

September 14, 2011

HONORABLE MAYOR AND CITY COUNCIL:

I am pleased to present the 2011-2012 Adopted Capital Budget and the 2012-2016 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.

The 2012-2016 Adopted CIP was developed in coordination with all of the CSAs and City departments responsible for capital projects. As required by City Charter, the Planning Commission reviewed the Proposed CIP for conformance to the General Plan and submitted its comments and recommendations to the City Council.

The City's capital investments planned over the next five years are well below levels experienced in recent years, but remain significant, with a 2011-2012 Adopted Capital Budget of \$1.06 billion and a 2012-2016 Adopted CIP of \$1.92 billion. As a result of higher transfers from Special Funds (mainly Sewer Service and Use Charge Fund), offset by significantly lower interest income and reduced revenue from the federal government, the 2011-2012 Adopted Capital Budget reflects an increase of 15.9% from the 2010-2011 Adopted Capital Budget of \$918.5 million. From a five-year perspective, the 2012-2016 Adopted CIP is also 11% higher than the 2011-2015 Adopted CIP of \$1.73 billion.

With this Adopted CIP, the City enters a new period of reduced, albeit still significant, capital investment following the *Decade of Investment*, which 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 will have funded a total of \$599 million for these purposes. 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 transformed the gateway to the 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.

The next several years will include substantial investments in the Convention Center, water pollution control plant, sanitary sewer, and storm sewer infrastructure, designed to add capacity to ensure economic development for future growth and ensure continued safe and efficient facility operations while meeting new and more stringent regulatory requirements.

2011-2012 ADOPTED CAPITAL BUDGET

2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM FUNDING

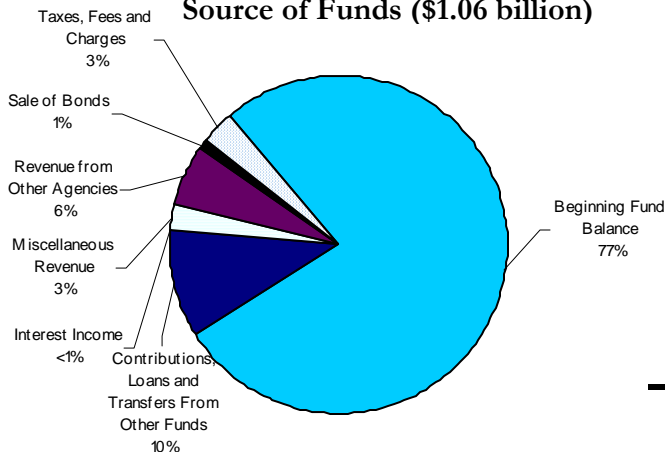
The 2011-2012 Adopted Capital Budget totals \$1.1 billion dollars. The large Beginning Fund Balance accounts for almost 77% of the total Source of Funds. As a significant number of capital projects are completed over the next five years, a corresponding reduction to the beginning fund balance totals should occur. Contributions, Loans and Transfers from Other Funds and Revenue from Other Agencies comprise of 10% and 6%, respectively, of the total source of funding.

The 2012-2016 Adopted CIP is supported by a combination of funding sources totaling \$1.9 billion as shown in the chart below. Beginning Fund Balances, in the various funds, account for approximately 43% or \$822.1 million of the funding. There are large Beginning Fund Balances in the Airport Capital Program (\$344.1 million), which mainly reflects the Airport's Commercial Paper capacity. The Parks and Community Facilities Development Capital Program has a total of \$132.4 million in the Beginning Fund Balances (e.g., \$60.8 million in the Park Trust Fund, \$37.1 million in the various Parks Construction and Conveyance (C&C) Tax funds, and \$33.6 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 the facility. The Municipal Improvements Program has a significant Beginning Fund Balance of \$99.9 million in the Convention Center Facilities District Project Fund. This fund accounts for the bonds issued in April 2011 for the Convention Center Expansion and Renovation project, and a large portion of the project is anticipated to occur in 2011-2012. The remaining beginning fund balances in the 2012-2016 Adopted CIP primarily reflect planned carryover funding for projects expected to be initiated or completed in the next five years.

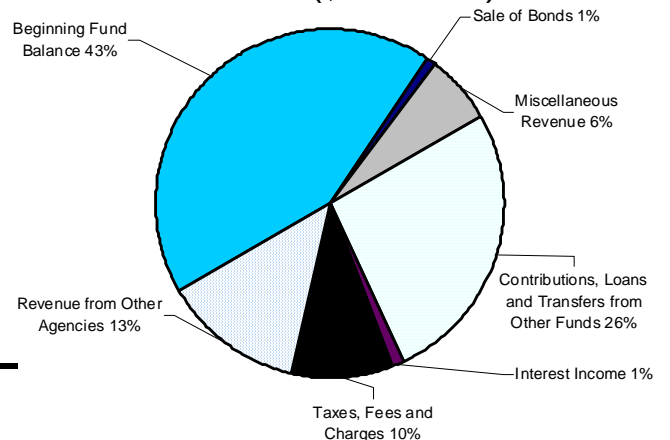
The second largest funding source in the Adopted CIP is the Contributions, Loans and Transfers from Other Funds to support capital investments (\$506.4 million or 26% of the funding for the 2012-2016 Adopted CIP). Examples of Contributions, Loans and Transfers from Other Funds include revenue from storm and sanitary operating funds, supported by utility user fees, to pay for the capital outlay of those utility systems. Revenue from Other Agencies comprises \$249.3 million or 13% of the funding source for 2012-2016. This category includes revenue from the Water Pollution Control Plant User Agencies as well as funds from the federal government and the State.

Taxes, Fees and Charges category is the next largest category and the three major funding sources are C&C Tax, Construction Excise, and Building and Structure Construction Taxes. A more detailed discussion of the CIP revenues can be found in the Summary Information section of this budget.

2011-2012 Adopted Capital Budget
Source of Funds (\$1.06 billion)



2012-2016 Adopted Capital Improvement Program
Source of Funds (\$1.92 billion)

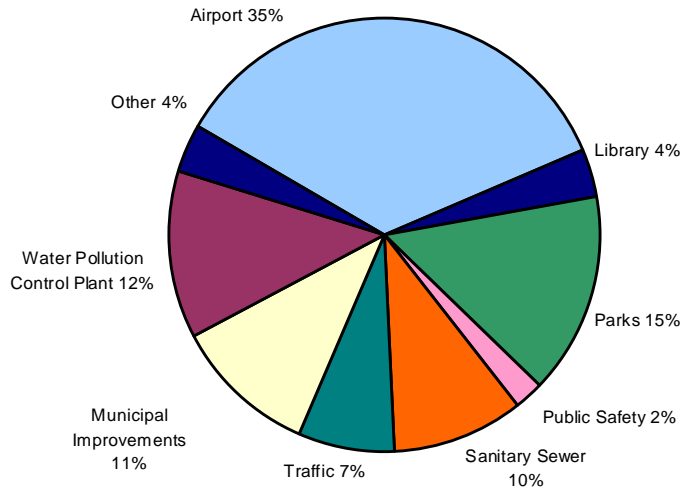


**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

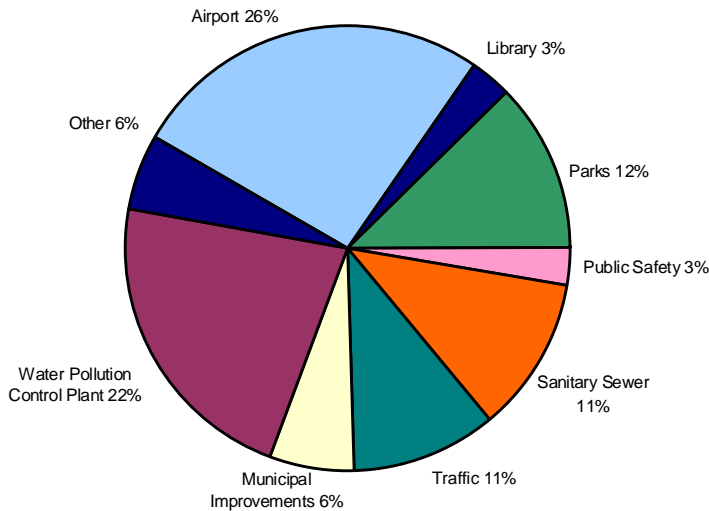
MAJOR CAPITAL INVESTMENTS

The CIP is composed of 14 capital programs. Following is a breakdown of the major programs:

