



2012-2013 CAPITAL BUDGET

**2013-2017 CAPITAL
IMPROVEMENT PROGRAM**



**CITY MANAGER'S
2012-2013
BUDGET MESSAGE**

August 31, 2012

HONORABLE MAYOR AND CITY COUNCIL:

I am pleased to present the 2012-2013 Adopted Capital Budget and the 2013-2017 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.

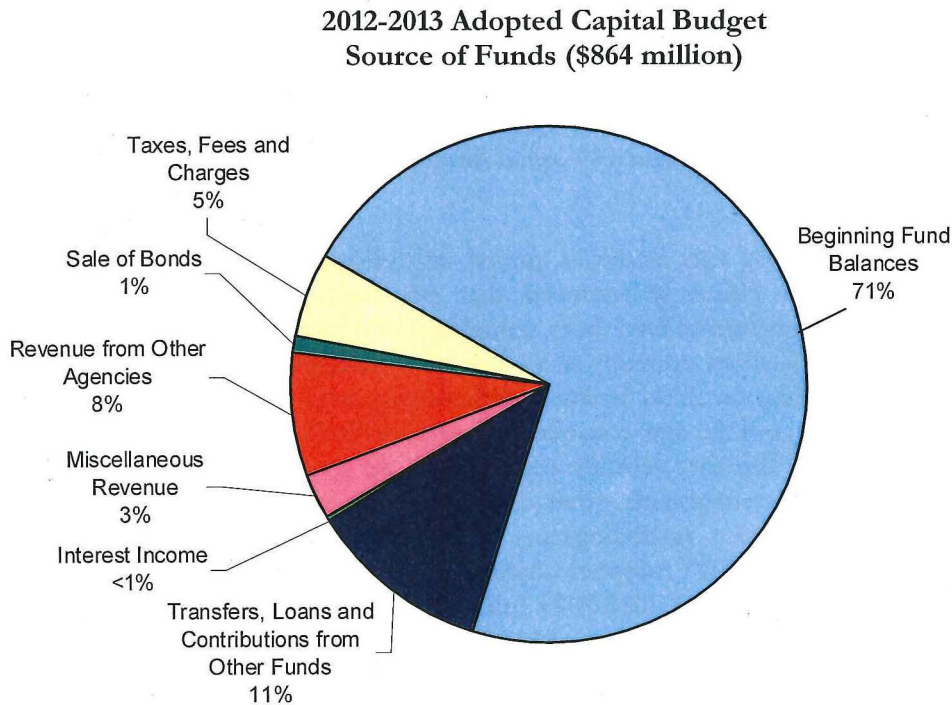
With this Adopted CIP, the City enters a period of reduced, albeit still significant, capital investments following the *Decade of Investment* that transformed much of the City's public infrastructure. Major improvements have been completed in the City's libraries, parks, community centers, and public safety facilities primarily as a result of voter-approved bond measures that have funded a total of \$599 million for these facilities. Additionally, with the opening of Terminal B, the renovations of Terminal A, and the new consolidated rental car facility at the Norman Y. Mineta San José International Airport, the City recently transformed the gateway to Silicon Valley into the nation's most modern air passenger facility that meets the needs of both customers and airlines and takes full advantage of current technologies. With the completion of these major capital improvements, the City's 2012-2013 Adopted Capital Budget totals \$864 million and the 2013-2017 Adopted CIP totals \$1.7 billion. The 2012-2013 Adopted Capital Budget reflects a decrease of 19% from the 2011-2012 Adopted Capital Budget of \$1.1 billion. From a five-year perspective, the 2013-2017 Adopted CIP is 13% lower than the 2012-2016 Adopted CIP of \$1.9 billion. Lower revenue sources coupled with completion of projects have resulted in significantly lower carryover fund balances estimated to be available as a funding source for capital projects over the next five years.

In preparing the CIP, the Administration focused the City's limited resources on the sustainability of City facilities by addressing the most immediate needs of the City's infrastructure and prioritized funding for upgrades, expansions, and renovations with positive operation and maintenance impacts. Where possible, grants and funding from other non-City sources will be leveraged to stretch City funds. Alternative funding sources will also be pursued to address the increasingly critical structural deficit of unmet/deferred infrastructure needs, particularly in the local street infrastructure. As reported to the Transportation and Environment Committee on April 2, 2012, the deferred maintenance and infrastructure backlog totals approximately \$811 million in unfunded costs. Recognizing this looming need, this CIP includes targeted investments in areas where funding is available such as the water pollution control plant, transportation, airport, sanitary sewer, and storm sewer infrastructure. The investments are designed to renovate and replace aging facilities, add capacity to meet economic development and future growth, and to ensure continued safe and efficient infrastructure and facility operations while meeting new and more stringent regulatory requirements and spurring construction in the local economy.

**2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM FUNDING SOURCES

As depicted in the pie chart below, of the 2012-2013 Adopted Capital Budget, which totals \$864 million, the Beginning Fund Balance accounts for 71% of the total Source of Funds due primarily to funds being rebudgeted from the last fiscal year to complete projects. Contributions, Loans and Transfers from Other Funds and Revenue from Other Agencies categories comprise of 11% and 8%, respectively, of the total source of funding.



