

**2023-2024 PROPOSED CAPITAL BUDGET
2024-2028 CAPITAL IMPROVEMENT PROGRAM**

April 26, 2023

Honorable Mayor and City Council:

I am proud to present the 2023-2024 Proposed Capital Budget and the 2024-2028 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.

This CIP focuses on the renovation, renewal, and expansion of City infrastructure that is critical to serve the day-to-day needs of our community, such as roadways, the sewer collection and treatment systems, parks and sports fields, fire and police facilities, and airport facilities. In particular, the next two years are expected to see a surge of activity as a number of projects funded from the \$650 million San José's Disaster Preparedness, Public Safety, and Infrastructure Bond Measure (Measure T) move from design and into construction. This CIP also continues the work to ensure that we continue to build equity considerations into the identification and prioritization of infrastructure rehabilitation. 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 2023-2024 Proposed Capital Budget of \$1.2 billion reflects a 36.4% decrease from the 2022-2023 Adopted Capital Budget of \$1.9 billion. Over a five-year period, the 2024-2028 Proposed CIP totals \$3.2 billion, a 12.8% decrease from the 2023-2027 Adopted CIP of \$3.7 billion. Once funds to complete existing projects are rebudgeted from 2022-2023 to 2023-2024 as part of the Adopted Capital Budget process, funding in the 2024-2028 CIP is expected to be in line with the prior CIP.

While the Administration remains focused on leveraging external State and Federal resources to supplement project funding, several the City's key local revenues dedicated to the CIP have declined or remain stagnate in the face of increasing operational and rehabilitation needs. In particular, Construction and Conveyance (C&C) Tax revenues – primarily generated by private property sales – are estimated to end the current year at \$40.0 million, which is 20% below the budgeted estimate of \$50 million and 38% below prior year collection of \$64.5 million. While the CIP assumes that annual C&C revenues will increase to \$45.0 million beginning in 2025-2026, this revenue decline reduces available funding for capital infrastructure needs in the Parks and Community Facilities Development, Library, Service Yards, Fire, Communications, and Park Yards Capital Programs.

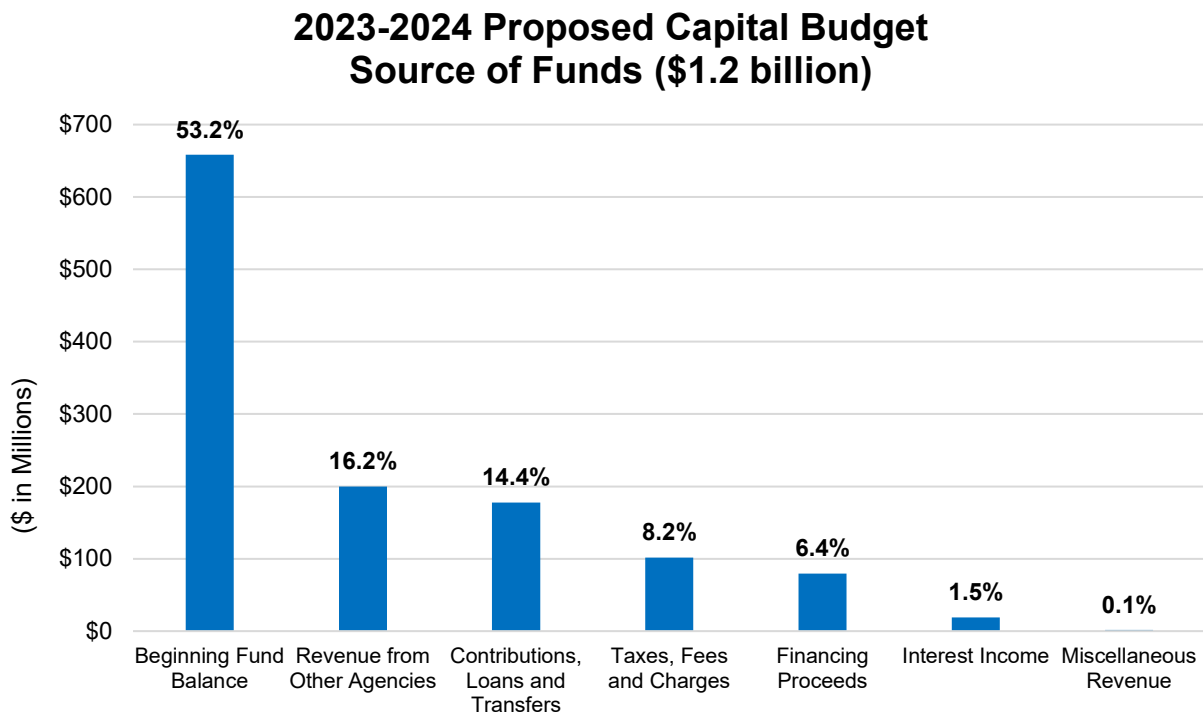
The resources available to the Storm Sewer Capital Program also continue to decline as the Storm Sewer Service and Use Charge fee rate has remained flat for over a decade while costs have continued to increase; therefore, identifying a more sustainable funding source is an urgent priority for the CIP. As a result of this need, the 2023-2024 Proposed Operating Budget recommends additional resources to identify and evaluate funding strategies for the storm sewer system, including long-term financing and new revenue sources.