**2011-2012 Adopted Capital Budget
Use of Funds (\$1.06 billion)**



**2012-2016 Adopted Capital Improvement Program
Use of Funds (\$1.92 billion)**



Major Projects to be Completed Over the Next Five Years

2011-2012 Projects

- Calabazas Branch Library
- Fair Swim Center Improvements
- Fire Station 24 – Relocation (Silver Creek/Yerba Buena)
- Route 101/Mabury Road Interchange (Phase I)
- SBWR Backup Water Supply
- Traffic Signal Communications and Synchronization
- Route 101/Tully Interchange Upgrade (Phase I)

2012-2013 Projects

- 2010 STP Resurfacing and Rehabilitation Project
- Allen at Steinbeck School Soccer Field, Phase I
- Alum Rock School District Sports Field Partnership (Sheppard Middle School)
- Branham Park Playground Renovation
- Calabazas Basketball Court Renovation
- City Owned – Garage Elevator Upgrades
- Convention Center Expansion and Renovation
- Diridon Area Parking and Multi-modal Improvements
- Downtown Event Parking Dynamic Message Sign Repair and Upgrades
- Fire Station 37 (Willow Glen)
- Guadalupe River Park and Gardens Improvements (Rotary Club)
- TRAIL: Coyote Creek (Highway 237 Bikeway to Tasman Drive)
- TRAIL: Lower Guadalupe River (Gold Street to Highway 880)
- TRAIL: Thompson Creek (Tully Road to Quimby Road)
- TRAIL: Three Creeks Interim Improvements and Trestle Bridge

2013-2014 Projects

- Fire Station 21 – Relocation (White Road)
- Ground Transportation Island Modifications
- ITS: Transportation Incident Management Center
- Peppermint Drive Water Main Replacement
- Southeast Branch Library
- TRAIL: Penitencia Creek Reach IB (Noble Avenue to Dorel Drive)

2014-2015 Projects

- Digester Rehabilitation
- Fourth Major Interceptor, Phase VIIA
- Lamplighter Relief Pump Station and Force Main
- Non-Terminal Area Projects
- Willow Glen-Guadalupe, Phase III

2015-2016 Projects

- Gumdrop Drive Water Main Replacement
- Lincoln-Parkinson Storm Sewer Improvement
- Plant Electrical Reliability
- Revenue Control Upgrades
- Taxiway W Improvements

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

MAJOR CAPITAL INVESTMENTS (CONT'D.)

In the 2012-2016 CIP, capital investments fund infrastructure improvements throughout the City including: libraries, parks, community centers, storm and sanitary sewer systems, airport, water pollution control plant, transportation systems, municipal water systems and public safety facilities.

The largest component of the CIP is the Airport Capital Program with a budget of \$504.7 million to advance the Airport Master Plan, last amended in June 2010. The Airport Master Plan identifies improvement projects to be implemented in a phased program to adequately serve aviation demand projected out to the year 2027. Since most of the major projects have been completed, including the new Terminal B, Consolidated Rental Car Facility and associated terminal area improvements, this CIP reflects a shift in focus from the many projects comprising the Terminal Area Improvement Program to the business needs and opportunities beyond the terminal areas. Specifically, it supports the development of general and corporate aviation facilities on the Airport's west side and the rehabilitation of the areas in the northeast and southeast quadrants of the Airport's property. These improvements are expected to generate new Airport and General Fund revenues, provide employment opportunities, and result in corresponding increases in federal, State and local taxes.

The Water Pollution Control Capital Program is the next largest single component of the 2012-2016 Adopted CIP. A total of \$426.7 million is allocated in this program to renovate and upgrade the Water Pollution Control Plant infrastructure and to ensure capacity and reliability of treatment plant processes. After a three-year process initiated in 2008, the preferred option of the 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 early 2013. The 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. 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.



***Aeration Basin for the Activated
Sludge Process***

Photo by Robert Dawson

The Parks and Community Facility Development (P&CFD) Capital Budget is the third largest program in the CIP with a budget of \$237.2 million. The funds in the P&CFD are used for the acquisition, development, and maintenance of parks, recreational facilities, trails, and open space. As stated previously, large amounts of Parks funds have been set aside in reserves pending final scope of projects and locations or pending future funding becoming available within the nexus of the facility. Two large projects in the P&CFD Capital Program that are expected to be completed in this CIP include the Lower Guadalupe River Trail (Gold Street to Highway 880) and Allen at Steinbeck School soccer field.

Further discussions of all 14 capital programs are detailed later in this transmittal letter.

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

MAJOR CAPITAL PROGRAM HIGHLIGHTS

UNMET INFRASTRUCTURE/MAINTENANCE NEEDS

As presented to the City Council on October 1, 2007 in the “Deferred Maintenance and Infrastructure Backlog Progress Report,” insufficient funding has created a gap between funding available and the resources necessary to maintain the overall condition of City infrastructure. This includes the City’s building, parks, technology, traffic (streets, traffic lights, signs, and streetlights) and utility infrastructure. The economic environment has exacerbated this funding gap and increased the funding necessary to keep the City’s infrastructure well maintained. The figures in this report were updated and were reported to the Transportation and Environment Committee in May 2011 with an approximate \$754 million backlog across the City, of which \$473 million, the largest unfunded need, is for facilities supported by the General Fund. Assuming this one-time backlog could be met, an ongoing annual investment of \$114 million, of which \$105 million would be required from the General Fund, would be needed to maintain and prevent degradation of the infrastructure for which the City is responsible. Given the current General Fund structural deficit as detailed in the 2012-2016 Five Year General Fund Forecast, it is highly unlikely in the foreseeable future that additional funding could be identified within the current revenue and expenditure structures. With the majority of the infrastructure backlog traffic-related (approximately \$417.9 one-time needs and \$94 million of ongoing needs that the City would be responsible for), street surface conditions will likely degrade further. Additional details on the impact of the transportation infrastructure can be found in the Traffic Overview of this budget. The next largest unfunded need for Capital Funds is for the sanitary sewer system with a one-time need of \$171 million and the ongoing funding need yet to be determined. The one-time need was established with the completion of a Pilot Condition Assessment Program to inspect a small percentage of the collection system and extrapolate the results across the 2,200 mile system. Additional information concerning the capacity needs of the system will be available in 2011-2012. Both the condition and capacity needs of the collection system will guide capital budget recommendations for future years.

The City’s deferred infrastructure and maintenance needs as of 2008 were included in the General Fund Structural Deficit calculation. The General Fund Structural Deficit Elimination Plan released in November 2008 and updated in February 2009 as part of the 2010-2014 Five-Year General Fund Forecast identified strategies to address this deficit. These strategies included a combination of cost savings, revenue, and service reductions/eliminations. Without the combined implementation of these three strategies identified in the General Fund Structural Deficit Elimination Plan, it is unlikely that the maintenance backlog will be reduced. In fact, it is more likely that the backlog will continue to grow, unless the underlying revenue and expenditure structure of the General Fund are addressed as directed in the City Council approved March Budget Message for 2011-2012. In response to the Mayor’s March Budget Message, the Administration issued a Fiscal Reform Plan (Manager’s Budget Addendum #1) on May 2, 2011 which included recommendations to achieve \$216 million per year in cost reductions and/or new revenues for the General Fund in accordance with the approved Fiscal Reform Guiding Principles. The plan was modified and approved by the City Council in June 2011.