The 2013-2017 Adopted CIP is supported by a combination of funding sources totaling \$1.7 billion as shown in the chart on the following page. Beginning Fund Balances in the various funds account for approximately 37% or \$616 million of the funding. There is a large Beginning Fund Balance in the Airport Capital Program (\$179 million), which mainly reflects the Airport's Commercial Paper capacity. The Parks and Community Facilities Development Capital Program has a total of \$139 million in the Beginning Fund Balances (e.g., \$68 million in the Park Trust Fund, \$36 million in the various Parks Construction and Conveyance (C&C) Tax funds, and \$34 million in the Parks and Recreation Bond Projects Fund). A majority of these Parks funds are in reserves pending final scope of projects and locations or pending future funding becoming available within the nexus of a planned facility. Although both the San José/Santa Clara Water Pollution Control Plant (WPCP) and the Sanitary Sewer Capital Programs have \$105 million and \$75 million in their respective Beginning Fund Balances, in accordance with the respective master plans the aging infrastructure needs to be rehabilitated or replaced, or sewer capacity needs to be enhanced in response to increased demand such that, by the end of the CIP, \$8.2 million and \$6.2 million is estimated to remain in the respective Ending Fund Balances. The remaining Beginning Fund Balances in the 2013-2017 Adopted CIP primarily reflect planned carryover funding for projects expected to be

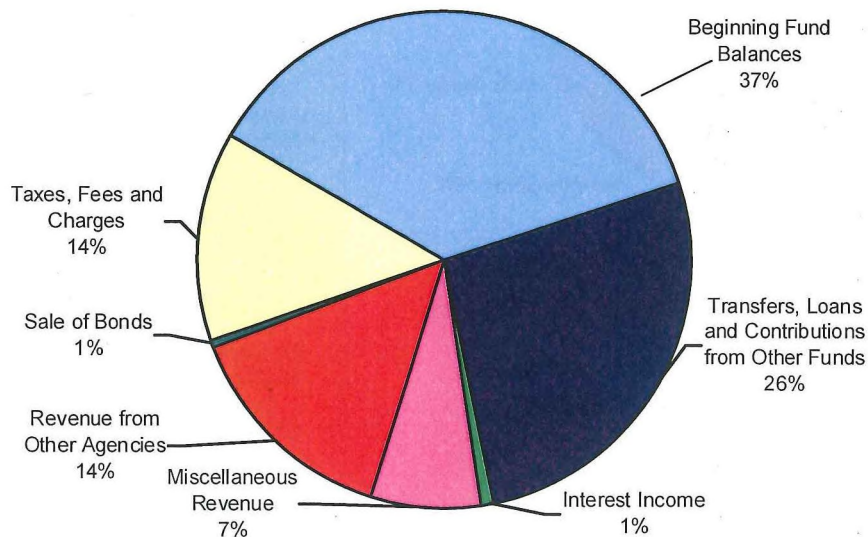
2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM FUNDING SOURCES

initiated or completed in the next five years. As a substantial number of capital projects are scheduled to be completed over the next five years, a corresponding reduction to the Beginning Fund Balances will occur.

The second largest funding source in the Adopted CIP is Contributions, Loans and Transfers from Other Funds (26% or \$445 million of the funding for the Adopted CIP) such as revenue from storm and sanitary operating funds that are supported by utility user fees. Taxes, Fees and Charges category is the next largest category with 14% or \$244 million of the total funding in the CIP. The three major funding sources in this category are C&C Tax, Construction Excise, and Building and Structure Construction Taxes which serve as the major revenue sources for Parks and Traffic Capital projects. Revenue from Other Agencies category, which includes mostly federal, State, and local grants as well as revenue from the Water Pollution Control Plant User Agencies, comprises 14% or \$229 million of the funding source for 2013-2017. A more detailed discussion of the CIP revenues can be found in the Summary Information section of this budget.

