

*Five-Year Economic Forecast
and
Revenue Projections*

2022-2026

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, the Police Training Facility, and activation of the Police Substation 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 new 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 annual 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 2022-2026 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 that are necessary to operate and maintain 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 and Emma Prusch; Communications Hill II – Hillsdale Fitness Staircase; Columbus Park Soccer Fields; Winchester Orchard Park; Payne Ave Park; 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, Story to Phelan, and Mabury to Empire. The City currently has approximately 61 miles of trails.

<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
384,000	901,000	1,362,000	1,848,000	1,947,000

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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, Mckee Road Safety Corridor Improvements, Tully Road Safety Corridor Improvements and Vision Zero: City-wide Pedestrian Safety and Traffic Calming projects.

<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
175,000	287,000	367,000	404,000	428,000

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 to be constructed at the Central Service Yard as a result of the sale of the existing site on Montgomery Street to Google as approved by the City Council on December 4, 2018. The maintenance and operations costs for landside operations at Fire Station 20 are also included in this category. Efficiencies will be gained expanding construction to build a facility for landside operations adjacent to the Airport Rescue and Fire Fighting Facility/Fire Station 20 (airside operations). The landside portion of fire station will improve emergency response capabilities to the local community. Any additional maintenance and operation costs for the airside operations will be included in the Airport budget and will not funded by the General Fund.

While the current staffing plan for Fire Station 20 landside operations is to relocate an existing Squad (two-person resource) from Fire Station 5 with a cost increase of approximately \$40,000 annually for utilities and phones, the addition of a new Squad would have an annual cost of \$2 million. The priority for the Fire Department is to add resources for Fire Station 37 and other new fire stations, and thus staffing needs for the landside operations of Fire Station 20 is not included in the five-year forecast.

<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
19,000	156,000	240,000	247,000	256,000

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. The increased costs associated with these stations is 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 and is expected to open January 2022. The Police Training Facility, expected to come online in 2023-2024, will also trigger the phased activation of the South

COMMITTED ADDITIONS TO THE BASE GENERAL FUND FORECAST

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 \$2.1 million representing an early look at potential ongoing impacts of this facility. Manager’s Budget Addendum #8, released as part of the 2018-2019 budget deliberations, was used to estimate the maintenance and operations costs for a fully activated Police Substation with the tentative costs potentially being higher or lower depending on the operational plan and the level of available resources. 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, Fire Station 8 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 \$2.0 million in 2021-2022 to approximately \$18.8 million by 2025-2026.

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 23 and improvements for the Police Headquarters and 911 Center.

<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
1,977,000	4,195,000	9,455,000	14,378,000	18,777,000

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. Fire Training Center Relocation, Emergency Operations Center and Office of Emergency Management Relocation, and Fire Station 37 were previously certified by the City Council. By 2025-2026, 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 \$18.8 million is related to Measure T facilities as described above.

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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 - 2022-2026 GENERAL FUND FORECAST

