

April 29, 2022

HONORABLE MAYOR AND CITY COUNCIL:

I am pleased to present the 2022-2023 Proposed Capital Budget and the 2023-2027 Proposed Capital Improvement Program (CIP) for the City of San José. The Proposed Capital Budget and CIP presented in this document guide the City in the planning, scheduling, and budgeting of capital improvement projects over the next five years. 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.

The pandemic's constant presence over the past two years has certainly impacted the City's CIP, including project schedules and capital revenue sources. Even through these challenges, we have continued to make progress and deliver improvements to critical public assets including projects from the San José's Disaster Preparedness, Public Safety, and Infrastructure Bond Measure (Measure T), which will provide up to \$650 million in General Obligation (GO) bonds for critical infrastructure needs. This CIP continues to focus on the renovation, renewal, and expansion of City infrastructure, ranging from the infrastructure that operates in the background such as roadways and the sewer collection and treatment systems, to parks and sports fields that promote community health, to fire and police facilities that helps keep our community safe, and to airport facilities to meet the travel needs of the community and further the City's economic growth. While the Envision San José 2040 General Plan remains the core planning tool of the CIP, the technical analysis necessary to identify new or deferred infrastructure rehabilitation needs is increasingly being supplemented by the explicit consideration of equity, including the incorporation of race and income data as a factor to help prioritize the rehabilitation of deteriorated sanitary sewer pipe, to the extent legally permissible, and as a prioritization criterion for the Local and Neighborhood Pavement Maintenance Program. The embedding of equity as a core evaluation tool for all service delivery is an evolving process, but one that the Administration takes seriously and commits to continually improving.

The 2022-2023 Proposed Capital Budget of \$1.7 billion reflects a 6.3% increase from the 2021-2022 Adopted Capital Budget of \$1.6 billion. Over a five-year period, the 2023-2027 Proposed CIP totals \$3.4 billion, a 10.5% decrease from the 2022-2026 Adopted CIP of \$3.8 billion. Once funds to complete existing projects are rebudgeted from 2021-2022 to 2022-2022 as part of the Adopted Capital Budget process, funding in the 2023-2027 CIP is expected to be in line with, or slightly exceed, the prior CIP.

While capital-related revenues have stabilized, and some have even significantly increased from pre-pandemic levels, especially Construction & Conveyance (C&C) Tax revenues or new revenues from the issuance of bonds, funding challenges remain. Two examples are highlighted here. The resources available to the Storm Sewer Capital Program continue to decline as the storm sewer service and use charge fee rate has remained flat over the past decade while costs have continued to increase; therefore, identifying a more sustainable funding source must be a top priority for the CIP in the next three years. While the Communications Capital Program invests \$4.0 million for the replacement of emergency radios in 2022-2023, which includes a one-time infusion of \$2.0 million from the General Fund in addition to the ongoing General Fund support to the Communications Capital Program of \$900,000, the ongoing available resources in the Communications C&C Fund are not sufficient to keep up with the forecasted replacement schedule.

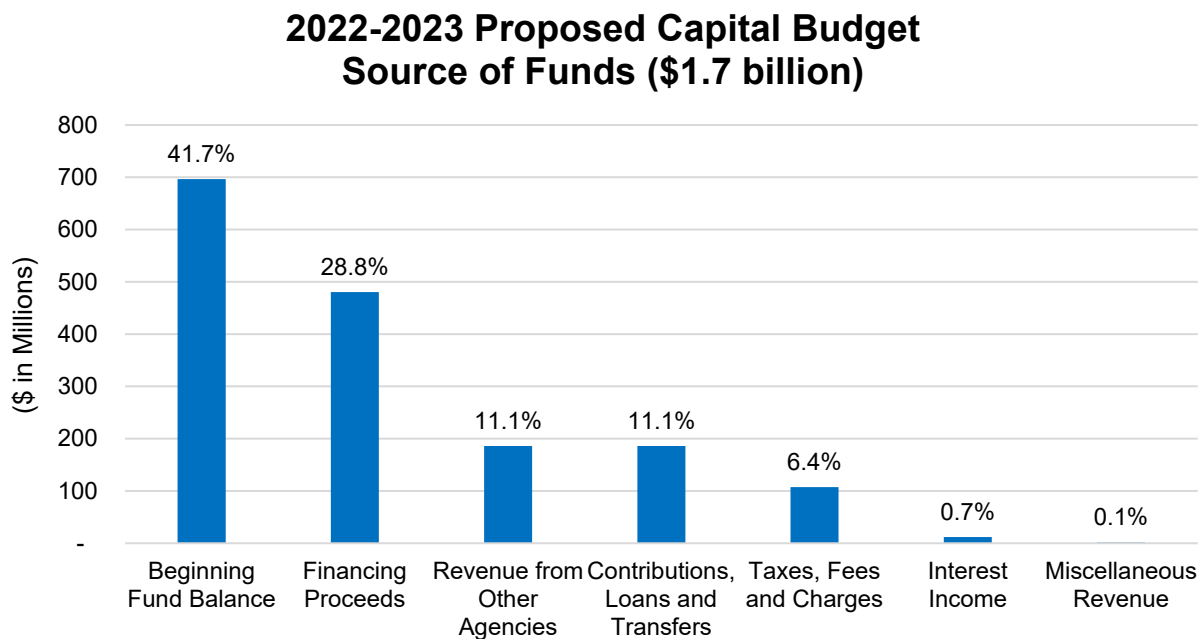
**2022-2023 PROPOSED CAPITAL BUDGET
2023-2027 CAPITAL IMPROVEMENT PROGRAM**

As part of future budget cycles, the Administration will bring forward recommendations to treat the replacement of emergency radios and other critical first responder assets, similarly to the replacement of Fire Apparatus, whereby the City allocates annual funding based on a ten-year horizon to ensure timely replacement.