**2013-2017 Adopted Capital Improvement Program
Source of Funds (\$1.7 billion)**

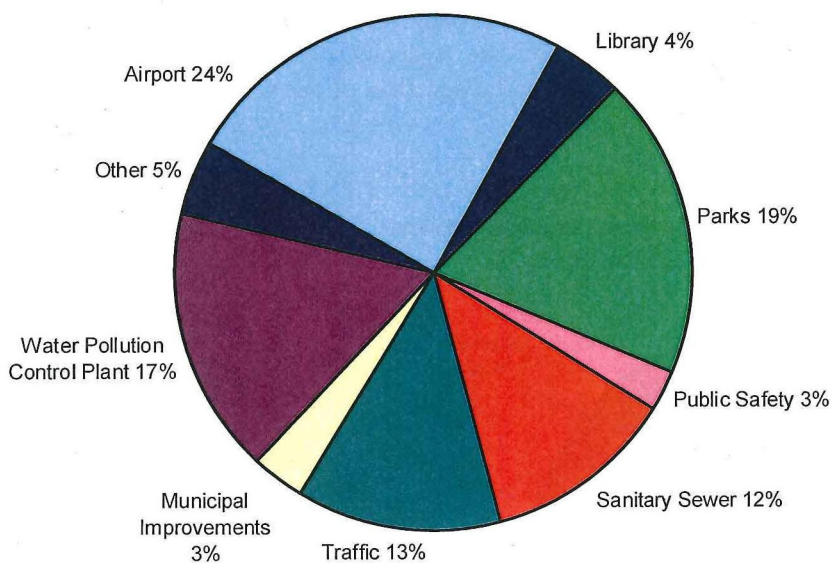


2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

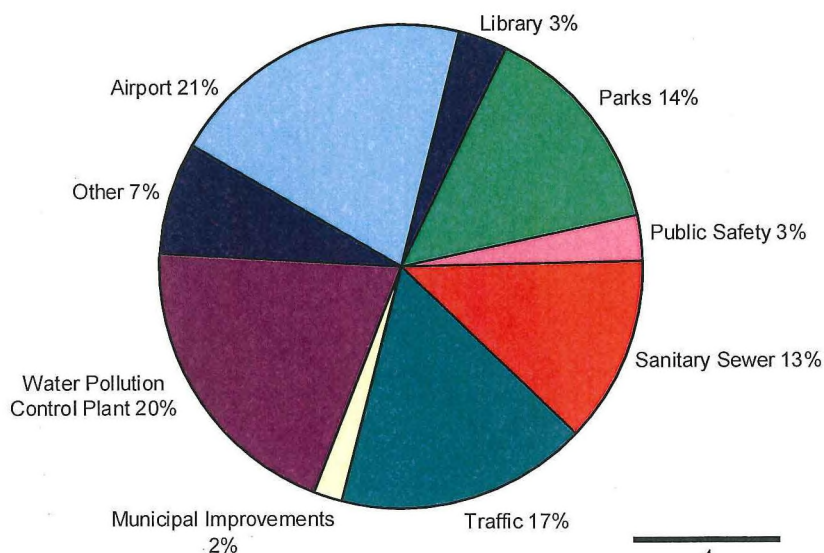
CAPITAL PROGRAM INVESTMENTS

The CIP is composed of 14 capital programs. The following pie charts depict the funding uses by capital programs and percentage of funding for the 2012-2013 Adopted Capital Budget and the 2013-2017 Adopted Capital Improvement Program. Major projects to be completed over the next five years are highlighted in the sidebar.

**2012-2013 Adopted Capital Budget
Use of Funds (\$864 million)**



**2013-2017 Adopted Capital Improvement Program
Use of Funds (\$1.7 billion)**



Major Projects to be Completed Over the Next Five Years

2012-2013 Projects

- Branch Library Efficiency Projects
- Convention Center Expansion and Renovation Project
- Diridon Area Parking and Multi-Modal Improvements
- Police Communications Emergency Uninterrupted Power Supply
- Solari Park Sports Field Conversion

2013-2014 Projects

- 30" Old Bayshore Sewer Pipe Rehabilitation
- Allen at Steinbeck School Soccer Field
- Commodore Children's Park
- Del Monte Park
- Roberto Antonio Balermينو Park
- West Evergreen Park
- Fire Station 21 – Relocation (White Road)
- Transportation Incident Management Center
- Pavement Maintenance – State Route Relinquishment (State Routes 82 and 130)
- Stevens Creek Boulevard Sanitary Sewer Improvement

2014-2015 Projects

- 60" Brick Interceptor Replacement of the Sanitary Sewer System, Phase VIA and VIB
- Autumn Street Extension
- Bollinger Road – Blaney Avenue Sanitary Sewer Improvement
- Fourth Major Interceptor Rehabilitation of the Sanitary Sewer System, Phase IIB/IIIB
- Headworks No. 1 Repair & Rehabilitation – Water Pollution Control Plant
- Rincon Avenue – Virginia Avenue Sanitary Sewer Improvement
- Southeast Branch Library
- Penitencia Creek Trail Reach IB (Noble Avenue to Dorel Drive)
- Willow Glen-Guadalupe Storm Sewer System, Phase III

2015-2016 Projects

- New Pipeline connection for the Biological Nutrients Removal (BNR) 1 & BNR 2
- Digester Rehabilitation at the Water Pollution Control Plant
- SBWR System Reliability and Infrastructure Replacement
- Taxiway W Improvements

2016-2017 Projects

- Airport Rescue and Fire Fighting Facility
- BART Design, Policy, Planning and Construction Support
- Fourth Major Interceptor Rehabilitation of the Sanitary Sewer System, Phase VIIA

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM INVESTMENTS

In the 2013-2017 CIP, capital program investments fund infrastructure improvements throughout the City including: airport, community centers, libraries, municipal water systems, public safety facilities, parks, sanitary and storm sewer systems, transportation systems, and the WPCP.

The Airport Capital Program with a budget of \$345.7 million is the largest component or 21% of the City's CIP. The 2013-2017 Adopted Airport Capital Program reflects a shift in focus from the many projects comprising the Terminal Area Improvement Program (TAIP) to the maintenance and preservation of Airport infrastructure. Airport staff is evaluating the legally allowable uses for unspent bond proceeds associated with the TAIP projects, which may include the completion of projects that were deferred from the original TAIP program due to funding issues during the construction phase of the program, or paying down debt. Examples of some of the deferred projects that are not programmed in the CIP at this time include a common use lounge, Terminal A/A+ space refurbishment, building system upgrades, Terminal A bag system ceiling protection, and completion of the northeast area (formerly the rental car fueling and wash site). In the northeast area, needs include a fuel truck maintenance facility, shuttle bus staging and storage, a taxi staging building, and adjacent employee parking. The remaining unspent bond proceeds are anticipated to be used to stabilize the Cost per Enplaned Passenger for the next five years.