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

UNMET INFRASTRUCTURE/MAINTENANCE NEEDS (CONT'D.)

In addition to the outstanding items for which the General Fund would be the primary or partial funding source, significant needs also remain for the City's various Special Fund programs. For example, as part of the Plant Master Plan (reviewed by the City Council April 19, 2011, with environmental clearance scheduled for completion in early 2013), total capital infrastructure improvement and treatment technology changes identified through the Master Planning process amounts to \$2.2 billion over 30 years, making it the largest single capital investment in the City's history.

In this Adopted CIP, a total of \$305.0 million is allocated toward construction projects at the Plant in order to begin to address these infrastructure needs.

GENERAL FUND OPERATING BUDGET IMPACTS

The 2012-2016 Adopted CIP attempts to balance the delivery of a capital program with the severely 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 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, and installing capital improvements that would reduce costs, such as energy efficient traffic signals.

As part of the 2008-2009 budget process, the City Council approved Budget Principle #8 recommended in the Mayor's March Budget Message. This Budget Principle directs that 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 or San Jose Redevelopment Agency budget. A detailed discussion regarding previously certified projects follows in the subsequent pages of this Message.

On February 9, 2010, the City Council approved to place a hold on the design and construction of 12 new parks and recreation facilities (including trails) in order to avoid the impact of ongoing operating and maintenance costs to the General Fund. Staff was instructed to reevaluate these projects annually during the budget process. On November 16, 2010, the City Council adopted Resolution No. 75638 which provides various mechanisms for proceeding with development of new parks and recreation facilities while minimizing the operating and maintenance impacts to the General Fund. This Resolution provided guidance for a pilot program that expires in December 2012 which authorizes the City Manager to move forward with the construction of new recreational facilities if non-General Fund funding is identified to provide for a three year park establishment period and/or for long-term maintenance of the new recreational facility. Subsequent to these recommendations, two parks previously on hold are now proceeding with development – Buena Vista Park and Newhall Park.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

GENERAL FUND OPERATING BUDGET IMPACTS (CONT'D.)

On June 14, 2011, the City Council adopted a resolution to amend and restate the policy and pilot program approved by the City Council on November 16, 2010 which removed any reference to the “trail” from the policy and expanded the policy to allow more residential development projects to take advantage of the policy and pilot program by receiving credit against their parkland fees in exchange for providing long-term maintenance of the new park or recreational facility. As new parks and recreation facilities are allowed to proceed based on this revised policy, no additional operating and maintenance costs to the General Fund are expected to be generated for at least 11 years after a project is completed. In addition, Parks, Recreation and Neighborhood Services Department will work to identify alternative funding sources for maintenance of the new park or recreation facility.

As part of the Mayor’s March 2011 Budget Message that was approved by the City Council on March 22, 2011, the City Manager was directed to defer any avoidable committed additions in the 2011-2012 Adopted Budget and to include the opening deferral of any new facilities that would increase operating and maintenance costs as a budget balancing strategy for the 2011-2012 Adopted Operating Budget. Therefore, the 2011-2012 Adopted Operating Budget contains actions to defer the opening of several facilities such as the Bascom Community Center and Library, Calabazas, Educational Park, and Seven Trees Branch Libraries and the South San José Police Substation, generating net cost avoidance of approximately \$6.3 million. Only minimal operations and maintenance funding for items such as security, fencing, and landscape maintenance was approved.

The operating and maintenance costs for newly constructed facilities are substantial and will present significant funding challenges in the upcoming years. These costs, which are summarized in Table A, are estimated at \$8.7 million in 2012-2013 and are projected to increase to \$12.0 million by 2015-2016. It should be noted that actions to maintain, operate, or defer facility openings are presented and described further in the 2011-2012 Adopted Operating Budget, rather than the Capital Budget.

**Table A - Projected Total New General Fund Operating and Maintenance Costs
(Cumulative)**

Project Title	2012-2013	2013-2014	2014-2015	2015-2016
Fire Facilities	2,272,000	3,027,000	3,247,000	3,378,000
Library Facilities	3,801,000	4,778,000	4,878,000	4,974,000
Parks Facilities	70,000	257,000	448,000	738,000
Parks Facilities-Other Agencies ¹	5,000	15,000	16,000	92,000
Police Facilities	2,538,000	2,588,000	2,639,000	2,692,000
Traffic Projects	52,000	78,000	79,000	94,000
Total	\$8,738,000	\$ 10,743,000	\$ 11,307,000	\$ 11,968,000

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

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

GENERAL FUND OPERATING BUDGET IMPACTS (CONT'D.)

Table B details nine capital projects previously approved for certification by the City Council with operating and maintenance costs exceeding \$100,000 annually during the five-year CIP period. The majority of these costs is associated with the voter-approved General Obligation bonds for Library, Parks, and Public Safety facilities and was included in the 2012-2016 Five-Year General Fund Forecast released in February 2011. Currently, the only project for which operating and maintenance funding has not yet been certified is the Hitachi Turnkey Parks. Currently, Hitachi is maintaining these parks. It is anticipated that a Community Facilities District (CFD) will be established to cover the costs of maintaining the existing turnkey parks. An election will be held in September 2011 to determine whether or not this CFD will be established. If the CFD is approved, the City will assume responsibility for the maintenance in January 2012 through a reimbursement from the newly established CFD. Should the CFD not be formed in 2011-2012, approximately \$341,000 of operating and maintenance costs would be the City's responsibility starting in 2012-2013.

By 2015-2016, the annualized costs to operate and maintain the facilities in Table B are projected at \$7.0 million. These costs will be evaluated on an annual basis for inclusion in subsequent Five-Year General Fund Forecasts. 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. Notably, further analysis may be required to determine the actual staffing of Fire Station 37 (Willow Glen) as it relates to Fire Station 6 prior to the award of the construction contract. For purposes of this document, however, pending further analysis, the operating and maintenance costs for Fire Station 37 reflects the Council-directed assumption that no staff would be relocated from Fire Station 6, and that new personnel (four additional duty positions per shift or 13 positions) would staff that facility. This assumption is drawn from the *"City-Wide Policy for the Relocation/Closure and/or Selling Fire Stations and Removal of Fire Station 6 from the Budget,"* approved by the City Council on September 9, 2008. The additional annual General Fund operating and maintenance costs projected for this facility alone, if this policy were to be implemented represents \$3.0 million in 2013-2014, the first full year of operations. In addition, it is assumed at this time that an unstaffed apparatus from a deactivated company will be reallocated to Station 37 and this newly staffed station will be part of the Dynamic Deployment operation model, which was implemented in 2010. Pending the outcome of the staffing and apparatus replacement analysis, funding for a new apparatus may be required at a later date.

Staff will continue to pursue significant measures designed to reduce the operating and maintenance costs including evaluation of alternative service delivery methods, the potential further opening deferral of facilities and/or alternative parks maintenance funding plans. Recent approval from the City Council regarding the operation of the City's Aquatics Program included other entities to operate and maintain pools in order to maintain service levels. In addition, the pursuit of grants continues on an ongoing basis in order to deliver projects that would create operational energy savings such as solar investments, energy efficiency building improvements, or the changing of street lights to Light-Emitting Diode (LED) technology.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

GENERAL FUND OPERATING BUDGET IMPACTS (CONT'D.)