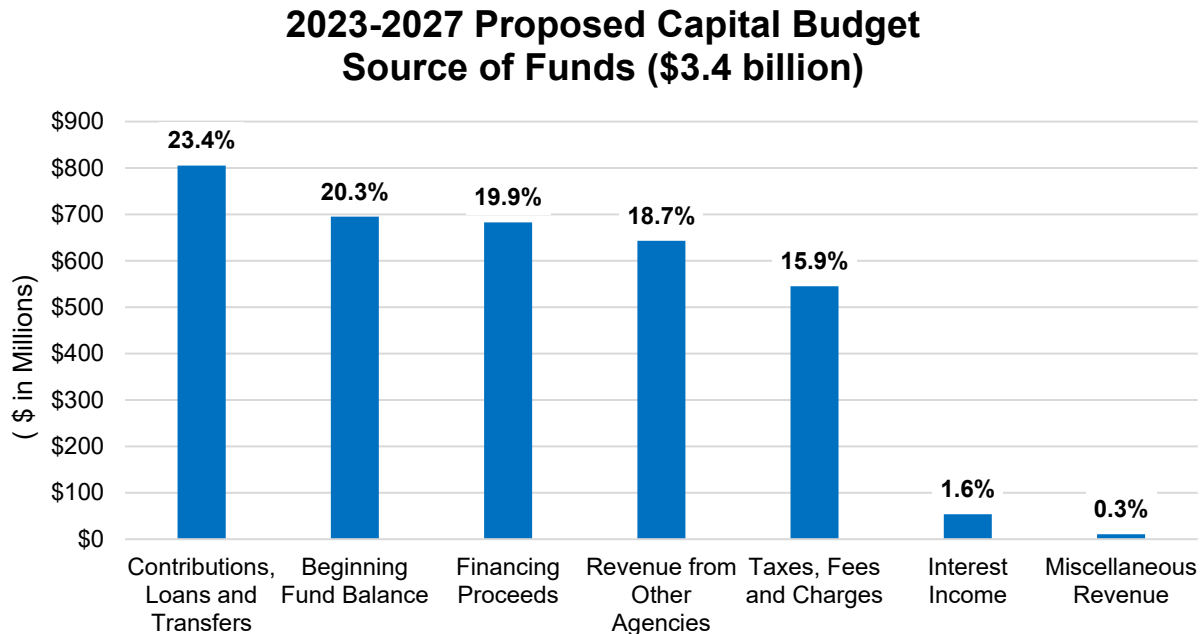
Even before the onset of the pandemic, the City lacked sufficient resources to fully maintain and fund its entire infrastructure portfolio. The Status Report on Deferred Infrastructure Maintenance Backlog, presented to the Transportation and Environment Committee on April 4, 2022, identifies an infrastructure backlog of approximately \$1.7 billion, with an additional \$91.5 million needed annually to maintain the City’s infrastructure in a sustained functional condition. While the backlog reflects a decrease of nearly \$70 million and the ongoing additional need has decreased by approximately \$1 million when compared to last year’s report, the City must continue to search for additional resources and leverage grant opportunities to ensure San José’s public assets are appropriately maintained.

CAPITAL PROGRAM FUNDING SOURCES

The City’s Capital Programs are supported by a variety of funding sources as shown in the graphs below that depict both the 2022-2023 and five-year CIP funding. A discussion of the five-year CIP funding sources follows.



CAPITAL PROGRAM FUNDING SOURCES



Contributions, Loans and Transfers total \$805.2 million. The largest transfers of funds are from the Sewer Service and Use Charge Fund to the Water Pollution Control Capital Program (\$310.0 million and to the Sanitary Sewer System Capital Program (\$172.0 million); Airport Surplus Revenue Fund to the Airport Capital Program (\$158.0 million); and General Fund (\$45.3 million) for capital projects with no other dedicated funding source.

The Beginning Fund Balances in the 2023-2027 Proposed CIP total \$695.0 million, representing 20.2% of the 2023-2027 Proposed CIP. The Traffic Capital Program has a Beginning Fund Balance totaling \$240.8 million, representing a significant amount of carryover project funding that will be spent over the next five years. The Parks and Community Facilities Development Capital Program’s Beginning Fund Balance is \$154.20 million, with most of the funds reserved pending determination of a final scope for projects, final project locations, and/or availability of future funding within a nexus of a project facility.

The 2023-2027 Proposed CIP includes revenues of \$682.8 million from Financing Proceeds. The Water Pollution Control Capital Program accounts for \$450.9 million from bond proceeds that will be used for the implementation of capital improvement projects included in the City Council-approved Plant Master Plan that responds to aging infrastructure, future regulations, population growth, and treatment technology improvements. The Traffic (\$159.0 million), Public Safety (\$16.8 million), Storm Sewer (\$15.7 million), Parks (\$6.0 million), and Municipal Improvements (\$5.0 million) capital programs incorporate Measure T proceeds totaling \$202.5 million for infrastructure needs. Commercial paper is expected to be issued for the Airport capital program to fund a portion of the construction costs for the Facilities Division Relocation project (\$23.0 million) and in the Parks and Community Facilities Development capital program to address remediation projects related to the 2017 flood event (\$8.3 million).

CAPITAL PROGRAM FUNDING SOURCES

Revenue from Other Agencies category totals \$642.9 million and is comprised of contributions from other agencies that use the Water Pollution Control Plant (\$165.1 million); State (\$194.1 million) and federal (\$139.8 million) grants and allocations; and revenue from local agencies (\$143.9 million) which derives most of its funding from the Valley Transportation Authority to fund pavement maintenance (\$138.5 million).

The 2023-2027 Proposed CIP includes an estimate of \$545.1 million in the Taxes, Fees and Charges category, a major increase when compared to the estimated level of \$487.2 million in the 2022-2026 Adopted CIP. Most of this revenue category is comprised of the C&C Tax (\$230.0 million), Building and Structure Construction Tax (\$95.0 million), Construction Excise Tax (\$84.0 million), and Airport Passenger Facility Charge (PFC) (\$130.0 million) proceeds. Forecasted increases in both C&C Tax revenues (up \$46.0 million) and PFC revenues (up \$15.1 million) – a reflection of the broader rebounding economy – are offset by the slight revenue reductions from Construction Excise Tax (down \$2.0 million) and Building and Structure Construction Tax (down \$1.0 million).