The WPCP is the next largest capital program or 20% of the 2013-2017 Adopted CIP. A total of \$339.2 million is allocated in this program to renovate and upgrade the WPCP infrastructure and to ensure capacity and reliability of treatment plant processes. After a three-year process initiated in 2008, the preferred option of the Plant Master Plan was approved by the City Council on April 19, 2011, with the direction to prepare an environmental impact report scheduled for completion by Spring 2013. The Plant Master Plan will guide the Plant's capital improvement program and land use changes over the next 30 years. This CIP document includes projects in support of the approved Master Plan with a "packaged approach" to minimize disruptions to the Plant operations during construction, minimize the risk of National Pollutant Discharge Elimination System (NPDES) permit violations, meet the Plant's goals of being a good neighbor, and manage rate impacts to San José, Santa Clara, and the tributary agencies. The Master Plan includes technical recommendations as well as a draft recommended land use alternative. The Master Plan also addresses future regulatory requirements and expected capacity, as well as an overhaul of the entire solids treatment process. At the project level, the Master Plan recommends the implementation of more than one hundred capital improvement projects over a 30-year period, with the most immediate rehabilitation projects to occur within the first 15 years.



Aerial View of the Water Pollution Control Plant

**2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM INVESTMENTS

The Traffic Capital Budget is the third largest program or 17% of this CIP with a budget of \$278.5 million. Approximately \$109.0 million of the funding in the Traffic Capital Program is for maintenance and rehabilitation activities. Although the City provides approximately \$18.8 million for pavement maintenance, the majority of pavement maintenance within the City is funded by outside funding sources, such as the State gas tax (\$36.0 million), Measure B vehicle registration fees (\$25 million), and federal funds (\$29.7 million). Due to additional Construction Excise Tax revenue available to this program, the annual allocation for pavement maintenance funded with City resources has been increased from \$1 million to \$3 million annually, or a total of \$10 million, over the CIP. Even with these additional resources, the funding level for pavement maintenance is still insufficient. As discussed in the Unmet Infrastructure/Maintenance Needs section of this message, a March report presented to the City Council on pavement conditions in San José identified an annual need of \$100 million to achieve an overall “good” street condition. With an average annual funding allocation of \$20.3 million over the CIP, this leaves an average annual shortfall of approximately \$80 million. In addition, the estimated backlog of deferred pavement maintenance has increased from \$271 million to \$293 million over the last year. If the backlog grows at the same rate as it has in the past, it is estimated that it will increase to \$860 million by the year 2020.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Each of the 14 capital programs continue to be aligned to one of the six City Service Areas (CSAs). The chart below compares the 2012-2016 Adopted CIP with the 2013-2017 Adopted CIP for each CSA. As discussed earlier, the 2013-2017 Adopted CIP reflects a decrease of 13% from the 2012-2016 Adopted CIP due to several large projects completing or nearing completion; therefore a significant portion of funding is anticipated to be expended or encumbered in 2011-2012, including the Convention Center Expansion and Renovation project in the Strategic Support CSA; the Consolidated Rental Car Garage Facility and the public parking improvements in the Transportation and Aviation Services CSA; and Newhall Neighborhood Park and West Home Street Land Acquisition in the Neighborhood Services CSA. There is a significant decrease in funding in the Environmental and Utility Services CSA due to a reprioritization of projects and a change in strategy for the implementation of the Water Pollution Control Plant Master Plan recommendations to a packaged approach.

2012-2016 Adopted CIP and 2013-2017 Adopted CIP Comparison (By City Service Area)

City Service Area	2012-2016 Adopted CIP	2013-2017 Adopted CIP	% Change
Community and Economic Development	\$ 7,197,291	\$ 8,111,211	13%
Environmental and Utility Services	694,436,718	617,829,291	(11%)
Neighborhood Services	297,280,218	297,775,233	(0%)
Public Safety	51,917,710	50,722,291	(2%)
Transportation and Aviation Services	715,372,973	630,865,886	(12%)
Strategic Support	154,138,051	73,462,615	(52%)
Total	\$ 1,920,342,961	\$ 1,678,766,527	(13%)

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

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 facilities 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 projects in this CIP include:

- Delmas/Park (San Fernando Street, Cahill Street, Auzerais Avenue)
- Jackson/Taylor (4th Street to 9th Street)
- Aborn Road (Renfield Way to Thompson Creek)
- Evergreen Park (Yerba Buena Road to San Felipe Road)
- Delmas/Park (Delmas, Park and San Fernando Street)

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 2,200 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 Water Pollution Control Plant. The objectives of this capital program are to 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.

The Adopted CIP assumes that no Sewer Service and Use Charge rate increase will be needed for 2012-2013 or 2013-2014. Current estimates suggest that annual rate increases of approximately 3% would need to resume in 2014-2015 to meet the combined needs of the Sanitary Sewer CIP and the operating and capital needs of the Water Pollution Control Plant. These estimates are preliminary and may be revised based on future assessments of capital and operating needs, changes

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

in project costs, or other unforeseen circumstances. 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 Proposed Budget process.

The major projects in this CIP include:

- Cast Iron Sewer Pipes Removal and Replacement
- Monterey – Riverside Sanitary Sewer Rehabilitation, Phase V
- 60-Inch Brick Interceptor Replacement of the Sanitary Sewer System, Phase VIA and VIB
- Bollinger Road – Blaney Avenue Sanitary Sewer Improvement

Storm Sewer System Capital Program

In accordance with the City's Envision 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 and construction of facilities for the conveyance of surface runoff in the City's Urban Service Area adjacent to stream channels. However, the City is not responsible for the design and construction of flood control facilities or the modification and maintenance of stream channels, which are under the purview of the Santa Clara Valley Water District and the U.S. Army Corps of Engineers.

