

*Five-Year Economic Forecast  
and  
Revenue Projections*

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*2016-2020*

## 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 majority of 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, traffic infrastructure assets, the build out of the United States Patent and Trademark Office in the City Hall Wing, and the bond-funded Fire Station 21, Southeast Branch Library, and Softball Complex facilities. 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 capital projects 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 2016-2020 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 Municipal Improvements Maintenance and Operations** – This category reflects the additional costs of maintaining the build out of the satellite office for the United States Patent and Trademark Office (USPTO), which will be located in the City Hall Wing. On April 15, 2014, City Council approved the lease of the City Hall Wing to the USPTO, which will help small businesses and entrepreneurs in the region more readily navigate the nation’s intellectual property system. As part of the lease agreement, the design and construction of tenant improvements will be completed and the final floor will be ready for move-in by October 2015. This Forecast (as reflected in Section I – Elements of the General Fund/Forecast Revenue Forecast) also incorporates lease payments from the USPTO ranging from \$793,000 in 2015-2016 to \$1.0 million in the out-years of the forecast and will cover a portion of the one-time City relocation costs necessitated by this project.

<b><u>2015-2016</u></b>	<b><u>2016-2017</u></b>	<b><u>2017-2018</u></b>	<b><u>2018-2019</u></b>	<b><u>2019-2020</u></b>
48,000	61,000	63,000	64,000	66,000

## 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 Lake Cunningham Bike Park, Martin Park, and Shady Oaks Sportsfield, to name a few. It should be noted that Lake Cunningham Bike Park includes maintenance and operations costs that will exceed \$100,000; however, this project has not been previously certified by the City Council. Prior to the award of the construction contract, estimated to occur this spring or summer, a recommendation will be brought forward for City Council certification. The forecast also includes operating cost estimates for trail sections for the Coyote Creek Trail, Guadalupe River Trail, Lower Silver Creek Trail, Penitencia 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 2020. The City currently has approximately 57 miles of trails.

<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
186,000	380,000	580,000	682,000	787,000

**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, radar speed display signs, and other traffic infrastructure is assumed in this category. Many projects are related to traffic safety enhancements for pedestrians and bicyclists. Notable projects coming online over the forecast period include maintenance of landscape, street trees, streetlights, and traffic signals related to Bus Rapid Transit, Route 280/880 Stevens Creek Upgrade, and The Alameda – A Plan for the Beautiful Way Phase 2. 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>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
51,000	148,000	164,000	178,000	185,000

**Measure O (Library) Maintenance and Operations** – This category reflects the projected additional maintenance and operations costs of new and expanded branch libraries that were approved by voters in November 2000. The final Measure O-approved library is the Southeast Branch Library, which is scheduled to open in the spring of 2016.

<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
228,000	701,000	722,000	743,000	763,000

## COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

### Committed Additions Summary

**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 Softball Complex tentatively scheduled to open in 2017-2018 with a projected net operating expenditure of \$87,000. While the City recently identified the Arcadia property as the site to build the Softball Complex, the final costs to maintain the facility and the amount of anticipated revenue collected from field rental fees will likely be revised upon determination of the final project scope.

<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
0	0	87,000	88,000	84,000

**Measure O (Public Safety) Maintenance and Operations: Fire** – This category reflects the projected additional maintenance and operations costs of new and expanded fire facilities that were included as part of a bond measure adopted by the voters in March 2002. The last two fire stations scheduled for construction under the Measure O program are Fire Station 21 (relocation to White Road) and Fire Station 37 (South Willow Glen). This forecast only includes the costs for Fire Station 21, which is scheduled to open in early 2016.

The future operating and maintenance costs of approximately \$3.3 million for Fire Station 37 are not included in this forecast due to the lack of sufficient funding for project construction. Due primarily to the unexpectedly high cost of construction during much of the Measure O program, the decision to rebuild instead of remodel Fire Station 2 (which resulted in a net cost increase of approximately \$4.1 million), and the higher bid prices received for the construction of Fire Station 21, the Administration anticipates that only \$2.8 million in public safety bond funds will remain after the completion of Fire Station 21. This amount leaves the Fire Station 37 project over \$4.8 million short of the funds needed to complete the project. Given the funding shortfall, the Mayor’s June Budget Message for Fiscal Year 2014-2015, as approved by the City Council, included Manager’s Budget Addendum #17 which, in part, directed staff to continue its analysis of response time performance through a comprehensive Fire Department organizational review. Pending completion of this analysis and identified funding, the Fire Station 37 project has been deferred indefinitely.

<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
13,000	26,000	27,000	28,000	28,000

## COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

### **General Fund Capital Operating and Maintenance/Budget Principle #8**

In March 2008, the City Council adopted 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 2014-2015, 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. The Softball Complex has been previously certified by the City Council even though early operations and maintenance estimates do not exceed \$100,000; however, these costs may rise upon determination of the final project scope. The Lake Cunningham Bike Park project, as identified in the Forecast, will need certification in accordance with Budget Principle #8. A recommendation will be brought forward for City Council consideration prior to award of the construction contract. By 2019-2020, the costs to maintain and operate all City Council approved projects expected to come online during the five-year period are estimated at approximately \$1.9 million annually, of which approximately \$875,000 are related to voter-approved bond measures.