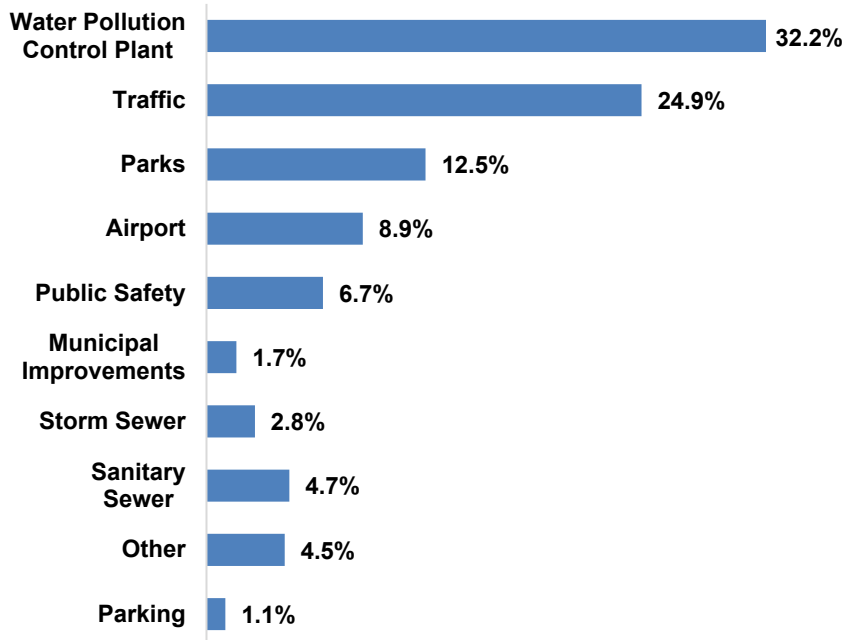


Coyote Creek Trail near Happy Hollow Park and Zoo Bent Bridge

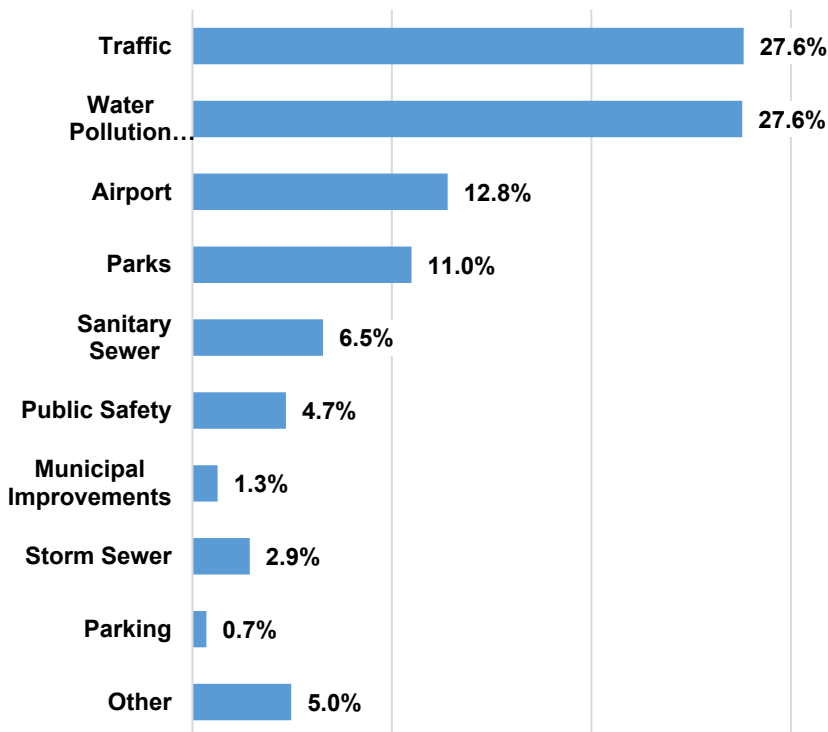
CAPITAL PROGRAM INVESTMENTS

The CIP consists of 14 capital programs. The following chart depicts the uses of funds by capital program and percentage of funding for the 2022-2023 Proposed Capital Budget and the 2023-2027 Proposed CIP. Major projects to be completed over the next five years are highlighted in the sidebar.

**2022-2023 Proposed Capital Budget
Use of Funds (\$1.7 billion)**



**2023-2027 Proposed CIP
Use of Funds (\$3.4 billion)**



Major Projects to be Completed Over the Next Five Years

2022-2023 Projects

- Bridge Libraries
- Dr. Martin Luther King, Jr. Library Lighting Retrofit
- Ice Center Expansion
- Garage Façade Improvements
- All Inclusive Playground – Almaden Lake Park
- Measure T – Emergency Operations Center Relocation
- Fourth Major Interceptor, Phase VIIA

2023-2024 Projects

- North 1st Street Sanitary Sewer Improvements
- Blossom Hill Road and Leigh Avenue Sanitary Sewer Improvement
- Willow-Keyes Complete Street Improvements
- Police A
- Police Athletic League Stadium Turf Replacement
- Seven Trees Community Center and Branch Library Roof Replacement
- Bascom Avenue Protected Bike Lanes

2024-2025 Projects

- Julian Street and St. James Couplet Conversion
- Downtown San José Bikeways
- Measure T – Fire Station 23 Relocation
- Measure T – Police Training Center Relocation
- Airfield Lighting Upgrades
- Measure T – Clean Water Projects

2025-2026 Projects

- Plantwide Security Systems Upgrade
- Route 101/Blossom Hill Road Interchange
- Terminal B Ramp Rehabilitation
- Measure T – Community Centers/Emergency Centers
- Terminal A Baggage Claim Carousels

2026-2027 Projects

- Nitrification Clarifier Rehabilitation
- Terminal A Ramp Rehabilitation
- Evergreen Reliability Well
- North San José Improvement – 101/Zanker
- Route 87/Capitol Expressway Interchange Improvements

**2022-2023 PROPOSED CAPITAL BUDGET
2023-2027 CAPITAL IMPROVEMENT PROGRAM**

MEASURE T GENERAL OBLIGATION BOND

In November 2018, San José voters approved the Measure T Bond Measure, which will provide up to \$650 million in General Obligation (GO) bonds for a wide variety of infrastructure needs, with at least \$300 million to be contributed to road rehabilitation over the course of the bond measure. Those priorities are reflected in this CIP, with \$418.7 million allocated over the next five years, including \$213.9 million budgeted in 2022-2023.

**Public Safety and Infrastructure Bond Fund (498)
(Projected Funding Sources and Expenditures in 2023-2027 Proposed CIP)**

Program	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total
<u>Traffic</u>						
Bridges	\$8,000,000	\$3,000,000	\$4,000,000			\$15,000,000
Pavement Maintenance	53,500,000	37,500,000	37,500,000	37,500,000	37,500,000	203,500,000
LED Streetlight Conversion	5,000,000	3,528,000				8,528,000
Admin – Traffic	31,000					31,000
Admin Reserve – Traffic	93,000					93,000
Total Traffic	\$66,624,000	\$44,028,000	\$41,500,000	\$37,500,000	\$37,500,000	\$227,152,000
<u>Public Safety</u>						
Fire Station 8 Relocation	\$14,000,000	\$408,000	\$383,000			\$14,791,000
Fire Station 23 Relocation	5,383,000	9,999,000	993,000			16,375,000
New Fire Station 32	10,007,000	566,000	382,000			10,955,000
New Fire Station 36	1,212,000	13,874,000	386,000			15,472,000
Emergency Operations Center Relocation	3,288,000					3,288,000
Police Training Center Relocation	26,006,000	1,765,000	386,000			28,157,000
Police Air Support Unit Hangar	8,400,000	100,000				8,500,000
911 Call Center Upgrades	1,978,000	198,000				2,176,000
Police Department Headquarters Upgrades	1,010,000					1,010,000
Public Safety Reserves	3,700,000	9,782,000	650,000			14,132,000
Public Art - Public Safety	406,000	222,000	22,000			650,000
Admin WC - Public Safety	411,000	12,000				423,000
Admin Reserve - Public Safety	1,388,000					1,388,000
Total Public Safety	\$77,189,000	\$36,926,000	\$3,202,000			\$117,317,000
<u>Storm Sewer</u>						
Charcot Pump Station	\$14,016,000	\$10,988,000	\$392,000			\$25,396,000
Clean Water Projects	7,007,000	10,546,000	4,949,000			22,502,000
Public Art – Storm Sewer	17,000	118,000	51,000			186,000
Admin – Storm Sewer	31,000	33,000				64,000
Admin Reserve – Storm Sewer	492,000					492,000
Total Storm Sewer	\$21,563,000	\$21,685,000	\$5,392,000			\$48,640,000
<u>Municipal Improvements</u>						
Environmental Protection Projects	\$400,000	\$2,800,000				\$3,200,000
City Facilities LED Lighting	2,200,000					2,200,000
Critical Infrastructure		2,955,000	1,970,000			4,925,000
Admin – Muni Improvements	6,000					6,000
Admin Reserve – Muni Improvements	96,000					96,000
Total Municipal Improvements	\$2,702,000	\$5,755,000	\$1,970,000			\$10,427,000