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Aside from the examples cited above, the City has long 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 (now updated on a two-year cycle), identified 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 reflected a decrease of nearly \$70 million and the ongoing additional need has decreased by approximately \$1 million when compared to the prior report, the City must continue to search for additional resources and leverage grant opportunities to ensure San José’s public assets are appropriately maintained.

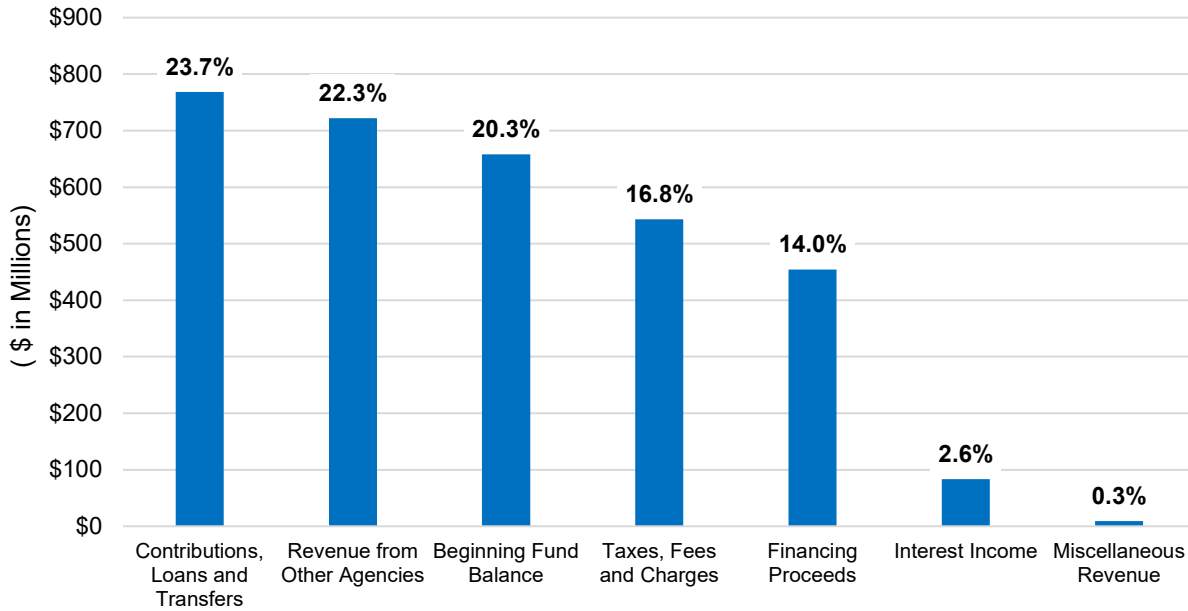
CAPITAL PROGRAM FUNDING SOURCES

The City’s Capital Programs are supported by a variety of funding sources as shown in the graphs below that depict both the 2023-2024 and five-year CIP funding. A discussion of the five-year CIP funding sources follows.



