

*Five-Year Economic Forecast
and
Revenue Projections*

2021-2025

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 future operating expenses for projects that have been previously approved by the City Council and deemed relatively unavoidable. The largest items in this category are Fire Stations 32, 36 and 37, Police Training Facility, and Police Substation activation as part of the Measure T: Disaster Preparedness, Public Safety, and Infrastructure Bond program. The remaining items included in this category are expenses that will be required to operate and maintain other approved capital projects scheduled for completion or will open within the five-year horizon of this forecast. These expenses are related to the maintenance and operations of projects such as new parks and recreational facilities, new traffic infrastructure assets, and a Fire Training Center. 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, as well as determining funding for fixtures, furnishings, and equipment will be completed 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 2021-2025 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.

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 Capital Improvement Program. Several parks are scheduled to come online over the next five years include, but are not limited to, all inclusive playgrounds for Almaden Lake, Emma Prusch, Lincoln Glen, and Rotary Playgarden; Communications Hill II – Hillsdale Fitness Staircase; Bruzzone Park; and Mercado Park. The city will assume operations and maintenance costs for Commodore Children’s Park, River Oaks Park, North San Pedro Park, and Bassett Park — locations which received in-lieu payments for maintenance from the developers but the limited funding sources are expected to be depleted within the next five years. The Forecast also includes operating cost estimates for trail sections along Coyote Creek Trail, including Singleton, Phelan to Tully and Story to Phelan. The City currently has approximately 61 miles of trails.

| <u>2020-2021</u> | <u>2021-2022</u> | <u>2022-2023</u> | <u>2023-2024</u> | <u>2024-2025</u> |
|------------------|------------------|------------------|------------------|------------------|
| 73,000 | 666,000 | 915,000 | 937,000 | 991,000 |

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

New Traffic Infrastructure Assets Maintenance and Operations – This category reflects the anticipated additional costs that are necessary to operate and maintain transportation-related projects included in the Capital Improvement Program. Funding to operate and maintain new traffic signals and streetlights (including those installed by developers), landscaping, and other traffic infrastructure is assumed in this category. Most of the included projects are related to traffic safety enhancements for pedestrians and bicyclists, such as Pedestrian Improvements, Traffic Signal Modifications/Construction, Tully Road Safety Corridor Improvements and Vision Zero projects: City-wide Pedestrian Safety and Traffic Calming and Quick Build projects.

| <u>2020-2021</u> | <u>2021-2022</u> | <u>2022-2023</u> | <u>2023-2024</u> | <u>2024-2025</u> |
|------------------|------------------|------------------|------------------|------------------|
| 52,000 | 154,000 | 209,000 | 270,000 | 316,000 |

New Public Safety Facilities Maintenance and Operations – This category reflects the anticipated additional costs that are necessary to operate and maintain the new Fire Training Center relocation from the Montgomery St. location as a result of that parcel’s sale to Google as approved by the City Council on December 4, 2018. The location of the Fire Training Center is anticipated to be relocated to the Central Service Yard.

| <u>2020-2021</u> | <u>2021-2022</u> | <u>2022-2023</u> | <u>2023-2024</u> | <u>2024-2025</u> |
|------------------|------------------|------------------|------------------|------------------|
| 0 | 18,000 | 213,000 | 221,000 | 230,000 |

Measure T Maintenance and Operations – This category reflects the projected maintenance and operations costs of new disaster preparedness, public safety facilities, and infrastructure improvements that were included as part of the Measure T bond approved by the voters in November 2018.

Several Measure T facilities are anticipated to come online during the next five years including Fire Stations 32, 36, and 37 (approximately \$4.3 million annually per fire station and primarily driven by the need for a new engine company at each station). Fire Station 37 will be located on a portion of the parking lot at Lincoln Glen Park. Staff anticipates a bid and award in the upcoming months, a construction start date in the second half of 2020, and opening in January 2022. Appraisals are pending for potential sites for Fire Station 32 and 36. The Police Training Facility, expected to come online in 2023-2024, will trigger the activation of the South San José Police Substation once recruit academies and training functions are transferred to the new Police Training Facility. Land acquisition for the new Police Training Facility is in progress, with maintenance costs of \$3.6 million representing an early look at potential ongoing impacts of this facility. All estimates will be further refined once a site is selected and fully scoped, the results of which will be brought forward for City Council consideration.