**2022-2023 PROPOSED CAPITAL BUDGET
2023-2027 CAPITAL IMPROVEMENT PROGRAM**

MEASURE T GENERAL OBLIGATION BOND

Program	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total
<u>Parks & Community Facilities</u>						
Community Centers/Emergency Shelters	\$5,905,000	\$4,306,000	\$1,515,000	\$12,000		\$11,738,000
Public Art – Parks	55,000	44,000	15,000			114,000
Admin – Parks	41,000	28,000	29,000			98,000
Admin Reserve Parks	12,000	55,000	8,000			75,000
Total Parks & Community Facilities	\$6,013,000	\$4,433,000	\$1,567,000	\$12,000		\$12,025,000
Total Expenditures	\$174,091,000	\$112,827,000	\$53,631,000	\$37,512,000	\$37,500,000	\$415,561,000
Ending Fund Balance	\$39,836,000	\$56,831,000	\$3,200,000	\$40,688,000	\$3,188,000	\$3,188,000
Total Uses	\$213,927,000	\$169,658,000	\$56,831,000	\$78,200,000	\$40,688,000	\$418,749,000

As the Measure T program matures and as improvements are further scoped and designed, the exact cost and phasing of the projects will continue to shift in the coming years. Work in 2022-2023 will focus on continuing with design or construction for multiple projects, such as the new and relocation of existing fire stations and the Police Training Center. It is important to note that as construction costs continue to rise and designs are refined, the City may experience funding gaps for projects scheduled to be completed in the outyears of the CIP. While every project previously identified is still funded, along with the Public Safety Program Reserve of \$14.1 million to provide a contingency for public safety projects, the Administration may need to identify alternative project scopes or funding strategies should existing resources prove insufficient. The Administration will continue to provide updates on the Measure T program as funding and priority needs are reevaluated. The next update to the City Council on the status of the Measure T program will occur by June 2022.



Fire Station 20

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Each of the 14 capital programs is aligned to one of six City Service Areas (CSAs). The chart below compares the 2022-2026 Adopted CIP with the 2023-2027 Proposed CIP for each CSA. As discussed earlier, the 2023-2027 Proposed CIP is 10.5% lower than the 2022-2026 Adopted CIP. Once funds to complete existing projects are rebudgeted from 2021-2022 to 2022-2023 as part of the Adopted Capital Budget process, the 2023-2027 CIP is expected to be relatively in line to the 2022-2026 Adopted CIP.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

**2023-2027 Proposed compared to 2022-2026 Adopted CIP
(By City Service Area)**

City Service Area	2022-2026 Adopted CIP	2023-2027 Proposed CIP	% Change
Community and Economic Development	\$20,437,096	\$19,871,984	(2.8%)
Environmental and Utility Services	1,602,190,080	1,321,540,852	(17.5%)
Neighborhood Services	400,802,001	425,651,830	6.2%
Public Safety	219,291,523	161,003,123	(26.6%)
Transportation and Aviation Services	1,431,462,019	1,412,923,239	(1.3%)
Strategic Support	165,248,549	94,124,597	(43.0%)
Total	\$3,839,431,268	\$3,435,115,625	(10.5%)

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

The major undergrounding projects in this CIP include:

- Lincoln Avenue (Lincoln Avenue to West San Carlos Street)
- Mckee Road/José Figueres Avenue (José Figueres Avenue to North Jackson Avenue)
- Monterey Road (Willow Street to Curtner Avenue)
- Kirk Park (Foxworthy Avenue from Yucca Avenue to Briarwood Avenue)
- Meridian Avenue (Park Avenue to Auzerais Avenue)

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA

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

Sanitary Sewer System Capital Program

The Sanitary Sewer System consists of approximately 2,030 miles of sewer mains ranging in diameter from six to 90 inches. The system serves the City, as well as three other jurisdictions, and conveys sewage to the San José-Santa Clara Regional Wastewater Facility (RWF).

The Proposed CIP includes a rate increase for the Sewer Service and Use Charge (SSUC) in 2022-2023 of 9.0%. In the remaining years of the CIP, rate increases are currently projected to range from 2.0% and 8.0% each year. These increases may be revised based on future assessments of capital and operating needs, changes in project costs, and/or other unforeseen circumstances.



Fourth Street 84-inch Interceptor Phase VI-A

Program priorities and objectives include improving sewer capacity in substantially built-out areas and less-developed areas to accommodate economic development; as well as the rehabilitation of existing sewers with a higher priority given to those with extensive, severe deterioration, and evaluated alongside race and income data of neighborhoods to ensure that rehabilitation efforts are equitably provided to the fullest extent legally permissible.

The major projects in this CIP include:

- Blossom Hill Road and Leigh Avenue Sanitary Sewer Improvement
- Master Planning Updates
- Cast Iron Pipe – Remove and Replace
- Condition Assessment Sewer Repairs
- Immediate Replacement and Diversion Projects
- Infrastructure – Sanitary Sewer Condition Assessment
- Fourth Major Interceptor, Phase VIIA
- Preliminary Engineering – Sanitary Sewer
- Sanitary Sewer Interceptor Management Program
- Urgent Rehabilitation and Repair Projects

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA (Cont'd.)

Storm Sewer System Capital Program

The Storm Sewer System of the City of San José consists of approximately 1,130 miles of sewer mains and 31 stormwater pump stations. The Storm Sewer System, which is separate from the Sanitary Sewer System, collects storm water that is eventually conveyed into the Guadalupe River or Coyote Creek. The City is responsible for planning, designing, constructing, and maintaining facilities for conveyance of stormwater runoff within the City's Urban Service Area to adjacent stream channels in accordance with the available budget and City Council priorities. Most of the design and construction of flood control facilities and the modification and maintenance of stream channels is the responsibility of Valley Water (formerly the Santa Clara Valley Water District) and the U.S. Army Corps of Engineers.