CAPITAL PROGRAM FUNDING SOURCES

**2024-2028 Proposed Capital Budget
Source of Funds (\$3.2 billion)**



Contributions, Loans and Transfers total \$768.7 million, and accounts for 23.7% of the 2024-2028 Proposed CIP. The largest transfers of funds are from the Sewer Service and Use Charge Fund to the Water Pollution Control Capital Program (\$277.07 million) and to the Sanitary Sewer System Capital Program (\$175.0 million); Airport Surplus Revenue Fund to the Airport Capital Program (\$148.0 million); General Fund (\$66.2 million); and transfer from the Water Utility Fund to the Water Capital Fund (\$44.0 million) for capital projects with no other dedicated funding source.

Revenue from Other Agencies category totals \$722.2 million, 22.3% of the 2024-2028 Proposed CIP, and is comprised of contributions from State (\$211.7 million) and Federal (\$156.7 million) grants and allocations; other agencies that use the Water Pollution Control Plant (\$208.5 million); and revenue from local agencies (\$145.3 million) which derives most of its funding from the Santa Clara Valley Transportation Authority to fund pavement maintenance (\$137.6 million).

The Beginning Fund Balances in the 2024-2028 Proposed CIP total \$658.3 million, representing 20.3% of the 2024-2028 Proposed CIP. The Traffic Capital Program has the largest Beginning Fund Balance of \$174.9 million, followed by the Parks and Community Facilities Development Capital Program (\$134.8 million), Water Pollution Control Capital Program (\$68.5 million), and Sanitary Sewer Capital Program (\$66.9 million). The large balance represents a significant amount of carryover project funding that will be spent over the next five years, with most of the funds reserved pending the determination of a final scope for projects, final project locations, and/or availability of future funding.

CAPITAL PROGRAM FUNDING SOURCES

The Taxes, Fees, and Charges category includes an estimate of \$543.3 million, representing 16.8% of the 2024-2028 Proposed CIP, relatively similar to the \$545.1 million included in the 2023-2027 Adopted CIP as the decline of C&C revenues is offset by an increase in Airport Passenger Facility Charge Proceeds. Most of this revenue category is comprised of the C&C Tax (\$215.0 million, down \$15.0 million), Airport Passenger Facility Charge (PFC) proceeds (\$145.5 million, up \$15.5 million), Building and Structure Construction Tax (\$95.0 million) and Construction Excise Tax (\$82.0 million).



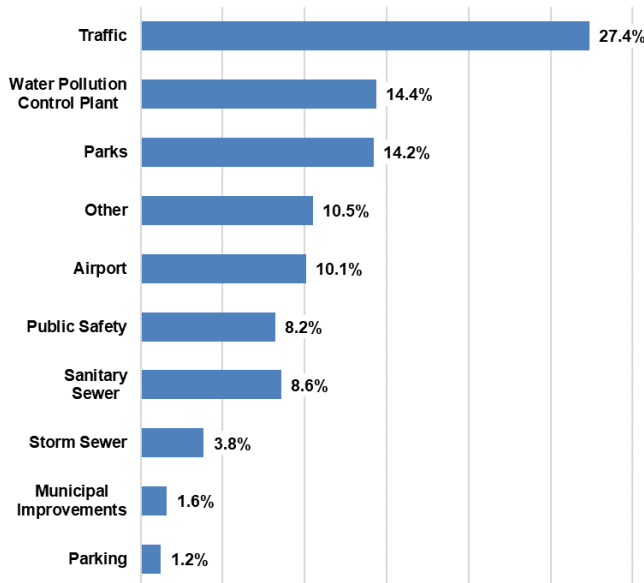
***Coyote Creek Trail near Happy Hollow
Park and Zoo Bent Bridge***