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 - 2016-2020 GENERAL FUND FORECAST  
Net Operating Impact of Capital Programs**

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
<b>NEW MUNICIPAL IMPROVEMENTS MAINTENANCE AND OPERATIONS</b>					
United States Patent and Trademark Office	48,000	61,000	63,000	64,000	66,000
<b>TOTAL NEW MUNICIPAL IMPROVEMENTS MAINTENANCE AND OPERATIONS</b>	<b>48,000</b>	<b>61,000</b>	<b>63,000</b>	<b>64,000</b>	<b>66,000</b>
<b>NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS</b>					
Future Trail Projects*	-	63,000	105,000	172,000	245,000
Alum Rock Avenue and 31st Street Park	-	2,000	25,000	25,000	26,000
Council District 4 Dog Park	-	44,000	45,000	46,000	47,000
Del Monte Park Phase II (Fencing/Weed Abatement)	15,000	15,000	15,000	16,000	16,000
Lake Cunningham Bike Park**	66,000	121,000	139,000	157,000	177,000
Martin Park	68,000	70,000	71,000	73,000	74,000
Pellier Park	-	-	17,000	18,000	18,000
Santana Park	-	-	-	7,000	15,000
Shady Oaks Sportsfield	11,000	15,000	15,000	16,000	16,000
Tamien Park	-	5,000	65,000	66,000	67,000
TRAIL: Coyote Creek (Flea Market)	5,000	9,000	9,000	9,000	9,000
TRAIL: Coyote Creek (Story Road to Selma Olinder Park)	7,000	10,000	10,000	10,000	10,000
TRAIL: Guadalupe River Trail (Coleman Rd Undercrossing)	6,000	12,000	12,000	12,000	12,000
TRAIL: Lower Silver Creek (Alum Rock Ave to Highway 680)	-	-	38,000	40,000	40,000
TRAIL: Penitencia Creek Reach 1A (Noble Ave to Dorel Dr)	5,000	7,000	7,000	7,000	7,000
TRAIL: Penitencia Creek Reach 7A (King Road to BART)	2,000	6,000	6,000	6,000	6,000
TRAIL: Three Creeks Pedestrian Bridge	1,000	1,000	1,000	2,000	2,000
<b>TOTAL NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS</b>	<b>186,000</b>	<b>380,000</b>	<b>580,000</b>	<b>682,000</b>	<b>787,000</b>
<b>NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS</b>					
Bus Rapid Transit	20,000	60,000	62,000	64,000	66,000
Capitol Expressway Light Rail Pedestrian Improvements	-	27,000	28,000	29,000	30,000
Jackson Complete Streets (OBAG)	4,000	9,000	10,000	10,000	10,000
LED Streetlight Program	-	1,000	1,000	1,000	1,000
Ocala Avenue Pedestrian Improvements (OBAG)	-	8,000	10,000	11,000	11,000
Park Avenue Multimodal Improvements	-	2,000	4,000	4,000	4,000
Route 280/880/Stevens Creek Upgrade	14,000	15,000	15,000	16,000	16,000
Safe Pathways to Diridon Station	1,000	1,000	1,000	1,000	2,000
Safety - Pedestrian Improvements	11,000	19,000	27,000	36,000	38,000
Safety - Traffic Signal Rehabilitation	1,000	2,000	2,000	2,000	2,000
The Alameda - A Plan for the Beautiful Way Phase 2	-	4,000	4,000	4,000	5,000
<b>TOTAL NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS</b>	<b>51,000</b>	<b>148,000</b>	<b>164,000</b>	<b>178,000</b>	<b>185,000</b>
<b>MEASURE O (LIBRARY) MAINTENANCE AND OPERATIONS</b>					
Southeast Branch*	228,000	701,000	722,000	743,000	763,000
<b>TOTAL MEASURE O (LIBRARY) MAINTENANCE AND OPERATIONS</b>	<b>228,000</b>	<b>701,000</b>	<b>722,000</b>	<b>743,000</b>	<b>763,000</b>
<b>MEASURE P (PARKS) MAINTENANCE AND OPERATIONS</b>					
Softball Complex*	-	-	87,000	88,000	84,000
<b>TOTAL MEASURE P (PARKS) MAINTENANCE AND OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>87,000</b>	<b>88,000</b>	<b>84,000</b>
<b>MEASURE O (PUBLIC SAFETY) MAINTENANCE AND OPERATIONS: FIRE</b>					
Fire Station 21 - Maintenance and Utilities	13,000	26,000	27,000	28,000	28,000
<b>TOTAL MEASURE O (PUBLIC SAFETY) MAINTENANCE AND OPERATIONS: FIRE</b>	<b>13,000</b>	<b>26,000</b>	<b>27,000</b>	<b>28,000</b>	<b>28,000</b>
<b>TOTAL OPERATING IMPACT OF CAPITAL PROGRAMS</b>	<b>526,000</b>	<b>1,316,000</b>	<b>1,643,000</b>	<b>1,783,000</b>	<b>1,913,000</b>

\*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.

\*\*Capital Projects with operating and maintenance costs in the General Fund greater than \$100,000 annually that have not been previously certified by the City Council. Prior to the award of the construction contract, City Council approval will be necessary.