An outfall being rehabilitated on Thompson Creek

A sharp decline in the size of the CIP occurred in 2022-2026 and the CIP continues decreasing as a result of the reduction in revenues transferred from the Storm Sewer Operating Fund, which is funded through SSUC fees. With no rate increases over the past decade and the resulting flat assessments, the need to maintain operations and maintenance costs for the storm sewer system are expected to result in reduced capacity to perform important capital rehabilitation projects in the Storm Sewer System. To prevent underinvestment,

identifying additional funding for this capital program, including potentially from the General Fund, must be a priority within the next three years.

A key focus for the CIP over the next few years will be the delivery of Measure T funded projects, with Measure T Bond funding providing the largest source of funding for the Storm Sewer program. The projects include alleviating flooding and drainage issues in the Charcot Area and implementing regional green stormwater infrastructure projects to capture, filter, and treat stormwater before discharging it into receiving waterways.



Top of Precast PCC vault

The major projects in this CIP include:

- Citywide Outfall Improvements
- Green Infrastructure Improvements
- Large Trash Capture Devices
- Measure T – Clean Water Projects
- Measure T – Storm Drain Improvements at Charcot Avenue
- River Oaks Regional Stormwater Capture Project

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA (Cont'd.)

Water Pollution Control Capital Program

The San José-Santa Clara Regional Wastewater Facility (RWF) is a wastewater treatment facility serving eight South Bay cities and four special districts. A total of \$947.0 million will be directed to renovate and upgrade RWF infrastructure to ensure capacity and reliability of treatment plant processes. This work is guided by the Plant Master Plan (PMP) and includes anticipated bond issuances (\$450.9 million) in 2022-2023. The PMP recommends an estimated investment of approximately \$2.0 billion over a 30-year planning period to implement more than 114 capital improvement projects to perform long-term rehabilitation and modernization and address future regulatory requirements and capacity needs.



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

In addition to designing and managing construction projects, priorities for the near-term include managing long-term financing for San José's portion of the project costs, continuing to focus on program and project delivery, and actively managing project risks and variables to inform timing and amount of major encumbrances.

As discussed earlier, the 2023-2027 Proposed CIP includes a 9.0% increase for the SSUC Fund for 2022-2023 and rate increases from 2.0% to 8.0% are forecasted in the out-years. These rates will be reassessed each year based on a detailed implementation plan. The next five to ten years will see significant investment at the Plant based on the PMP, resulting in revitalized infrastructure to meet current and future customer demands, meet future environmental regulatory standards, and reduce odor impacts to the surrounding community.

Headworks Construction



CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA (Cont'd.)

Water Pollution Control Capital Program

The major projects in this CIP include:

- Additional Digester Upgrades
- Aeration Tanks and Blower Rehabilitation
- Digester and Thickener Facilities Upgrade
- Digested Sludge Dewatering Facility
- East Primary Rehabilitation, Seismic Retrofit, and Odor Control
- Facility Wide Water Systems Improvements
- Final Effluent Pump Station & Stormwater Channel Improvements
- Nitrification Clarifier Rehabilitation
- Secondary Clarifier Rehabilitation
- Support Building Improvements
- Various Infrastructure Decommissioning
- Yard Piping and Road Improvements

Water Utility System Capital Program

The San José Municipal Water System provides water service to approximately 118,000 residents via 26,700 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. A 12.2% water rate increase for 2022-2023 has been proposed. This increase is largely attributable to increased wholesale water costs from Valley Water and the San Francisco Public Utilities Commission, and lower volume of water sold due to the water conservation efforts in response to the significant drought.

The major projects in this CIP include:

- Annual Water Main Replacement
- Infrastructure Improvements
- North San José Reliability Well Construction
- North San José Well Development and Construction
- System Maintenance/Repairs



Installation of new pumps and motors at the Fowler Pump Station

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Neighborhood Services CSA

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

Library Capital Program

The Library Capital Program provides funding to acquire physical and electronic materials, install automation equipment and systems to support public information access needs, and support facility improvement needs and repairs. The objective of the Library Capital Program is to provide readily accessible, quality library services to San José residents.



Dr. Martin Luther King, Jr. Library

For many years, the Library Parcel Tax has been a significant source of support for the Library's Capital Budget. However, the 2023-2027 CIP includes Library Parcel Tax resources of only \$1.0 million, a significant decrease from the \$7.5 million included in the 2022-2026 CIP. This

decrease is attributable to the continued reliance on Library Parcel Tax revenue to support Library operations and programming during prolonged periods of General Fund shortfalls. While the strength of C&C revenues fully offsets the reduction from the Library Parcel Tax Fund so that the projects and programs currently included in the CIP are unaffected, there is limited remaining funds for other future capital infrastructure needs. As part of the 2023-2024 and future budget development processes, the Administration will evaluate and recommend a multi-year realignment of funding sources – between the Library Parcel Tax Fund, the Library C&C Fund, and the General Fund – to achieve a more balanced funding portfolio over the long-term for both Library operations and capital support.

The major projects in this CIP include:

- Acquisition of Materials
- Automation Projects and System Maintenance
- Branch Efficiency Projects
- Bridge Libraries
- Dr. Martin Luther King, Jr. Library Lighting Retrofit
- Facilities Improvements and Equipment

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Neighborhood Services CSA (Cont'd.)

Parks and Community Facilities Development Capital Program

The Parks and Community Facilities Development (P&CFD) Capital Program plans for and implements the acquisition, development, and protection of parks, recreation facilities, and open space to maintain a high quality of life in San José. This program provides oversight of the planning and development for approximately 3,573 acres of parks (regional/city-wide and neighborhood/community) and open space in the City's sphere of influence, as well as 16 City-operated community centers. Over 61 miles of trails are open to the public and several miles are in development. The ActivateSJ Plan, Trail Program Strategic Plan, General Plan, and Bike Plan 2020 all support further development of the trails; with a goal for an interconnected 100-mile urban trail network and 30 miles of hiking trails. Development of the trail network continued during 2021-2022, with opening of the Three Creeks Pedestrian Bridge (0.1 mile) over the Los Gatos Creek between Coe Avenue and Lonus Street. In addition, construction work began on the Coyote Creek Trail between Selma Olinder Park and Phelan Avenue.

Overall, the 2023-2027 Proposed CIP allocates \$377.2 million to the P&CFD program, including \$209.0 million in 2021-2022. The P&CFD's 2023-2027 Proposed (CIP) plans for over 200 major projects and over 100 small projects, with a focus on developing systems and processes to effectively anticipate capital needs over a multi-year period and plan for those needs accordingly. This has included developing a Park and Recreation Facility Project Inventory to prioritize projects that reach the park-poor areas of each Council District. It has also included an enhanced focus on data collection and GIS mapping to identify areas of need based on various factors such as health indicators, race, and income. The objective is to build an operating and capital rehabilitation model that can more effectively support the demands of the park system for the 10th largest city in the United States.