Net Operating Impact of Committed Additions

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS					
All Inclusive Almaden Lake	87,000	107,000	110,000	113,000	116,000
All Inclusive Emma Prusch	88,000	122,000	125,000	128,000	131,000
Bassett Park†	-	-	-	29,000	29,000
Bruzzone Park and Dog Park	47,000	82,000	84,000	86,000	87,000
Columbus Park Soccer Fields*	-	-	375,000	683,000	725,000
Commodore Children's Park (Mabury Park)†	104,000	107,000	110,000	113,000	116,000
Communications Hill II - Hillsdale Fitness Staircase	-	68,000	73,000	75,000	78,000
Mercado Park	45,000	77,000	80,000	82,000	83,000
Newbury Park	-	27,000	27,000	28,000	28,000
North San Pedro Park†	-	-	12,000	76,000	77,000
Payne Ave Park	-	54,000	55,000	56,000	57,000
Pellier Park	-	29,000	30,000	30,000	31,000
Penitencia Creek Dog Park	-	44,000	45,000	46,000	47,000
PAL Stadium Turf Replacement	-	7,000	23,000	23,000	24,000
RAMAC Turf Replacement	-	22,000	23,000	23,000	24,000
River Oaks Park†	-	120,000	123,000	125,000	127,000
TRAIL: Coyote Creek - Mabury to Empire	-	-	24,000	43,000	43,000
TRAIL: Coyote Creek - Phelan to Tully	-	20,000	27,000	28,000	29,000
TRAIL: Coyote Creek - Singleton	-	-	1,000	3,000	3,000
TRAIL: Coyote Creek - Story to Phelan	13,000	15,000	15,000	15,000	17,000
Winchester Orchard Park	-	-	-	43,000	75,000
TOTAL NEW PARKS AND RECREATION FACILITIES MAINTENANCE AND OPERATIONS	384,000	901,000	1,362,000	1,848,000	1,947,000
NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS					
Community Development Block Grant - Sidewalks	-	-	9,000	9,000	10,000
Developer Installations - Ped Safety Infrastructure	-	1,000	1,000	1,000	1,000
Developer Installations - Signals	24,000	25,000	26,000	26,000	27,000
Developer Installations - Signals (Future Years)	-	39,000	44,000	50,000	57,000
Developer Installations - Streetlights	3,000	4,000	4,000	4,000	4,000
Developer Installations - Streetlights (Future Years)	-	6,000	12,000	18,000	24,000
Digital Inclusion - Fiber Optic Infrastructure	30,000	33,000	34,000	35,000	36,000
McKee Road Safety Corridor Improvements (OBAG)	60,000	66,000	70,000	72,000	74,000
McLaughlin Safety Enhancement Project (HSIP)	6,000	6,000	7,000	15,000	15,000
Route 101/Blossom Hill Interchange	-	2,000	6,000	6,000	6,000
Safety: Pedestrian Improvements	18,000	19,000	19,000	20,000	20,000
Safety: Pedestrian Improvements (Future Years)	-	8,000	17,000	25,000	26,000
Senter Road Pedestrian Safety Improvements (HSIP)	28,000	29,000	30,000	31,000	32,000
Tully Road Safety Corridor Improvements (OBAG)	6,000	47,000	83,000	85,000	88,000
Vision Zero:City-wide Pedestrian Safety and Traffic Calming (Future Years)	-	2,000	5,000	7,000	8,000
TOTAL NEW TRAFFIC INFRASTRUCTURE ASSETS MAINTENANCE AND OPERATIONS	175,000	287,000	367,000	404,000	428,000
NEW PUBLIC SAFETY FACILITIES MAINTENANCE AND OPERATIONS					
Fire Station 20 (Landside Operations)	19,000	39,000	40,000	41,000	43,000
Fire Training Center Relocation	-	117,000	200,000	206,000	213,000
TOTAL NEW PUBLIC SAFETY FACILITIES MAINTENANCE AND OPERATIONS	19,000	156,000	240,000	247,000	256,000
MEASURE T MAINTENANCE AND OPERATIONS**					
Emergency Operations Center and OEM Relocation	-	124,000	223,000	235,000	245,000
Fire Station 8 Relocation	-	-	9,000	36,000	37,000
Fire Station 32 (New)*	-	-	1,053,000	4,338,000	4,468,000
Fire Station 36 (New)*	-	-	-	-	3,953,000
Fire Station 37 (New)	1,977,000	4,071,000	4,193,000	4,319,000	4,449,000
Police Training Facility*	-	-	1,547,000	2,136,000	2,212,000
Police Air Support Unit Hangar	-	-	71,000	75,000	77,000
Police Substation Activation*	-	-	2,359,000	3,239,000	3,336,000
TOTAL MEASURE T MAINTENANCE AND OPERATIONS	1,977,000	4,195,000	9,455,000	14,378,000	18,777,000
TOTAL OPERATING IMPACT OF COMMITTED ADDITIONS	2,555,000	5,539,000	11,424,000	16,877,000	21,408,000

†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 authorizing construction.

**Capital projects authorized as part of the ballot Measure T - The Disaster Preparedness, Public Safety and Infrastructure Bond.