The funding levels in this Adopted CIP will not require a Storm Sewer Service Charge rate increase in 2012-2013. Also, no rate increases are assumed for the four years of the CIP beyond 2012-2013, however this may change based on a variety of factors. These factors include recommendations of the Storm Sewer Master Plan, scheduled for completion and City Council consideration in 2014, which will be used to identify and prioritize capital improvements to maximize the efficiency and capacity of the storm drainage system, unexpected infrastructure needs or project cost fluctuations, and/or unanticipated Storm Sewer operating needs. 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 Proposed Budget process.

The major projects in this CIP include:

- Storm Sewer Master Plan – City-Wide
- Storm Pump Station Rehabilitation and Replacement
- Willow Glen – Guadalupe Storm Sewer System Improvements, Phase III

Water Pollution Control Capital Program

The San José/Santa Clara Water Pollution Control Plant is a regional wastewater treatment facility serving eight tributary sewage collection agencies, including municipalities and sanitary sewer districts. This CIP focuses on implementing the recommendations of the preferred alternative of the Plant Master Plan,



***Riparian Lagoons at the Water
Pollution Control Plant***

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

which was approved for environmental analysis by the City Council on April 19, 2011, with environmental clearance to be completed in early 2013. Preliminary cost estimates for many projects based on the recommendations of the Plant Master Plan were incorporated into this CIP.

The major projects in this CIP include:

- Headworks No. 1 Repair & Rehabilitation (improves preliminary treatment of the incoming wastewater)
- Headworks No. 2 Enhancement
- East Primary Clarifier Rehabilitation, Seismic Retrofit, and Odor Control
- Digester Rehabilitation
- South Bay Water Recycling System Reliability and Infrastructure Replacement

Water Utility System Capital Program

The San José Municipal Water System provides water utility service to 126,000 residents via 26,000 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. The City Council-approved potable water rate increase of 9.5% reflects only wholesale water cost increases, which are passed on to the water utility customers. The need for rate increases for the out years of this CIP related to capital improvements, wholesale water cost increases, or other operating cost increases will be reassessed annually and any necessary increases will be brought forward for City Council consideration as part of the annual Proposed Budget process.

The major projects in this CIP include:

- Gumdrop Drive Main Replacement
- Dove Road Main Extension

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 completing a major transformation 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 over a ten year period. 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. Additionally, other funding sources ensure that libraries have funds to maintain the new and existing branches.



Bascom Community Center and Branch Library

**2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

The major projects in this CIP include:

- Southeast Branch Library
- Acquisition of Materials
- Automation Projects and System Maintenance
- Branch Library Fixtures, Furnishings and Equipment

Parks and Community Facilities Development Capital Program



“Seven Trees for Seven Trees” by Roman deSalvo

The Parks and Community Facilities Development 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, and other major feeder streams.

The City’s Construction and Conveyance Tax revenue and park impact fees historically have been the primary source of support for this capital program. However, as the result of a \$228 million General Obligation Bond that was approved by City voters in November 2000 for parks and recreational facilities improvements, the Parks and Recreation Bond Projects Fund has provided a significant amount of resources to address capital needs in the City’s various park facilities over the past decade.



Guadalupe River Trail

The major projects in this CIP include:

- | | |
|--|---|
| <input type="checkbox"/> Commodore Children’s Park | <input type="checkbox"/> Roberto Antonio Balermينو Park |
| <input type="checkbox"/> Del Monte Park | <input type="checkbox"/> Coyote Creek Trail (Highway 237 Bikeway to Tasman Drive) |
| <input type="checkbox"/> Allen at Steinbeck School Soccer Field | <input type="checkbox"/> Lower Silver Creek Trail Reach VI (Dobern Bridge to Foxdale Drive) |
| <input type="checkbox"/> Alum Rock School District Sports Field Partnership (Sheppard Middle School) | <input type="checkbox"/> Penitencia Creek Reach 1B (Noble Avenue to Dorel Drive) |
| <input type="checkbox"/> Solari Park Sports Field Conversion | |
| <input type="checkbox"/> West Evergreen Park | |

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

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.



Fire Station 2

The major investment in Public Safety infrastructure included in this CIP is made possible because of the voter approved Measure O, the “9-1-1, Fire, Police, Paramedic and Neighborhood Security Act.” This bond measure 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. The majority of the projects funded by the Neighborhood Security Act Bond Measure are scheduled to be completed during this five-year period. In addition, a portion of the City’s Construction and Conveyance (C&C) tax funding (8.4% annually) is allocated to the Fire Department for ongoing fire safety equipment needs.

The major projects in this CIP include:

- Fire Station 21 Relocation (White Road)
- Fire Station 37 (Willow Glen)
- Fire Apparatus Replacement
- Fire Hose Replacement
- Fire Tools and Equipment
- Fire Turnout Cleaning

Transportation and Aviation Services CSA

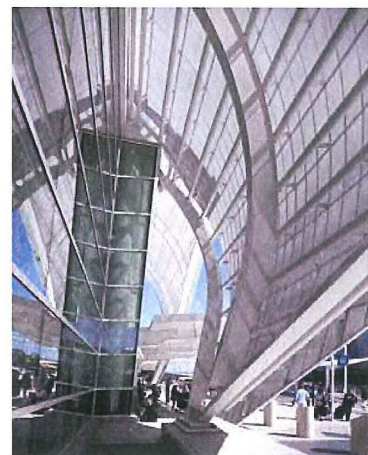
The Transportation and Aviation Services CSA includes the Airport, Parking, and Traffic Capital Programs.