Additional maintenance and operations funding were factored for the new Emergency Operations Center, Office of Emergency Management relocation, and the Police Air Support Unit Hangar expansion. In total, the maintenance and operations funding for Measure T facilities coming online will increase from \$2.1 million in 2021-2022 to approximately \$19.9 million by 2024-2025.

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

As the Measure T program becomes more fully developed in the coming year, the corresponding estimates for operations and maintenance costs will be updated accordingly. Future General Fund forecasts will also incorporate any incremental costs associated with the relocation of Fire Station 8 and 23 and improvements for the Police Headquarters and 911 Center.

| <u>2020-2021</u> | <u>2021-2022</u> | <u>2022-2023</u> | <u>2023-2024</u> | <u>2024-2025</u> |
|------------------|------------------|------------------|------------------|------------------|
| 0 | 2,053,000 | 4,413,000 | 10,407,000 | 19,895,000 |

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 were included as part of the approved Capital Improvement Program, approved by the City Council in June 2020 or align with previous City Council direction. All capital projects with annual maintenance and operating costs in the General Fund greater than \$100,000 have been denoted in the chart. By 2024-2025, the costs to maintain and operate all City Council projects expected to come online during the five-year period are estimated at approximately \$21.4 million annually, of which approximately \$19.9 million is related to Measure T facilities as described above.

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, including the one-time funding for fixtures, furnishings, and equipment will be performed prior to bringing them forward for consideration by the City Council in any given year.