Delano Manongs Park

Other significant projects in this CIP include:

- | | |
|---|--|
| <input type="checkbox"/> Almaden Community Center Roof Replacement | <input type="checkbox"/> Happy Hollow Park and Zoo Lower Zoo Electrical Improvements |
| <input type="checkbox"/> Agnews Park Master Plan | <input type="checkbox"/> Meadowfair Park Restroom Renovation |
| <input type="checkbox"/> Columbus Park Soccer Facility | <input type="checkbox"/> Miner Park Walking Loop |
| <input type="checkbox"/> Coyote Creek Trail Lighting | <input type="checkbox"/> Police Athletic League Stadium Electrical Improvements |
| <input type="checkbox"/> Doerr Park Tot Lot Replacement | <input type="checkbox"/> Starbird Youth Center Improvements |
| <input type="checkbox"/> Guadalupe River Trail Union Pacific Under-Crossing | <input type="checkbox"/> Tully Road Ballfields Dog Park Improvements |
| <input type="checkbox"/> Hacienda Creek Park Improvements | |

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.

The major focus of the Public Safety Capital Program is delivering projects funded by the Measure T Bond Measure, with bond proceeds of \$190.0 million allocated to various projects, including new facilities, relocations of existing facilities, and rehabilitation of aging facilities. Projects scheduled as a result of these funds include: three new fire stations including Fire Station 37 in Willow Glen, as well as Fire Stations 32 (Santee) and 36 (Windmill Springs) to improve response times; expansion of Fire Station 20 (Airport Rescue and Fire Fighting) to allow for off-airport operations; relocations of Fire Stations 8 (Downtown East) and 23 (Vinci/Berryessa); a new Police Training Center, allowing for the full activation of the South San José Police Substation as estimated in the 2023-2027 General Fund Five-Year Forecast; relocation of the Police Air Support Hangar to accommodate future expansion at the Norman Y. Mineta San José International Airport (SJC); and relocation and expansion of the Emergency Operations Center (EOC) to the Central Service Yard. Of these projects, Fire Station 37 and Fire Station 20 are or will be completed in 2022, whereas the EOC is expected to be completed in the first half of 2023. The Office of Emergency Management Relocation and the Fire Training Center projects, both funded by the General Fund, are anticipated to be completed in the first half of 2023 as well.



New Fire Station 37

The major projects in this CIP include:

- Fire Training Center Relocation
- Measure T – EOC Relocation
- Measure T – New Fire Stations 32, 36
- Measure T – Police Training Center
- Measure T – Police Air Support Hangar
- Measure T – Relocated Fire Stations 8, 23

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA

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

Airport Capital Program

SJC is located four miles north of downtown San José. The primary air service area includes the Silicon Valley, neighboring counties of Monterey, Santa Cruz, and San Benito, as well as portions of adjacent Alameda and San Mateo counties. The Airport is currently classified by the Federal Aviation Administration as a medium-hub domestic airport with some international service.



The Airport Master Plan provides the framework for a phased program to adequately serve aviation demand at SJC projected out to the year 2037. Looking forward, the Airport will continue to implement the projects in the Master Plan as feasible and as financial affordability permits, and focus on refurbishment of the current facilities to maximize safety, improve efficiency, and increase passenger services. Priority Master Plan projects include relocation of the Airport's Facilities Division, relocation of the cargo facility and fueling station, and rehabilitation of airfield pavement apron to support additional airline gates.

The major projects in this CIP include:

- Airfield Configuration Updates
- Facilities Division Relocation
- Program Management
- Terminal Accessibility Upgrades
- Terminal A Ramp Rehabilitation
- Parking Accessibility Upgrades
- Terminal B Ramp Rehabilitation

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA (Cont'd.)

Parking Capital Program

The Parking Capital Program maintains and improves existing parking facilities, upgrades and replaces both off-street and on-street parking equipment, develops new parking facilities, and supports investments in multi-modal transportation facilities in the Greater Downtown area and meter districts. The off-street component of the program consists of eight garages and six surface lots with 7,293 parking spaces, located primarily within the Downtown core. The on-street component consists of 2,253 metered parking spaces in the areas of Downtown, Japantown, Civic Center, and SAP Center/Diridon Station.



Conceptual Market Street Garage Façade Project

The 2023-2027 Proposed CIP provides total funding of \$26.5 million over the five years, of which approximately \$20.0 million is programmed for CIP projects and \$5.8M to replenish CIP reserves. As parking operations slowly return to pre-pandemic levels, operating revenues have continued to rebound. In this 2023-2027 Proposed CIP, project budgets have been programmed around addressing larger scale maintenance needs and rehabilitating the aging garage elevator infrastructure.

The major projects in this CIP include:

- Garage Elevator Upgrades
- Minor Parking Facility Improvements

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA (Cont'd.)

Traffic Capital Program

The mission of the Traffic CIP is to implement and manage a multimodal transportation system that is safe, efficient, environmentally sensitive, and maintained in the best condition possible consistent with the goals and policies of the Envision San José 2040 General Plan (General Plan). The General Plan defines a network of major streets, bikeways, pedestrian corridors, and regional transportation facilities needed to support planned land uses within the City. Implementation of the City's planned transportation system, therefore, is an important element of economic development and supports a livable community. The 2023-2027 Proposed CIP provides funding of \$ 949.4 million, of which \$415.1 million is allocated in 2022-2023.



***Pedestrian Safety
Improvements***

Transportation Safety and Multimodal Improvements

The 2023-2027 Proposed CIP includes investments targeted towards providing safe streets for all modes of travel and balanced transportation by investing approximately \$204.6 million in traffic safety and efficiency and local multimodal improvements. In this Proposed CIP, approximately \$5.4 million is allocated to implement the recently adopted Better Bike Plan 2025. Fourteen miles of new bikeways and 19 miles of existing bikeway improvements will be constructed over the next two years. Many of these projects support ongoing planning initiatives such as Bike Plan 2025, Vision Zero, Envision San José 2040, and several specific plans such as En Movimiento. Additionally, consultant services are being procured to develop a pedestrian safety plan focusing on City Council Districts identified in the City's 2020 Vision Zero Action Plan with the most traffic fatalities and severe traffic injuries.

The Vision Zero Action Plan is a safety investment strategy of approximately \$24 million to significantly reduce traffic fatalities and severe injuries on the City's roadways. A total of \$10.7 million of the \$24.0 million has been programmed through 2022-2023 for data analytics, outreach & engagement, and quick-build safety improvements. The Hillsdale Avenue quick-build project will be going into construction in Spring 2022 and will be completed in Summer 2022. Quick-build improvements for Branham Lane, McKee Road, Tully Road, and White Road are in the design phase and will be implemented in 2022-2023. Improvements will also be identified for implementation on both Monterey Road and Senter Road to improve safety.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA (Cont'd.)