Airport Capital Program

The Airport’s Capital Program continues to focus its priorities to deliver a program that meets Airport safety and security mandates and aggressively pursues opportunities to leverage federal and other agency grants.

The major projects in this CIP include:

- Airfield Preventative Pavement Maintenance
- Airfield Rescue and Fire Fighting Facility
- Taxiway W Improvements
- Vehicle Replacement Program



Curbside Canopy at Terminal B

**2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Parking Capital Program

The Parking Capital Program's primary responsibilities include maintaining and improving existing facilities, and upgrading and replacing both on-street and off-street parking equipment.

The major projects in this CIP include:

- Garage Elevator Upgrades
- Revenue Control Upgrades
- Dynamic Message Sign Upgrades

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 included in the CIP include funding for maintenance and rehabilitation activities including bridge and pavement maintenance; the local system expansion; safety and efficiency projects; support for the City's contribution to regional system expansion; activities that promote community livability including land management, weed abatement, undergrounding City utilities, and monitoring of environmental mitigation sites; and project and program support.



Street Resurfacing

The major projects in this CIP include:

- Pavement Maintenance
- Intelligent Transportation System – Transportation Incident Management Center
- Pedestrian Improvements (e.g., crosswalks enhanced with flashing beacons, high visibility markings)
- Traffic Signal Modifications/Construction
- Autumn Street Extension
- Bicycle and Pedestrian Facilities
- ADA Sidewalk Accessibility Program
- BART Design, Policy, Planning and Construction Support
- Route 101/Blossom Hill Road Upgrade Design

**2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

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, 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, radio and other equipment, and streets and sidewalks adjacent to City communication facilities of the City.

The major projects in this CIP include:

- Communications Equipment Replacement and Upgrade
- City-Wide Trunking Radio System
- Silicon Valley Regional Interoperability

Municipal Improvements Capital Program

The Municipal Improvements Capital Program provides capital improvements for City facilities that are not funded in other capital programs.

The major projects in this CIP include:

- Convention Center Expansion and Renovation
- Police Administration Building/Emergency Communications Center Backup Generator Replacements
- Household Hazardous Waste Las Plumas Facility
- Unanticipated/Emergency Maintenance and Repairs of City Facilities
- Police Communications Emergency Uninterrupted Power Supply

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 majority of funding in this capital program is set aside for the payment of debt service on the Central Service Yard Phase I and II improvements.

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

The major projects in this CIP include:

- Debt Service on Phase I Bonds for the Central Service Yard Expansion
- Interest on Phase II Commercial Paper for the Central Service Yard Construction
- Sale of the Main Service Yard
Roof Replacement, Painting and Supplemental Needs

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 gap between the funding available and the resources necessary to maintain the overall condition of City infrastructure. This includes the City's buildings, parks, and technology, traffic (streets, traffic lights, signs, and streetlights), and utility infrastructure. The recent deep recession and slow economic recovery has exacerbated this funding gap and increased the backlog of deferred maintenance and infrastructure rehabilitation needs. The figures in this report are updated annually and were reported to the City Council on April 24, 2012 http://www.sanjoseca.gov/clerk/Agenda/20120424/20120424_0403.pdf with an approximate \$811 million backlog across the City. Assuming this one-time backlog could be met, an ongoing annual investment of \$127 million would be needed to maintain and prevent degradation of the infrastructure for which the City is responsible. Further analysis and refinement of these figures would be required before funding to address these unfunded needs would be recommended to the City Council. This CIP as well as approved investments in the 2012-2013 Adopted Operating Budget allocate limited resources to the most immediate deferred infrastructure needs.

Operating Budget Impacts

This CIP attempts to balance the delivery of capital programs with the limited resources to operate and maintain existing and newly-constructed facilities. Over the past several years, strategies were implemented to defer or reduce operating and maintenance costs, with a particular focus on the General Fund. These efforts have included deferring the completion date for capital projects, using alternative staffing models, reducing the size of some facilities, developing joint library and community center facilities, 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 formally certified as part of the annual CIP.

2012-2013 ADOPTED CAPITAL BUDGET

2013-2017 CAPITAL IMPROVEMENT PROGRAM

OTHER CAPITAL PROGRAM HIGHLIGHTS

There are four capital projects in the CIP that were previously approved for certification by the City Council (Fire Station 37 (Willow Glen), South San José Police Substation, Southeast Branch Library and the Vietnamese Heritage Garden) with net operating and maintenance costs exceeding \$100,000 annually. By 2016-2017, the annualized impact on the General Fund to operate and maintain these four facilities is projected to be \$6.0 million. With the exception of the Vietnamese Heritage Garden, these facilities are all related to the voter-approved General Obligation bonds for Library and Public Safety facilities, and the related operating and maintenance costs for all these facilities were included in the 2013-2017 Five-Year General Fund Forecast that was released in February 2012. These costs will be evaluated on an annual basis until the facilities open to the public. The costs and staffing necessary to operate and maintain these facilities may change as further analysis on the operational needs or alternative service delivery methods of each facility are conducted as part of the annual budget process. Notably, further analysis will be required to determine the actual staffing of Fire Station 37 as it relates to Fire Station 6 prior to the award of the construction contract for Fire Station 37.