CHART A - 2021-2025 GENERAL FUND FORECAST

Net Operating Impact of Committed Additions

| | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 |
|---|----------------|------------------|------------------|-------------------|-------------------|
| NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS | | | | | |
| All Inclusive Almaden Lake | - | 45,000 | 56,000 | 57,000 | 58,000 |
| All Inclusive Emma Prusch | - | 62,000 | 65,000 | 66,000 | 68,000 |
| All Inclusive Lincoln Glen Playground | 28,000 | 53,000 | 54,000 | 56,000 | 58,000 |
| All Inclusive Rotary Playgarden Extension | 5,000 | 61,000 | 64,000 | 65,000 | 67,000 |
| Bassett Park† | - | - | - | - | 29,000 |
| Bruzzzone Park | - | 82,000 | 84,000 | 86,000 | 87,000 |
| Commodore Children's Park (Mabury Park)† | - | 109,000 | 112,000 | 115,000 | 119,000 |
| Communications Hill II - Hillsdale Fitness Staircase | - | 68,000 | 70,000 | 72,000 | 74,000 |
| iStar Turnkey Park | 29,000 | 39,000 | 40,000 | 41,000 | 42,000 |
| Mercado Park | - | 79,000 | 80,000 | 82,000 | 83,000 |
| Pellier Park | - | 12,000 | 20,000 | 21,000 | 21,000 |
| Penitencia Creek Dog Park | - | 11,000 | 45,000 | 46,000 | 47,000 |
| Police Athletic League Turf Replacement | - | 7,000 | 23,000 | 23,000 | 24,000 |
| RAMAC Turf Replacement | - | 13,000 | 23,000 | 23,000 | 24,000 |
| Rivers Oaks Park† | - | - | 122,000 | 125,000 | 127,000 |
| Welch Park and Neighborhood Center Improvements | 11,000 | 13,000 | 14,000 | 14,000 | 14,000 |
| TRAIL: Coyote Creek - Phelan to Tully | - | - | 27,000 | 28,000 | 30,000 |
| TRAIL: Coyote Creek - Singleton | - | - | - | 1,000 | 2,000 |
| TRAIL: Coyote Creek - Story to Phelan | - | 12,000 | 16,000 | 16,000 | 17,000 |
| TOTAL NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS | 73,000 | 666,000 | 915,000 | 937,000 | 991,000 |
| NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS | | | | | |
| Branham and Snell Street Improvements | 2,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Charmeran Avenue Crosswalk | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Community Development Block Grant - Sidewalks | - | - | - | 9,000 | 9,000 |
| Development Installations - Pedestrian Safety Infrastructure | - | - | 1,000 | 1,000 | 1,000 |
| Development Installations - Signals | - | 38,000 | 44,000 | 51,000 | 57,000 |
| Development Installations - Streetlights | 3,000 | 9,000 | 15,000 | 22,000 | 29,000 |
| Fox Lane Crosswalk | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Koch Lane at Marsha Way Crosswalk | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| McKee Road Safety Corridor Improvements (OBAG) | - | 4,000 | 8,000 | 8,000 | 8,000 |
| Mount Pleasant Schools Area Bike/Ped Safety Improvements | 1,000 | 2,000 | 3,000 | 3,000 | 3,000 |
| Renascent Place at Senter Bike/Ped Improvements (AHSC) | 7,000 | 7,000 | 7,000 | 8,000 | 8,000 |
| Route 101/Blossom Hill Road Interchange | - | 5,000 | 7,000 | 7,000 | 7,000 |
| Safety: Pedestrian Improvements | 11,000 | 19,000 | 28,000 | 38,000 | 48,000 |
| Safety: Traffic Signal Modifications/Construction | 9,000 | 15,000 | 20,000 | 25,000 | 31,000 |
| Senter Road Pedestrian Safety Improvements (HSIP) | - | 10,000 | 10,000 | 10,000 | 10,000 |
| St. James Station at Bassett Bike and Ped Improvements (AHSC) | 2,000 | 2,000 | 2,000 | 2,000 | 3,000 |
| Tully Road Safety Corridor Improvements (OBAG) | - | 8,000 | 12,000 | 12,000 | 12,000 |
| Vision Zero: City-wide Pedestrian Safety and Traffic Calming | 2,000 | 4,000 | 7,000 | 9,000 | 12,000 |
| Vision Zero: Quick Build Projects | 9,000 | 20,000 | 34,000 | 47,000 | 60,000 |
| W. San Carlos Urban Villages (OBAG) | - | - | - | 7,000 | 7,000 |
| White Road Pedestrian Safety Improvements (HSIP) | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| TOTAL NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS | 52,000 | 154,000 | 209,000 | 270,000 | 316,000 |
| NEW PUBLIC SAFETY FACILITIES MAINTENANCE AND OPERATIONS | | | | | |
| Fire Training Center* | - | 18,000 | 213,000 | 221,000 | 230,000 |
| TOTAL NEW PUBLIC SAFETY FACILITIES MAINTENANCE AND OPERATIONS | - | 18,000 | 213,000 | 221,000 | 230,000 |
| MEASURE T MAINTENANCE AND OPERATIONS** | | | | | |
| Emergency Operations Center and OEM Relocation | - | - | 150,000 | 209,000 | 220,000 |
| New Fire Station 32 | - | - | - | 2,121,000 | 4,311,000 |
| New Fire Station 36 | - | - | - | 2,121,000 | 4,311,000 |
| Fire Station 37 | - | 2,053,000 | 4,175,000 | 4,242,000 | 4,311,000 |
| Police Training Facility | - | - | - | 869,000 | 3,645,000 |
| Police Air Support Unit Hangar | - | - | 88,000 | 95,000 | 97,000 |
| Police Substation Activation | - | - | - | 750,000 | 3,000,000 |
| TOTAL MEASURE T MAINTENANCE AND OPERATIONS | - | 2,053,000 | 4,413,000 | 10,407,000 | 19,895,000 |
| TOTAL OPERATING IMPACT OF COMMITTED ADDITIONS | 125,000 | 2,891,000 | 5,750,000 | 11,835,000 | 21,432,000 |

†Parks that are currently being maintained by a developer. City responsibility for maintenance and operations begin when initial developer funding ends.

*Annual maintenance and operating costs in the General Fund greater than \$100,000 that will require certification prior to construction.

**Capital projects authorized as part of the ballot Measure T - The Disaster Preparedness, Public Safety and Infrastructure Bond. Future certification of operating and maintenance costs greater than \$100,000 will be required prior to authorizing construction.