Table B – Projects Certified for General Fund Operation and Maintenance Costs

Facility	2012-2013	2013-2014	2014-2015	2015-2016
Certified General Obligation Bond Capital Projects				
Fire Station 37 (Willow Glen)	\$2,272,000	\$3,011,000	\$3,225,000	\$3,355,000
Calabazas Branch Library	785,000	803,000	819,000	836,000
Educational Park Branch Library	886,000	905,000	923,000	942,000
Southeast Branch Library	0	897,000	916,000	933,000
Softball Complex	0	90,000	186,000	173,000
Total City Council-Certified General Obligation Bond Capital Projects	\$3,943,000	\$5,706,000	\$6,069,000	\$6,239,000
Other Certified Capital Projects				
Commodore Children's Park*	0	0	0	\$44,000
Emma Prusch – Back Acreage	408,000	418,000	425,000	434,000
Future Trail Projects	0	39,000	92,000	148,000
Vietnamese Heritage Garden	0	0	0	175,000
Total Other City Council-Certified Capital Budget	\$408,000	\$457,000	\$517,000	\$801,000
Total Certified Capital Projects with Operating and Maintenance Costs Greater than \$100,000 Annually	\$4,351,000	\$6,163,000	\$6,586,000	\$7,040,000

*General Fund obligation to maintain this park begins in 2016 and is estimated to cost over \$100,000 in 2016-2017 and beyond.

SAN JOSE REDEVELOPMENT AGENCY IMPACTS

In 2008-2009, due to the State budget actions impacting the San Jose Redevelopment Agency (Agency), the Agency's fiscal situation, and the state of the bond market at that time, 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 (SERAF) 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 City capital projects in various Special Funds to meet the requirements, and project schedules were not impacted by the loans. City staff will continue to expend substantial effort tracking all the expenditures in the various Special Funds on an ongoing basis to ensure that the tax-exempt bond proceeds are spent accordingly. Should any of the projects identified previously be delayed or completed under budget, City staff will need to identify alternative expenditures consistent with the federal tax restrictions as noted above.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

REDEVELOPMENT AGENCY IMPACTS (CONT'D.)

The following chart details the Special Funds included in the short term loans to the Agency.

Table C – Redevelopment Agency Short Term Loans

Source of Funds	Amount
CAPITAL PROGRAM	
Sanitary Sewer System Capital Program	
Sewer Service and Use Charge Capital Improvement Fund	\$20,394,000
Parks and Community Facilities Development Capital Program	
Park Trust Fund	\$3,730,000
Construction Tax and Property Conveyance Tax Fund – District 5	\$1,360,000
Construction Tax and Property Conveyance Tax Fund – District 7	\$1,100,000
Construction Tax and Property Conveyance Tax Fund – Central	\$750,000
Construction Tax and Property Conveyance Tax Fund – City-wide Parks	\$4,510,000
Traffic Capital Program	
Building and Structure Construction Tax Fund	\$6,000,000
OPERATING BUDGET	
Sanitary Sewer Connection Fee Fund	\$8,616,000
Total	\$46,460,000

As detailed in the 2011-2012 Adopted Operating Budget document, the Agency has significant outstanding obligations to the City. In particular, for the City’s capital funds, the 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; a \$6.8 million loan from the Parking Capital Development Fund for the payment of the Fourth and San Fernando Parking Garage for the 2010 and 2011 calendar years scheduled for repayment by the Agency in 2015-2016 and a \$3 million loan from the Subdivision Park Trust Fund as part of a \$63 million package for the SERAF Loan scheduled for repayment in 2013-2014. Outstanding Agency loans to City Operating funds will be discussed in the 2011-2012 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 Adopted CIP includes major projects to achieve the goal of 50 million square feet of green buildings throughout San José. The City Council adopted revisions to the City’s Green Building Policy in March 2007, requiring certain new building projects 10,000 square feet and over to achieve a minimum Leadership in Energy and Environmental Design (LEED) certification level of Silver, from a range of levels which include Certified, Silver, Gold and Platinum, with Platinum being the highest level

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

GREEN BUILDING IMPLEMENTATION (CONT'D.)

designated by the United States Green Building Council (USGBC). 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. Specific projects that were in progress or allocated in a CIP prior to the Green Building Policy changes in March 2007 were individually evaluated and approved by the City Council for other levels of green building certification. Table D below summarizes the projects scheduled to open during the five-year period reflected in the 2012-2016 Adopted CIP with the associated green building certification.

Table D – Projects Targeting USGBC LEED Certification or Incorporating Green Building Principles

Project	USGBC LEED
Bascom Library and Community Center	Silver
Convention Center Expansion and Renovation	Silver
Educational Park Branch Library	Silver
San José Environmental Innovation Center (Las Plumas)	Silver
Seven Trees Community Center and Library	Silver
South San José Police Substation	Silver
Southeast Branch Library	Silver
Calabazas Branch Library*	Certified
Fire Station 24 Relocation (Formerly Known as Fire Station 36)	Other**

* The Calabazas Branch Library scope changed from less than 10,000 square feet (best green building practices) to a 10,000 square foot facility due to the addition of a community room.

** "Other" includes projects pursuing best green building practices or projects where the achievable USGBC LEED level will be determined after finalization of the project scope and location.

Some of the recently certified municipal projects include Happy Hollow Park and Zoo, the first LEED Gold park and zoo in the nation, the new Terminal B and the Consolidated Rental Car facility at the Norman Y. Mineta San José International Airport, the first LEED Silver airport west of the Mississippi River, and Edenvale Community Center, another LEED Gold facility. To date, 1.33 million square feet of municipal buildings have been certified as green buildings. 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 USGBC's Portfolio Program pilot. The pilot was successful and the City is now enrolled in the Portfolio Program, which will allow a more streamlined process for the certification of existing City facilities. In addition, the City continues to pursue policies and practices to encourage green building within the private sector. The private sector Green Building Policy for new construction became effective in September 2009. Since the new California Green Building Standards Code (CalGreen) also went into effect in January 2011, staff is tracking implementation

2011-2012 ADOPTED CAPITAL BUDGET

2012-2016 CAPITAL IMPROVEMENT PROGRAM

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

GREEN BUILDING IMPLEMENTATION (CONT'D.)

of the private sector policy in the context of the code and will use lessons learned to inform policy development on the next phase of the private sector policy.

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 detailed sampling 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.

Revisions to the Public Art Master Plan were approved by the City Council on March 13, 2007. The revisions were designed to reinforce San José's urban design and development goals in an effort to create opportunities for public art in high-traffic locations. In accordance with the revisions, one percent of all construction project funding was approved to be allocated to public art. However, the Public Art Master Plan exempts funding for seismic and ADA retrofits, maintenance and operations, non-construction (such as studies), affordable housing projects and rehabilitation projects.



***"Space Observer" by
Bjoern Schuelke***

Office, the Environmental Services Department re-reviewed the public art funding in the Water Pollution Control and Water Utility System capital programs and the Department of Public Works re-reviewed the public art funding in the Storm Sewer System and the Sanitary

A total investment of \$3.7 million is programmed for eligible public art projects that span all capital programs in the 2012-2016 Adopted CIP. This figure does not include the \$5.2 million in public art expenditures estimated for 2010-2011.

The public art investment levels in this CIP have decreased by over three million dollars compared to the funding levels in last year's CIP of \$7.1 million due to the contraction of several capital programs (Traffic, Library, Parks, and Airport). Further reductions to funding levels occurred as a result of a re-review of the public art allocations in four capital programs. In May 2011, in conjunction with the Office of Cultural Affairs, the Office of the City Attorney, and the City Manager's Budget



"Another World" by Tom Otterness

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

MAJOR CAPITAL PROGRAM HIGHLIGHTS (CONT'D.)

ART IN PUBLIC PLACES (CONT'D.)

Sewer System capital programs subsequent to the release of the 2012-2016 Proposed CIP per the current Public Art Ordinance. Based on that review it was found that significant downward adjustments of over one million dollars were needed to exclude "rehabilitation" projects that replace assets in the Water Pollution Control, Storm Sewer System, and the Sanitary Sewer System capital programs.