The 2012-2013 Adopted Operating Budget includes \$1.9 million to open and operate several facilities including the Bascom Community Center and Library, and the Calabazas, Educational Park, and Seven Trees Branch Libraries. In fall of 2012, the Administration will review the City's fiscal status to ensure the ability to support these new buildings ongoing. Additionally, the Adopted Operating Budget continues to defer the opening of the South San José Police Substation from September 2012 to September 2013 and to allocate \$2.0 million of the one-time savings of \$2,393,000 to the San Jose BEST Program for gang prevention. Of the remaining savings, \$184,000 is needed to maintain the vacant building (security, fencing, and landscape maintenance). These actions are presented and described further in the 2012-2013 Adopted Operating Budget.

As part of the City Council approval of the Mayor's June Budget Message, the City released the hold placed on new park developments for parks where the annual operating and maintenance costs are less than \$100,000. This allows the City to proceed with the development of 11 new parks. Of these, the funding for Antonio Balermينو, Del Monte and West Evergreen Parks was approved so that the construction of these parks will start in 2012-2013; the remaining projects will enter the design and construction phase as soon as their funding has been secured and their planning phases have been completed. These projects include: Pellier Park, Montecito Vista Park, Noble Dog Park, River View Park, Martin Park, North San Pedro Park, Tamien Park, and Essex Park.

When completed, projects coming on-line during the five-year CIP or planned by other Agencies (such as developers) can have a significant impact on the General Fund and other funds as new and expanded facilities require additional funding for operating and maintenance costs. These costs, which are summarized in Table A, are estimated at \$3.6 million in 2013-2014 and are projected to increase to \$7.3 million by 2016-2017. With the exception of WPCP projects, all costs listed on the following table would impact the General Fund.

2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM

OTHER CAPITAL PROGRAM HIGHLIGHTS

**Table A - Projected Total New Operating and Maintenance Costs – All Funds
(Cumulative)**

Project Title	2013-2014	2014-2015	2015-2016	2016-2017
Fire Facilities	\$ 0	\$ 2,503,000	\$ 2,474,000	\$ 2,618,000
Library Facilities	0	0	630,000	698,000
Parks Facilities	89,000	149,000	196,000	395,000
Parks Facilities-Other Agencies ¹	0	0	3,000	6,000
Police Facilities	2,465,000	2,504,000	2,545,000	2,585,000
Traffic Projects	17,000	42,000	44,000	46,000
Water Pollution Control Plant	1,000,000	1,000,000	1,000,000	1,000,000
Total	\$3,571,000	\$ 6,198,000	\$ 6,892,000	\$ 7,348,000

Former San Jose Redevelopment Agency Impacts

Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved pursuant to AB X1 26. As part of the legislation, Successor Agencies are charged with winding down operations and overseeing the dissolution process in an orderly manner. On January 24, 2012, the City Council adopted Resolution No. 76128 documenting its decision to serve as the Successor Agency to the former Redevelopment Agency (SJRA).

With the dissolution of the SJRA, there will be a decrease of capital funding and economic development activity in San José. In addition, the City of San José has a number of loans that were made to the SJRA for specified, eligible redevelopment purposes, including loans made to pay debt service and other long-standing obligations. In particular, for the City's capital funds, the former Agency owes the City Parkland Fees in the amount of \$8.1 million scheduled for repayment to the Subdivision Park Trust Fund by the Agency in 2015-2016; \$6.8 million for a loan from the Parking Capital Development Fund for the payment of the Fourth and San Fernando Parking Garage debt service for the 2010 and 2011 calendar years scheduled for repayment by the Agency in 2015-2016, and \$3 million for a loan from the Subdivision Park Trust Fund in 2009-2010 as part of a \$62 million loan to pay the Supplemental Education Revenue Augmentation Fund (SERAF) payment on behalf of the former SJRA which was originally scheduled for repayment in 2015-2016. With narrow exceptions, loans such as these between cities and their redevelopment agencies were invalidated by AB XI 26. However, with the approval of budget trailer bill AB 1484, loans such as those outlined above may be deemed an enforceable obligation contingent upon 1) a finding by the State Department of Finance that all required audits of the Successor Agency have been completed, and 2) a finding by the Oversight Board that a loan such as those outlined above were for legitimate redevelopment purposes. Should a loan be deemed an enforceable obligation, the loan terms will need to be revised to conform to statutory criteria for interest calculations and repayment priorities.

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

2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM

OTHER CAPITAL PROGRAM HIGHLIGHTS

In addition to the loans previously mentioned, in 2008-2009, the City Council approved two short term loans totaling \$46.46 million from various City funds to assist the Agency to fund operating and capital expenditures and other expenses including the State-mandated Educational Revenue Augmentation Fund (ERAF) payment and the pass-through obligation to the County of Santa Clara. Although the Agency repaid the loans immediately with available tax-exempt bond proceeds, the federal tax restrictions on the bond proceeds shifted from Agency expenditures to City projects. City staff identified eligible capital expenditures for capital projects in various Special Funds to meet the requirements and confirmed that project schedules were not impacted by the loans.