Traffic Capital Program (Cont'd.)

Regional Transportation System Expansion

The transformation and expansion of the regional transportation system represent the largest public infrastructure investment in the history of San José. These projects will dramatically transform Downtown San José and provide integrated travel choices across the region and state. Individual elements of the regional transportation system are in various stages of conceptual planning, environmental clearance, pre-construction, and construction, including Silicon Valley BART Downtown/Santa Clara Extension (Phase II), California High Speed Rail, Airport Connector, the Diridon Integrated Station, Eastridge to BART Regional Connector (formerly Capitol Expressway Light Rail Extension), and Caltrain Modernization.

The City is also investing in safety on existing rail and transit lines, most notably with significant investment to maintain or add federally recognized "Quiet Zones" along the Vasona Light Rail and Warm Springs Union Pacific lines. Included in this Proposed Budget is \$8.0 million in state funding provided from Senate Bill 129 for the Warm Springs Quiet Zone effort. These investments will improve safety for people crossing the tracks and reduce train horn noise for surrounding residents.

Pavement and Transportation Infrastructure Maintenance

Overall, the 2023-2027 Proposed Traffic CIP allocates \$508.5 million for maintenance activities, of which \$489.4 million is earmarked for pavement maintenance. The pavement maintenance funding of \$489.4 million amounts to an annual average over the next five years of \$97.8 million.



***Quick Build Safety Improvements
at W San Fernando St and Almaden
Blvd***

San José's street system consists of 2,519 miles of pavement and the current average PCI for all San José streets is 68, which is a rating of "Fair". To reach and sustain "Good" condition (PCI 70), and significantly reduce the backlog of deferred maintenance, the City would need to invest \$83.5 million annually for 10 years. While average funding levels for the next ten years are estimated at approximately \$81.2 million per year and fall slightly short of the total amount of needed funding by \$2.3 million, this funding level still allows for a significant reduction of the backlog and has fundamentally changed the situation from previous years. Although DOT has tracked equity in paving operations for several years, DOT started considering equity as a prioritization criterion for the Local and Neighborhood Pavement Maintenance program in 2022. DOT cross-referenced the selected zones with census tracts designated by the Metropolitan

Transportation Commission as "Equity Priority Communities" (EPC), formerly known as "Communities of Concern" to better track equity in service delivery. Results confirmed that 287 out of 356 miles (roughly 80%) of local and neighborhood streets designated in EPC areas will be maintained by the end of 2024.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA (Cont'd.)

Traffic Capital Program (Cont'd.)

The major projects in this CIP include:

- | | |
|---|---|
| <input type="checkbox"/> Balbach Street Transportation Improvements | <input type="checkbox"/> Pavement Maintenance |
| <input type="checkbox"/> Better Bikeways San Fernando | <input type="checkbox"/> Senter Road Pedestrian Safety Improvements |
| <input type="checkbox"/> Julian Street and St. James Couplet Conversion | <input type="checkbox"/> Tully Road Corridor Safety Improvements |
| <input type="checkbox"/> Measure T – Bridges | <input type="checkbox"/> W San Carlos Corridor Safety Improvements |
| <input type="checkbox"/> Measure T – LED Streetlight Conversion | |

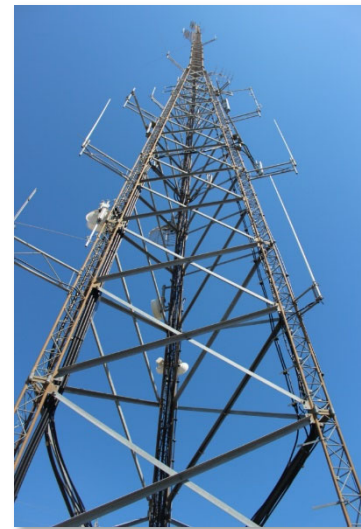
Strategic Support CSA

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

Communications Capital Program

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

The Silicon Valley Regional Interoperability Authority (SVRIA) is a joint powers authority consisting of 19 member agencies, including the City of San José, whose mission is to identify, coordinate and implement communication interoperability solutions to its member agencies by integrating voice and data communications between law enforcement, fire and rescue services, emergency medical services, and emergency management for routine operations, critical incidents, and disaster response and recovery. San José currently has 3,310 radios on the Silicon Valley Regional Communications System, of which 3,102 belong to Police and Fire. Due to a large portion of the radios reaching the end of their useful life, the 2023-2027 CIP allocates \$4.0 million to replace an estimated 429 radios, which includes a one-time allocation from the General Fund of \$2.0 million to supplement the radio placement budget. As this level is insufficient to fully replace radios that will reach their end-of-service dates, the City will need to prioritize additional funding as part of future budget cycles and apply for supplementing grant resources to ensure that core public safety needs are met.



***Transmitter Antennae
at Coyote Peak***

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Strategic Support CSA

Communications Capital Program (Cont'd.)

The major projects in this CIP include:

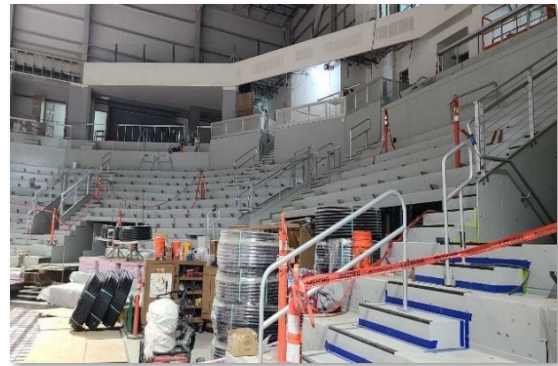
- Communications Maintenance
- Silicon Valley Regional Communications System – Radios
- Silicon Valley Regional Interoperability Authority - Administration
- Silicon Valley Regional Interoperability Authority – Maintenance

Strategic Support CSA (Cont'd.)

Municipal Improvements Capital Program

The Municipal Improvements Capital Program provides capital improvements and maintenance for City facilities and their operating systems that are not funded in other capital programs. The overall goal of this program is to develop and maintain functional City facilities that meet the service needs of both internal and external customers. The scope of City facilities under this program comprises almost 3 million square feet of space and includes cultural facilities such as The Tech Interactive, Hammer Theatre Center, and San José Museum of Art, to name a few.

The 2023-2027 Proposed Municipal Improvements CIP provides one-time funding of \$3.0 million in 2022-2023 to help address deferred maintenance for City facilities and an additional \$1.0 million from the General Fund is specifically programmed in 2022-2023 to rehabilitate or support cultural facilities. Additionally, the 2023-2027 Proposed CIP provides \$16.0 million for the continued construction of Ice Centre Expansion project; the cost for this project is fully funded by lease revenue bonds, the debt service for which is fully paid by lease payments paid to the City by Sharks Ice.