Included in this CIP, the majority of Airport funding that would have been required to be programmed under the Public Art Ordinance was approved to be deferred until such time as activity levels reach 12.2 million passengers. This activity level is projected to occur outside of this CIP period.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Each of the 14 capital programs continues to be aligned to one of the six City Service Areas (CSAs) as appropriate. The chart below compares the 2011-2015 Adopted CIP with the 2012-2016 Adopted CIP for each CSA. As discussed earlier, the 2012-2016 Adopted CIP reflects an increase of 11% from the 2011-2015 Adopted CIP, primarily from the addition of the Convention Center Expansion and Renovation project (\$99.9 million) and increases in all CSAs with the exception of the Neighborhood Services CSA. Funding levels in this CIP for the Neighborhood Services CSA decreased when compared to funding levels in last year's CIP due to several large projects completing or nearing completion; therefore a significant portion of funding was anticipated to be expended in 2010-2011 (e.g., Bascom Community Center – Multi-Service, Alum Rock School District Sports Field Partnership (Sheppard Middle School), Santana Park Development, Watson Park Phase II Development, and Newhall Neighborhood Park).

2011-2015 Adopted CIP and 2012-2016 Adopted CIP Comparison (By City Service Area)

City Service Area	2011-2015 Adopted CIP	2012-2016 Adopted CIP	% Change
Community and Economic Development	\$ 6,836,198	\$ 7,197,291	5%
Environmental and Utility Services	629,127,906	694,436,718	10%
Neighborhood Services	336,422,038	297,280,218	(12%)
Public Safety	44,805,710	51,917,710	16%
Transportation and Aviation Services	665,725,437	715,372,973	7%
Strategic Support	50,661,716	154,138,051	204%
Total	\$ 1,733,579,005	\$ 1,920,342,961	11%

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

The following discussion of significant issues and projects included in the Adopted CIP is presented by CSA.

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 reimburses residential developers for construction of major City streets and encourages the undergrounding of existing overhead utilities. The objective of this program is to ensure that residential developments within San José include the construction of public improvements necessary to maintain or improve the infrastructure of the City. Following are the major highlights and projects in this CIP:

- ***Underground Utility Program:*** 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 following projects are currently in design and expected to start construction in 2011-2012:

- Evergreen Park (Yerba Buena Road to San Felipe Road)
- Monterey Highway (Willow Street to Curtner Avenue including Cadwaller Plaza)
- Stevens Creek Boulevard (Sterns Avenue to Calvert Drive)

The following projects are currently under construction:

- Jackson/Taylor (4th Street to 9th Street)
- Market/Almaden (Reed Street, Pierce Avenue, Williams Road, Balbach Street, and Viola Avenue)
- Park/Naglee (Naglee to Shasta Avenue and Park to Bascom Avenue)
- Delmas/Park (Delmas Avenue, San Fernando Street, Cahill Street, and Auzerais Avenue)

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

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

Sanitary Sewer System Capital Program (Cont'd.)

sewer capacity to meet economic development; rehabilitate large diameter sanitary sewers; reduce water inflow and infiltration in sanitary sewers; improve local neighborhood sewers; and develop a city-wide sanitary sewer master plan.

The projects approved in this CIP, along with operations and maintenance costs of the Sanitary Sewer System, require a 3% rate increase in the Sewer Service and Use Charge in 2011-2012 (bringing the single family residential fee from \$394.32/year to \$405.96/year), and estimated rate increases between 3% and 5% in the out-years of the CIP to ensure adequate funding for sanitary sewer and water pollution control operations and capital infrastructure projects. Rate increases for non-residential customers will vary according to the customer's line of business. Actual rate increases in the out-years will be evaluated during future annual budget processes and are subject to City Council approval. In order to allow for flexibility in case of unforeseen expenditures, the Environmental Services Department issued public notices (per Proposition 218) for increases of up to 6% per year for a three year period ending in 2012-2013.

Following are the major highlights and projects in this CIP:

- ❑ ***60-Inch Brick Interceptor, Phase VIA and VIB:*** \$36.4 million is programmed to replace approximately 5,000 linear feet of existing 54-inch reinforced concrete sanitary sewer with an 84-inch lined reinforced concrete pipe. It is anticipated that Phase VIA will be completed in 2012-2013, and Phase VIB is scheduled to begin 2015-2016.
- ❑ ***Lamplighter Relief Pump Station and Force Main:*** \$10.5 million is programmed to implement an initial feasibility/alignment study, acquire a site, and design and construct a pump/lift station with a capacity of 7 million gallons per day (mgd).
- ❑ ***Fourth Major Interceptor Phase IIB/IIB and VIIA:*** Provides funding for capacity improvements for the Fourth Major Interceptor system (\$15.7 million).
- ❑ ***Neighborhood Sewer Projects:*** The following smaller sanitary sewer projects are programmed in this CIP to improve conditions in specific neighborhoods:
 - Husted-Richland (\$3.9 million)
 - Monterey-Riverside (\$3.7 million)
 - Coleman Road (\$3.7 million)
 - Almaden Expressway (\$3.5 million)
 - Minnesota Avenue (\$1.8 million)
 - Myrtle Avenue (\$1.7 million)
- ❑ ***Ongoing Rehabilitation Projects:*** Several ongoing projects provide for rehabilitation of sewers throughout the City:
 - Condition Assessment Sewer Repairs (\$13.0 million in CIP);
 - Miscellaneous Rehabilitation Projects (\$11.0 million in CIP);
 - Rehabilitation of Sanitary Sewer Pump Stations (\$8.9 million in CIP);
 - Reinforced Concrete Pipe Rehabilitation Program (\$7.5 million in CIP); and
 - Inflow and Infiltration Reduction (\$4.5 million in CIP)

2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

Storm Sewer System Capital Program

In accordance with the City's General Plan, the goal of the Storm Sewer System CIP is to reduce the risk of drainage-related surface damage and protect 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 and 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 projects approved in this CIP, along with operations and maintenance costs of the Storm Sewer System, require a 3% rate increase in the Storm Sewer Rate (bringing the single family residential fee from \$91.68/year to \$94.44/year) in 2011-2012. In order to allow for flexibility in case of unforeseen expenditures, the Environmental Services Department has issued notices for increases of up to 5% per year for a three year period ending in 2012-2013. Actual rate increases in the out-years will be evaluated during future annual budget processes and will be subject to City Council approval.

Following are highlights of some of the ongoing projects in this CIP:

- ❑ ***Storm Sewer Master Plan – City-Wide:*** \$4.7 million is programmed in the CIP. This represents a \$1.5 million increase from the 2011-2015 Adopted CIP.
- ❑ ***Storm Sewer Improvements – Special Corridors:*** \$3.8 million is programmed in the CIP.
- ❑ ***Minor Neighborhood Storm Sewer Improvements:*** \$2.7 million is programmed in the CIP.
- ❑ ***Storm Pump Station Rehabilitation and Replacement:*** \$2.8 million is programmed in the CIP. This represents a \$0.4 million increase from the 2011-2015 Adopted CIP.
- ❑ ***Urgent Flood Prevention and Repair Projects:*** \$3.2 million is programmed in the CIP.

Several new projects are approved as part of this CIP:

- Lincoln – Parkinson Storm Sewer Improvement (\$1.3 million in CIP)
- Alviso Storm Network Infiltration Control (\$1.2 million in CIP)
- Gold Street Storm Pump Station Force Main (\$920,000 in CIP)

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

Water Pollution Control Capital Program

The San José/Santa Clara Water Pollution Control Plant (WPCP) 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, 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 Master Plan were incorporated into this CIP.



Aeration Basin for the Activated Sludge Process
Photo by Robert Dawson

The primary source of the Water Pollution Control Capital Program is the Sewer Service and Use Charge that also supports the Sanitary Sewer System Capital Program. The projects approved in this CIP, along with operations and maintenance costs of the WPCP, require a 3% rate increase in the Sewer Service and Use Charge in 2011-2012 (bringing the single family residential fee from \$394.32/year to \$405.96/year), and estimated rate increases between 3% and 5% in out-years to ensure adequate funding for sanitary sewer and water pollution control operations and capital infrastructure projects. Rate increases for non-residential customers will vary according to the customer's line of business. In order to allow for flexibility in case of unforeseen expenditures, the Environmental Services Department noticed increases of up to 6% for 2012-2013. Actual rate increases in the out-years will be evaluated during future annual budget processes and will be subject to City Council approval.