Additional details about the outstanding obligations of the Successor Agency to the former Redevelopment Agency are discussed in the 2012-2013 Adopted Operating Budget document.

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, this CIP includes major projects to help achieve the goal of 50 million square feet of green buildings throughout San José. The City Council adopted revisions to the Municipal Green Building Policy in March 2007 requiring certain new City building projects 10,000 square feet and over to 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 and Platinum. As part of this policy, the City Council also directed staff, wherever possible, to achieve a higher USGBC LEED certification level of Gold or Platinum. Table B below summarizes the projects scheduled to open during the five-year period reflected in the 2013-2017 Adopted CIP with the associated green building certification.

Table B – Capital Improvement Projects Targeting USGBC LEED Certification or Incorporating Green Building Principles

Project	USGBC LEED
Convention Center Expansion and Renovation	Silver
San José Environmental Innovation Center (Las Plumas)	Silver
Southeast Branch Library	Silver
Terminal Area Improvements, Phase II	Certified

To date, 1.9 million square feet of municipal buildings have been certified as green buildings. Some of the certified municipal projects in 2011 and 2012 include:

- Educational Park Branch Library (Gold)
- Water Pollution Control Plant Building (Gold)
- Santa Teresa Branch Library (Certified)
- Seven Trees Community Center and Branch Library (Gold)
- Martin Luther King Jr. Library (Silver)

2012-2013 ADOPTED CAPITAL BUDGET 2013-2017 CAPITAL IMPROVEMENT PROGRAM

OTHER CAPITAL PROGRAM HIGHLIGHTS

Several additional City facilities are in the certification process and at least four, including the Bascom Community Center and Branch Library, Calabazas Branch Library, Fire Station 36, and the South San José Police Substation are anticipated to receive the certification in 2012.

In order to help achieve San José's Green Vision goal for green buildings, the Environmental Services and Public Works Departments continue to pursue grant funding to implement energy efficiency improvements in existing City facilities. These improvements would meet criteria necessary to subsequently seek certification for existing buildings. The City of San José was the only city in the nation to participate in the USGBC's Portfolio Program pilot. The pilot was successful and the City is now enrolled in the LEED Volume Program for Operations & Maintenance, which will allow for a more streamlined process for the certification of existing City facilities.

The City also continues to pursue policies and practices to encourage green buildings in the private sector. The Private Sector Green Building Policy became effective in September 2009. In March 2012, an update was provided to the Transportation & Environment Committee regarding implementation of the City's existing Green Building Program. With the State's leadership in incorporating energy and water efficiency and other environmental friendly elements into the mandatory building code (California Green Building Standards Code, also known as CalGreen, which went into effect in January 2011), staff recommended that San José not pursue local retrofit requirements for the private sector at this time. Staff will continue to monitor the effect of the State's efforts in combination with San José's local requirements to determine if future ordinances or policies are needed to meet the City's Green Building Green Vision goal.

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 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.



Camden Community Center
"Hand in Hand" by
Michael Stutz



Frontier Village Birdhouse
Edenvale Park
by Jon Rubin

A total investment of \$4.7 million is programmed for eligible public art projects that span all capital programs in the 2013-2017 Adopted CIP. This figure does not include the \$2.3 million in public art expenditures estimated for 2011-2012. It also excludes outside funding from grants and consulting projects being managed by San José's Public Art Program staff.

2012-2013 ADOPTED CAPITAL BUDGET
2013-2017 CAPITAL IMPROVEMENT PROGRAM

CONCLUSION

The City of San José's 2013-2017 Adopted CIP represents a significant investment in the City's infrastructure. A diverse range of capital projects are being delivered that will benefit neighborhoods, residents, and visitors for decades to come, while preparing the City for future economic development and growth. By 2016-2017, most of the voter-approved bond funded programs will be completed. Phase III for the Airport Department's Taxiway W Improvements in this CIP should be well-underway provided that the timing and completion of subsequent phases of this project are contingent upon receiving additional Federal Aviation Administration-supported grant funding and the availability of resources to fund the local match. The Water Pollution Control Plant Master Plan, which was approved for environmental analysis by the City Council in April 2011, will guide the Plant's capital improvement program and land use changes over the next 30 years. Further, the Storm Sewer System Master Plan is expected to be completed in 2014 and will assist in identifying and prioritizing capital improvements to maximize the efficiency and capacity of the storm drainage system.

It continues to be a concern that the additional new facilities scheduled to be completed within the five-year CIP will require funding for operations and maintenance costs. It is estimated that these costs will impact the General Fund in an amount of approximately \$6.3 million annually by 2016-2017.

With the 2012-2013 Adopted Operating and Capital Budgets, funding has been allocated to address the most immediate maintenance needs of the City's infrastructure, although the City continues to struggle to address the critical level of unmet infrastructure needs and a deferred maintenance backlog of approximately \$811 million. Assuming this one-time backlog could be met, an ongoing annual investment of \$127 million would be needed to maintain and prevent further degradation of the infrastructure for which the City is responsible. We continue to remain optimistic that the City will be able to align its underlying revenue and expenditure structure to address this issue in a systematic and meaningful manner over a period of years, though this cannot be achieved without proactive measures to obtain additional cost savings or revenue. We must all continue to make this funding gap a priority in order to protect the City's capital investments.

With the funding available, 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. The 2013-2017 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.



Debra Figone
City Manager