Ice Centre Expansion – March 2022

The major projects in this CIP include:

- City Hall Security Upgrades
- Ice Centre Expansion
- Measure T – City Facilities LED Lighting
- Measure T – Critical Infrastructure
- San José Municipal Stadium LED Lighting

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Strategic Support CSA (Cont.)

Service Yards Capital Program

The objective of the Service Yards Capital Program is to maintain and improve the existing conditions at the City's Service Yards by implementing projects to reduce safety hazards, increase efficiencies, and provide necessary equipment and materials for operations. While ongoing funding is allocated to address general capital improvement needs, the repayment of debt associated with various projects at the Central Service Yard (CSY), including the Fire Department Training Center, represents the largest use of non-construction funds in the 2023-2027 Proposed CIP. Due to an infusion of funding from the Series 2021 lease revenue bonds issued in November 2021, \$7.6 million of new construction projects at the CSY have now been programmed into the Service Yards Capital Program.



Fire Truck Maintenance at the Central Service Yard

The major projects in this CIP include:

- Central Service Yard – Bldg. F Expansion
- Central Service Yard – Fueling Island
- Central Service Yard – Pavement Replacement
- Central Service Yard – Service Yards Generators Replacement
- Service Yards – LED Lighting Upgrade

OTHER CAPITAL PROGRAM HIGHLIGHTS

Operating Budget Impacts

This CIP continues to balance the delivery of capital programs with the limited resources available to operate and maintain existing and newly-constructed facilities. The Administration also pursues strategies to ensure the most cost-effective operation of City facilities, including installing capital improvements that reduce costs, such as energy efficient lighting and 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.”

OTHER CAPITAL PROGRAM HIGHLIGHTS

Operating Budget Impacts (Cont'd.)

In addition, all CIP projects with new General Fund operating and maintenance costs are detailed in the Five-Year General Fund Forecast and included as part of the annual CIP. Several of the Measure T projects will incur significant operating and maintenance costs in the future, including the new fire stations and the Police Training Center. The annual operating and maintenance costs for Columbus Park Soccer Fields, 911 Call Center Expansion, City Streetlight LED Conversion (Controllers), Fire Station 32 and 36, the Police Training Center, and the subsequent activation of the South San José Police Substation will be brought forward for City Council certification at the time of construction contract award.

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

OTHER CAPITAL PROGRAM HIGHLIGHTS

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

Project Type	2023-2024	2024-2025	2025-2026	2026-2027
Parks Facilities	154,000	1,115,000	1,336,000	1,389,000
Public Safety Facilities		7,164,000	14,455,000	14,192,000
Storm Sewer	163,000	168,000	173,000	178,000
Traffic Projects	77,000	155,000	205,000	235,000
General Fund Total	394,000	8,602,000	16,169,000	16,714,000
Water Pollution Control Plant		5,147,000	16,146,000	16,887,000
Special Fund Total	163,000	5,315,000	16,319,000	17,065,000
All Funds Total	394,000	13,749,000	32,315,000	33,601,000

For the General Fund, these costs are estimated at \$394,000 in 2022-2023 and are anticipated to increase to \$16.7 million by 2026-2027. Most of the costs are for Public Safety facilities, including new Fire Stations 32 and 36, but also include Park Facilities, as well as Storm Sewer and Traffic projects. The operating and maintenance costs for the new Police Training Center and the full activation of the South San José Police Substation are also included in the cumulative costs, though the costs reflect an early look of the activation of both sites and could potentially being higher or lower depending on the final design of the Police Training Center, the operational plan, and the level of available resources.

OTHER CAPITAL PROGRAM HIGHLIGHTS

Operating Budget Impacts (Cont'd.)

In addition, the expanded infrastructure investment at the Water Pollution Control Plant will result in significant operating costs to the San José-Santa Clara Treatment Plant Operating Fund in the coming years. It is estimated that additional maintenance and operations costs will total \$5.1 million starting in 2024-2025 due to the Digested Sludge Dewatering Facility which is expected to come online during that year to replace the existing sludge storage lagoons, and then increase to \$16.3 million in 2025-2026 and \$17.1 million in 2026-2027.

Art in Public Places

A vibrant public art program is vital to continue the cultivation of a diverse and thriving community. To provide funding for the City’s public art program, one percent of all construction project funding is generally required to be allocated to public art. Some types of projects, such as those for seismic and ADA retrofits, rehabilitation, maintenance and operations, non-construction projects (such as studies), affordable housing, and the Water Pollution Control Plant, are exempted from this one percent public art contribution requirement.

As a result of this program, iconic public art works can be found at the Airport, Downtown, public safety facilities, parks, and library facilities. The Proposed CIP continues to provide meaningful funding to build and display art in public places. A total investment of \$2.4 million is programmed for eligible public art projects that span all capital programs in the 2023-2027 Proposed CIP. This figure is in addition to the estimated \$6.9 million in public art expenditures previously programmed for 2021-2022 and does not yet include public art associated with all Measure T Bond projects. The allocation for public art will be applied once the scopes of eligible projects are more fully defined.



*El Sueño de la Mariposa (The Dream of the Butterfly) –
Morgan Bricca*

CONCLUSION

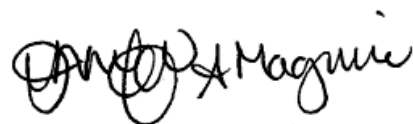
A reflection of the City's continued commitment to public assets, the 2023-2027 Proposed CIP of \$3.4 billion, across multiple funding sources, represents the implementation of the public safety, transportation, and environmental protection projects authorized by Measure T. The City continues to focus on the rehabilitation and renewal of existing infrastructure, the limited construction of new infrastructure, and the integration of technical and equity-based analysis to guide the stewardship of public assets for our diverse community well into the future.

Projects delivered over the next five years will improve the City's roadways; address the reliability, appearance, and recreational opportunities of parks and recreational facilities; significantly upgrade the City's wastewater treatment facility; deliver continued improvements to the Airport; and reduce pollutants within storm drains and creeks. Looking forward, the City will also continue to work with other agencies on major regional projects including BART Phase II, High Speed Rail, an expanded and redeveloped Diridon Station, Caltrain Modernization, and highway interchanges that will dramatically alter the City's transportation infrastructure.

While the Proposed CIP addresses major infrastructure needs, a significant infrastructure maintenance backlog remains. The Administration will continue to target resources toward their most important need with an equity-focus and seek all possible avenues to secure federal, State, and regional funding to supplement available City funding.

This CIP was developed to reflect the needs and priorities of the City Council, our residents, businesses, and visitors. Under the direction of the City Manager's Budget Office, the 2022-2023 Proposed Budget and 2023-2027 Proposed CIP was developed in coordination with all 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.

Respectfully Submitted,



Jennifer A. Maguire
City Manager

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