Following are the major highlights and projects in this CIP:

- ❑ **Plant Electrical Reliability:** \$72.5 million is programmed in the Adopted CIP for major upgrades and replacements of electrical systems. Work programmed in this CIP includes standby generator installation, engine generator replacement, switchgear upgrades and replacement, breaker replacement, and installation of a new gas turbine for improved efficiency and reliability. Complete project costs, which includes work already completed, are estimated to be \$91.1 million and completion is scheduled for 2014-2015.



Water Pollution Control Plant – Digester Tanks

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

Water Pollution Control Capital Program (Cont'd.)

- ❑ **Digester Rehabilitation:** This project includes funding of \$37.7 million for structural rehabilitation to address cracks in the existing digestion tanks, mechanical rehabilitation and/or replacement to restore digester performance and equip the receiving station for digesting grease.
- ❑ **Headworks Enhancement:** \$38.7 million is programmed in this CIP for Headworks Enhancement. The Plant has two headworks (HW) facilities: HW1 and HW2. This project will repair the HW1 to enable it to continue serving the Plant for the next ten years and improve the functional reliability of HW2 in advance of decommissioning HW1.
- ❑ **East Primary Concrete Tank Repair and Stainless Steel Conversion:** \$20.2 million is programmed in the CIP for this project, which includes the rehabilitation of existing primary clarifiers.
- ❑ **New South Bay Water Recycling Projects:** The South Bay Water Recycling (SBWR) System diverts up to 15 mgd of treated effluent from the bay during the summer by providing non-potable recycled water to customers in Milpitas, Santa Clara, and San José. Several new projects related to this system are established by this CIP:
 - SBWR Master Plan (\$14.0 million)
 - SBWR Backup Water Supply (\$3.0 million)
 - SBWR Customer Connection Program (\$2.0 million)
 - SBWR Regional Connector (\$2.0 million)



**Digester Tanks at the
Water Pollution Control
Plant
Photo by
Robert Dawson**

Water Utility System Capital Program

The San José Municipal Water System provides water utility service to approximately 26,000 customers in five areas within the City of San José: Evergreen, North San José, Alviso, Edenvale, and Coyote Valley. Projects in this CIP include the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. While a 5.9% rate increase in the Potable Water rates was approved, this increase reflects only wholesale water increases, and will not be allocated to the capital program.

Following are the major highlights and projects in this CIP:

- ❑ **Infrastructure Improvements:** \$3.6 million is programmed in this CIP. This is an ongoing project.
- ❑ **System Maintenance/Repairs:** \$3.1 million is programmed in this CIP. This is an ongoing project.

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

ENVIRONMENTAL AND UTILITY SERVICES CSA (CONT'D.)

Water Utility System Capital Program (Cont'd.)

- ❑ **Peppermint Drive Water Main Replacement:** \$1.3 million is programmed in this CIP. Project completion is scheduled for 2013-2014.
- ❑ **Gumdrop Drive Water Main Replacement:** \$1.3 million is programmed in this CIP. Project completion is scheduled for 2015-2016.
- ❑ **Bon Bon Drive Water Main Replacement:** \$1.0 million is programmed in this CIP. Project completion is scheduled for 2011-2012.

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.



Willow Glen Branch Library

Following are the major highlights and projects in this CIP:

- ❑ **Library Bond Projects:** Over the course of the 2012-2016 Adopted CIP, the build-out will be completed with two new branches and three expansion/relocation projects. Listed below are the new and renovated branches that will be completed over this five-year period with the current scheduled opening date noted.

New Branches

- Bascom (scheduled opening deferred to 3rd Qtr. 2012)
- Southeast (scheduled opening pending)

Renovated Branches

- Calabazas (scheduled opening deferred to 4th Qtr. 2012)
- Educational Park (scheduled opening deferred to 3rd Qtr. 2012)
- Seven Trees (scheduled opening deferred to 3rd Qtr. 2012)

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

NEIGHBORHOOD SERVICES CSA (CONT'D.)

Library Capital Program (Cont'd.)

- ❑ ***Seven Trees, Bascom, Calabazas, and Educational Park Branch Libraries Opening Deferrals:*** Due to the significant operating and maintenance impact on the General Fund of these new and expanded facilities, the opening of these facilities were deferred as part of the 2011-2012 Adopted Operating Budget. These deferrals result in net cost avoidance of \$3.0 million in the General Fund (costs in the amount of \$398,000 for security, fencing, and landscape maintenance were included in the 2011-2012 Adopted Operating and Capital Budgets).
- ❑ ***Materials Handling Technology:*** This allocation funds the implementation of Radio Frequency Identification (RFID) for library materials at branch libraries with automated sorting machines. This technology will improve the transfer of library materials between branch libraries thereby enhancing the availability of materials to customers and reducing repetitive handling by employees (\$2.6 million).
- ❑ ***Branch Efficiency Projects:*** This allocation provides funding to purchase additional automated check-in and sorting machines to continue improving the transfer of library materials between branch libraries, enhance the availability of materials to customers, and reduce staff time needed to process returned materials (\$4.1 million).
- ❑ ***Branch Library Fixtures, Furnishings and Equipment:*** The 2012-2016 Adopted CIP allocates \$2.2 million in the Library Construction and Conveyance Tax Fund towards the purchase of fixtures, furniture and equipment over the next five years for the new facilities funded by bond proceeds and includes a reserve of \$382,000 for any unanticipated needs that may arise and for branches completed after 2011-2012.
- ❑ ***New Branch Opening Day Collections:*** The 2012-2016 Adopted CIP includes \$1.1 million in funding for the purchase of New Branch Opening Day Collections to supplement current collections, which are moved from closed branches, and contribute toward full new collections at new branches.
- ❑ ***Acquisition of Materials:*** The 2012-2016 Adopted CIP includes \$19.0 million for the purchase of new materials.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

NEIGHBORHOOD SERVICES CSA (CONT'D.)

Parks and Community Facilities Development Capital Program



Almaden Meadows Park

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

Following are the major highlights and projects in this CIP:

- ❑ ***Parks Bond Projects:*** The 2012-2016 Adopted CIP allocates \$35.0 million towards the implementation of the Parks Bond Program. Over the course of this five-year CIP, a soccer field and softball field are scheduled to be developed. A majority of the funding for the soccer complex has been placed in a reserve in the CIP pending the completion of a site study and feasibility work associated with possibly locating the facility at the FMC site near the Airport. A majority of the funding for the softball complex has been placed in a reserve in the CIP until there is a determination of an appropriate site. The opening date for both of these facilities has not yet been determined.
- ❑ ***Bascom Community Center:*** As a budget balancing strategy, the opening of this facility was deferred to fall 2012 due to the significant operating and maintenance impact on the General

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

NEIGHBORHOOD SERVICES CSA (CONT'D.)

Parks and Community Facilities Development Capital Program (Cont'd.)

Fund. This opening deferral results in net cost avoidance of \$2.5 million in the General Fund (costs in the amount of \$250,000 for utilities, security, and maintenance were budgeted as part of the 2011-2012 Adopted Operating and Capital Budgets). However, as part of the 2011-2012 June Mayor's Message, Bascom Community Center was approved to be added to the Facility Reuse Program with no expected impact to the General Fund. In fall 2011, Parks, Recreation and Neighborhood Services department (PRNS) will convene community stakeholders and issue a Request for Information, and in winter 2012, PRNS will review the proposals submitted and select a viable service provider(s), in anticipation of beginning programs in early 2012.

