipal Improvements Capital Program, the San José Civic Auditorium HVAC replacement project is expected to result in net operating and maintenance cost savings of approximately \$300,000 annually in the Convention and Cultural Affairs Fund.

In addition, the expanded infrastructure investment at the Water Pollution Control Plant will result in significant operating costs in the coming years. It is estimated that additional maintenance and operations costs will total \$988,000 starting in 2017-2018, largely due to chemical costs as a result of the Iron Salt Feed Station, and increase to \$2.5 million in 2019-2020 when the first phase of the digester and thickener facilities upgrades come on-line. The estimated net operating impact of the digester and thickener facilities project may be adjusted in the future after additional analysis is performed to determine required staffing levels to operate and maintain the facilities. The estimate also assumes that all power and heating needs will be provided by the Cogeneration Facility, which is expected to come online in spring 2019. A more detailed analysis of current and future operating and maintenance costs related to the Cogeneration Facility is anticipated to be available in winter 2017 after completion of preliminary design services (i.e. basis of design, equipment selection, and operating modes).

Green Building Implementation

As part of San José's Green Vision to position the City as a leader in sustainable design and set a community standard of environmental, economic, and social stewardship, the City has a goal of 50 million square feet of green buildings throughout San José by 2022. The City Council adopted revisions to the Municipal Green Building Policy in March 2007 requiring that certain new City building projects 10,000 square feet and over achieve a minimum Leadership in Energy and Environmental Design (LEED) certification level of Silver, as designated by the United States Green Building Council (USGBC). LEED certification levels range from Certified, Silver, Gold, to Platinum. As part of this policy, the City Council also directed staff, where possible, to achieve a higher USGBC LEED certification level of Gold or Platinum. There are no new projects scheduled to open during the five-year period reflected in the 2017-2021 Adopted CIP with green building certification.

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OTHER CAPITAL PROGRAM HIGHLIGHTS

Green Building Implementation (Cont'd.)

To date, over 2.29 million square feet of municipal buildings have been certified as green buildings, including the San José Convention Center Expansion and Renovation project (Silver). The completed San José Environmental Innovation Center (Las Plumas) will be a LEED certified facility in calendar year 2016 (Platinum), and the newly completed Village Square Branch Library will also be a LEED certified facility in calendar year 2016 (Silver). These two facilities will increase the City's municipal green building space to over 2.35 million square feet.

Art in Public Places

Funding of the Public Art Program provides the City iconic public art works at the Airport, Downtown, public safety, parks, and library facilities, and includes artistic and public engagement elements as part of storm, municipal water, and wastewater infrastructure. A sample of projects funded through the public art allocation in the various Capital Programs can be found in the Art in Public Places section in the Appendix of this CIP.

A total investment of \$6.6 million is programmed for eligible public art projects that span all capital programs in the 2017-2021 Adopted CIP. This figure does not include the \$1.4 million in public art expenditures estimated to be expended in 2015-2016.



Lupe the Mammoth
by
Greenmeme Studio – Freya Bardell and Brian Howe

CONCLUSION

The City of San José's 2017-2021 Adopted CIP continues its focus on the rehabilitation and revitalization of existing infrastructure, making strategic investments impacting the entire community now and for years to come. Projects delivered over the next five years will positively impact areas such as transportation safety, the appearance and reliability of parks and recreational facilities, and the ability for San José to continue to attract economically important conferences and events to the McEnery Convention Center.

The community will also benefit from numerous projects that, while not as visually apparent, are no less important. Most notable among this broad category include projects to increase the reliability and resiliency of the sanitary sewer collection system and Regional Wastewater Facility; ensure the long-

**2016-2017 ADOPTED CAPITAL BUDGET
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CONCLUSION

term supply and reliability of quality drinking water in North San José; support continued reliable airport operations; and address the rehabilitation needs of the City's vital cultural facilities and civic administration buildings.

Some needed investments, however, remain postponed due to the lack of resources. As presented to the City Council on February 9, 2016, the City's unmet deferred infrastructure and maintenance backlog stands at approximately \$1.08 billion, of which more than half is attributable to deferred pavement maintenance. Although resources in the General Fund continue to be constrained, with the recent passage of the 2016 sales tax ballot measure, additional funding will be available to help address a portion of the deferred pavement maintenance needs as the City Council deems appropriate.

Input from the City Council and community members was incorporated in this budget to ensure that the overall capital improvement program reflects the needs and priorities of our residents, businesses, and visitors within available funding levels. Under the direction of the City Manager's Budget Office, the 2017-2021 Adopted CIP was developed in coordination with all of the CSAs and City departments responsible for capital projects. I want to acknowledge and thank the many employees who made direct contributions to the analysis and production of this CIP and document.



Norberto Dueñas
City Manager