- ❑ **Park Trust Fund:** The 2012-2016 Adopted CIP includes funding of \$64.3 million in the Park Trust Fund, which has been allocated to various projects and reserves. In 2007 the City Council approved changes to the Parkland Dedication Ordinance and Park Impact Fee Ordinance that now allows the Park Trust Fund to be used for trails and other park facilities, substantially improving the City's capacity to fund trail projects. The 2012-2016 Adopted CIP includes funding of \$10.3 million in the Park Trust Fund for the design and construction of trail projects.
- ❑ **School Partnerships:** Included in the Adopted CIP is funding for the development of sports fields on two school sites: Sheppard Middle School (Alum Rock School District) and Allen at Steinbeck School (San Jose Unified School District). These two facilities are being constructed and will be operated/maintained jointly with the school districts, with the school districts providing the land.

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.

Some of the major projects remaining in this CIP that support this objective include the relocation of two Fire Stations, construction of one Fire Station, and opening of the new police substation.

The major investment in Public Safety infrastructure included in this CIP is made possible because the voters in San José supported investments in these facilities. On March 5, 2002, 71.7% of voters 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 projects funded by the Neighborhood Security Act Bond Measure are scheduled to be completed during this five-year period.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

PUBLIC SAFETY CSA (CONT'D.)

Public Safety Capital Program (Cont'd.)

Following are the major highlights and projects in this CIP:

❑ ***Public Safety Bond Projects:***

- Relocate Fire Station 24 (Silver Creek/ Yerba Buena) (scheduled opening 4th Qtr. 2011) (formerly Fire Station 36)
- South San José Police Substation (scheduled opening deferred to 3rd Qtr. 2012)
- Construct Fire Station 37 (Willow Glen) (scheduled opening 4th Qtr. 2012)
- Relocate Fire Station 21 (White Road) (scheduled opening 4th Qtr. 2013)



Fire Station 12 – Calero

❑ ***South San José Police Substation Opening Deferral:***

- As part of the 2011-2012 Adopted Operating Budget, it was approved to defer the opening of this facility until September 2012 due to the significant operating and maintenance impact on the General Fund. This opening deferral results in net cost avoidance of \$2.5 million in the General Fund (costs in the amount of \$250,000 for utilities, security, and maintenance were budgeted as part of the 2011-2012 Adopted Operating Budget).

❑ ***Fire Station Construction Projects:***

- Fire Station 37 is funded as a new project, as no decision has been made regarding the sale or closure of Fire Station 6. The Administration will return to the City Council with a staffing analysis prior to the bid award for Fire Station 37, currently anticipated for fall 2011.

❑ ***Sale of Former Fire Station Properties:***

- Included in this CIP are proceeds (\$800,000) from the sale of the former Fire Station 12 property, which has been declared surplus, and the former Fire Station 25 property, which was declared surplus as part of the 2011-2012 Adopted Capital Budget.
- The sale of the former sites for Fire Stations 21, planned for rebuild (scheduled opening 4th Qtr. 2013) and Fire Station 24, planned for relocation (scheduled opening 4th Qtr. 2011) needs to be determined per Budget Principle #13, Fire Station Closure, Sale, or Relocation.

2011-2012 ADOPTED CAPITAL BUDGET

2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

PUBLIC SAFETY CSA (CONT'D.)

Public Safety Capital Program (Cont'd.)

□ *Fire Vehicle Replacement and Equipment:*

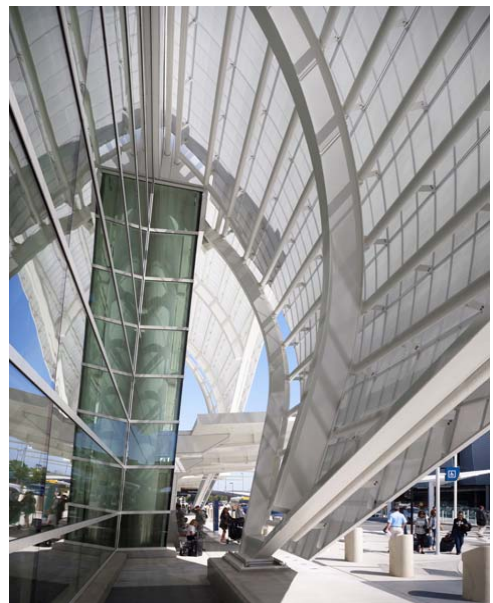
- Funding from the Fire Construction and Conveyance Tax Fund and the General Fund continues to support many of the infrastructure needs in the Fire Department, including fire apparatus replacement and repair, facilities improvements, hose replacement, emergency response maps, handheld radios, heavy rescue airbags, traffic control equipment, general tools and equipment, computer replacement, records management, and data analysis.
- Fire apparatus replacement continues to be a priority for the City with a total allocation of \$26.5 million (including a \$560,000 reserve) in the five-year CIP based on a review of the Fire Apparatus Replacement Policy conducted by the Administration in order to maintain sufficient funding for emergency Fire Apparatus replacement.

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, though decreasing in size from a high in 2008-2012 of \$1.6 billion to \$504.7 million in 2012-2016, continues to meet its priorities to deliver a program that meets Airport safety and security mandates and aggressively pursues opportunities to leverage federal and other agency grants. Having completed most of the major projects in the Terminal Area Improvement Program, this CIP reflects the shift to development of the Non-Terminal Area, and in 2011-2012, funding is allocated to develop a comprehensive program implementation plan. Beyond this new program, this CIP is limited to projects necessary to meet safety requirements, and defers or suspends non-essential and non-grant funded projects.



Curbside Canopy at Terminal B

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

TRANSPORTATION AND AVIATION SERVICES CSA (CONT'D.)

Airport Capital Program (Cont'd.)

Following are the two major projects in this CIP:

- ❑ ***Taxiway W Improvements:*** Funding of \$48.1 million is included in this CIP to continue with the improvements to Taxiway W and extend it from Taxiway D to the end of Runway 29. Construction of phases I and II has been completed and phase III is well-underway. Phase III includes the construction of a new taxiway between Taxiways J and L and the reconstruction of Taxiway J from Taxiway V to W. 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.
- ❑ ***Non-Terminal Area Projects:*** Funding of \$9.4 million is included in this Adopted CIP for improvements of aviation support facilities such as hangars, light maintenance facilities, airline provisioning, fuel truck maintenance and storage, cargo operations, and other aviation support services developed and provided by third parties.

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.

Following are the major highlights and projects in this CIP:

- ❑ ***Loan to the Redevelopment Agency:*** In the 2012-2016 Adopted CIP, \$1.7 million is allocated to continue a loan to the San Jose Redevelopment Agency (SJRA). In February 2010, the City Council approved a loan to the SJRA of \$6.8 million for the debt service payments on the Fourth and San Fernando Parking Garage. An agreement between the City and the SJRA calls for a full repayment of this \$6.8 million loan to the Parking Capital Development Fund in 2015-2016; however, this may change due to pending State budget action impacting the SJRA and City and SJRA priorities at that time.
- ❑ ***Minor Parking Facility Improvements:*** The Adopted CIP includes \$1.7 million for preventative work including structural repairs, waterproofing, railing and staircase replacement, lighting improvements, security camera replacements, signage, striping, and painting improvements.
- ❑ ***Revenue Control Upgrades:*** The Adopted CIP includes \$1.7 million to provide funding for replacement and upgrades to parking access and revenue control equipment at several downtown garages and surface lots.

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

TRANSPORTATION AND AVIATION SERVICES CSA (CONT'D.)

Parking Capital Program (Cont'd.)

- ❑ ***Garage Elevator Upgrades:*** The Adopted CIP includes \$1.0 million to upgrade the garage elevators at the Market Street Garage and Third Street Garage.
- ❑ ***Diridon Area Parking and Multi-modal Improvements:*** The Adopted CIP includes \$1.0 million to provide funding for vehicular, transit, bicycle, and pedestrian system improvements in the Diridon Area.
- ❑ ***Downtown Event Parking Dynamic Message Sign Repair and Upgrades:*** The Adopted CIP includes \$700,000 to repair and upgrade nine existing electronic message signs that are used to provide real time traffic and parking condition information during Downtown and HP Pavilion special events.

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. In the 2012-2016 Adopted Traffic CIP, \$202.5 million is allocated for the purposes of expanding and enhancing the transportation system. These resources are programmed to ensure that the transportation system supports the economic competitiveness of San José and provides residents with safe and attractive street facilities in their neighborhoods.



SJSU to Japantown Pedestrian Corridor

The investments approved as part of the 2012-2016 CIP include funding for the City's local system expansion; safety and efficiency projects; support for the City's contribution to regional system expansion; maintenance and rehabilitation activities including bridge and pavement maintenance; activities that promote community livability including land management, weed abatement, the undergrounding of City utilities, and monitoring of environmental mitigation sites; local and regional planning and engineering activities; and project and program support.

Following are the major highlights and projects in this CIP:

- ❑ ***Regional System Expansion:*** The Adopted CIP supports the expansion of the regional freeway and transit systems. It is anticipated that over \$6.1 billion in regional improvements will be constructed over the next ten years funded from State and federal funds. Some of the expected regional transportation improvements include the BART Extension to San José, the Route 280/880/Stevens Creek/Winchester Upgrade, the Route 101/Tully/Capitol/Yerba Buena Upgrade, Diridon Station Expansion, and the California High Speed Rail.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

TRANSPORTATION AND AVIATION SERVICES CSA (CONT'D.)

Traffic Capital Program (Cont'd.)

- ***Safety and Efficiency:*** The Adopted CIP allocates \$23.9 million towards projects and programs that improve the operational efficiency and safety of the City's transportation network. Intelligent Transportation Systems (ITS) projects will continue in order to provide improvements that focus on operational enhancements. A total of \$6.2 million, of which \$4.3 million is grant funded, will be used for the construction of a Transportation Incident Management Center which enables the monitoring and management of traffic as well as provide traffic information to both emergency responders and motorists. Continuation of a \$15 million Proposition 1B grant, which has funded the Traffic Signal Communications and Synchronization project during the last few years, is included in this CIP. This project has allowed the City to rehabilitate aging traffic signal equipment and to build-out a city-wide, state-of-the-art signal timing and traffic management system which optimizes traffic flow, reduces vehicle emissions, and improves air quality.
- ***Pavement Maintenance:*** A combined total funding of \$79.1 million is approved in both the Operating and Capital Budgets over the next five years for pavement maintenance. The majority of these funds is anticipated to come from State and federal grant programs such as Gas Tax – Pavement Maintenance and the federal pavement maintenance grant program, and from the voter-approved Measure B funds.

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.

Following are the major highlights and projects in this CIP:

- ***Communications Equipment Replacement and Upgrade:*** \$2.0 million is programmed in this CIP for the equipment replacement and upgrade project which entails replacing a large portion of the communications equipment, including radios and fixed point base station equipment, over the next five years.

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

STRATEGIC SUPPORT CSA (CONT'D.)

Communications Capital Program (Cont'd.)

- ❑ ***City-Wide Trunking Radio System:*** \$1.1 million is programmed in this CIP to provide funding for a trunked radio system in which groups of users are given a logical talk-group to share for their communications rather than a dedicated radio frequency.

Municipal Improvements Capital Program

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

Following is a major project in this CIP:

- ❑ ***Convention Center Expansion and Renovation:*** Funding in the amount of \$99.9 million will be used to demolish the old Dr. Martin Luther King, Jr. Library, construct 125,000 of new square feet of Convention Center space, and make building improvements to achieve LEED Silver certification. Also included in the Convention Center project is funding for new chillers, boilers, cooling towers, pumps, a new fire alarm, a building management system, and public art.

Service Yards Capital Program

The objective of the Service Yards Capital Program is to maintain and improve the existing conditions at the 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.

- ❑ ***Central Service Yard Phase I Debt Service:*** An allocation of \$8.3 million is included for the payment of debt service for the Central Service Yard Phase I Debt Service. This payment, normally funded by the General Fund, is recommended to be partially paid for by the Service Yards Construction and Conveyance Tax Fund (\$650,000) in 2011-2012 as a General Fund budget balancing strategy.
- ❑ ***Sale of Main Yard:*** The sale of the Main Yard in Japantown is assumed to repay a portion of the outstanding commercial paper debt from the Central Service Yard Phase II project. Due to current real estate market conditions, it is not expected that the sale of the Main Yard will take place until 2014-2015. The Adopted CIP includes \$2.6 million for the interest-only payment of Central Service Yards Phase II Commercial Paper costs necessary until the Main Yard sale is completed. It should be noted, however, should the sale of the Main Yard be delayed beyond

2011-2012 ADOPTED CAPITAL BUDGET 2012-2016 CAPITAL IMPROVEMENT PROGRAM

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA (CONT'D.)

STRATEGIC SUPPORT CSA (CONT'D.)

Service Yards Capital Program (Cont'd.)

2014-2015 or interest rates paid on commercial paper increase dramatically, the Service Yards Construction and Conveyance Tax Fund may not have sufficient funding to sustain the long-term debt service payments related to Phase II that would begin in 2014-2015. As a result, if revenues do not increase, a reprioritization of projects in future years may be necessary.

CONCLUSION

The City of San José's 2012-2016 Adopted CIP represents a significant investment in the City's infrastructure. 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 2015-2016, all of the voter-approved bond funded programs will be completed including several new libraries and fire stations. Phase III should be well-underway for the Airport Department's Taxiway W Improvements in this CIP 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. The large investment in green building infrastructure with at least nine additional certified green buildings in this CIP sets an example for the private sector to achieve the Green Vision goal of over 50 million square feet of green buildings throughout San José.

The City continues to struggle to address a huge number of significant unmet infrastructure needs and a deferred maintenance backlog of over \$754 million (\$473 million in the General Fund) in one-time costs, with an additional \$114 million needed annually (\$105 million in the General Fund) in order to maintain the City's infrastructure in a sustained functional condition. 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. It should be noted that this cannot be achieved without proactive measures to obtain additional cost savings, revenue, or service reductions/eliminations. We must all continue to make this funding gap a priority in order to protect the City's capital investments.

A significant concern is that the additional new facilities scheduled to be completed within the five-year CIP will create a challenge to adequately fund operations and maintenance costs. It is estimated that these costs will impact the General Fund in an amount of approximately \$12.0 million annually by 2015-2016, the majority of which has been assumed in the General Fund Five-Year Forecast. As a result of the funding constraints in the General Fund, the 2011-2012 Adopted Operating Budget includes deferring the opening of the Calabazas, Educational Park, Seven Trees Branch Library, the Bascom Community Center and Library, and the South San José Police Substation. The cost avoidance for deferring these facilities totals approximately \$6.3 million. While the cost avoidance is one-time, it may be necessary to evaluate further cost avoidance options in the future.

**2011-2012 ADOPTED CAPITAL BUDGET
2012-2016 CAPITAL IMPROVEMENT PROGRAM**

CONCLUSION (CONT'D.)

In an effort to identify and address the issue of future operations and maintenance impacts earlier in the capital project development process, this Adopted CIP identifies 9 previously certified projects. This certification required a City Council finding that a decrease in existing basic neighborhood services will not result for each capital project with annual operations and maintenance cost exceeding \$100,000 in the General Fund. These costs will be evaluated annually to determine the most critical operational needs and whether alternative service delivery models could mitigate the operating and maintenance costs of these facilities in the years to come.

While the current fiscal environment presented us with very difficult choices, with the limited funding available, input from the City Council and community members was incorporated in this budget to ensure that the overall capital program reflects the needs and priorities of our residents and visitors. The development of the Adopted Capital Budget and CIP is a collaborative effort involving staff from each department. 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