Finally, \$454.3 million is anticipated to be received from Financing Proceeds, representing 14.0% of the 2024-2028 Proposed CIP. The Water Pollution Control Capital Program accounts for \$190.0 million from Wastewater Revenue Notes 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 (\$28.9 million), Storm Sewer (\$15.7 million), and Parks (\$6.0 million) capital programs incorporate Measure T proceeds totaling \$209.6 million for infrastructure needs. Commercial paper is expected to be issued for the Water Resources Administration and Operations Facility and Advanced Metering Infrastructure Improvements projects (\$51.0 million) in 2023-2024 and in the Parks and Community Facilities Development capital program to address remediation projects related to the 2017 flood event (\$3.7 million).

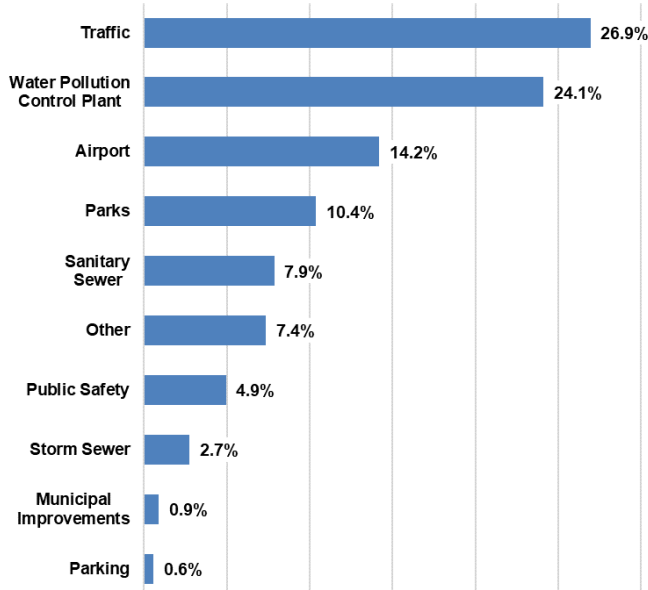
CAPITAL PROGRAM INVESTMENTS

The CIP consists of 14 capital programs. The following chart depicts the uses of funds by capital program and percentage of funding for the 2023-2024 Proposed Capital Budget and the 2024-2028 Proposed CIP. Major projects to be completed over the next five years are highlighted in the sidebar.

**2023-2024 Proposed Capital Budget
Use of Funds (\$3.2 billion)**



**2024-2028 Proposed CIP
Use of Funds (\$3.2 billion)**



Major Projects to be Completed Over the Next Five Years

2023-2024 Projects

- Willow-Keyes Complete Street Improvements
- Hanchett Park Development
- Police Athletic League Stadium Electrical Improvements
- Large Trash Capture Devices
- Bascom Avenue Protected Bike Lanes
- San José Museum of Art Cooling Tower Replacement
- City Facilities Security Enhancements
- Central Service Yard – Water Main Replacement

2024-2025 Projects

- Blossom Hill Road and Leigh Avenue Sanitary Sewer Improvement
- Julian Street and St. James Couplet Conversion
- Downtown San José Bikeways
- Measure T – Fire Station 32
- Measure T – Police Training Center Relocation
- Measure T – Storm Drain Improvements at Charcot Avenue
- North 1st Street Sanitary Sewer Improvements
- Spartan Keyes Area Park Development
- TRAIL: Coyote Creek (Story Road to Tully Road)
- Center for Performing Arts Chiller, Cooling Tower, and Boilers Replacement
- Central Service Yard – Bldg. F Expansion

2025-2026 Projects

- Advanced Metering Infrastructure Implementation
- Plantwide Security Systems Upgrade
- Route 101/Blossom Hill Road Interchange
- Terminal B Ramp Rehabilitation
- Measure T – Community/Emergency Centers
- Measure T – Fire Station 36
- Measure T – Clean Water Projects
- Building Forward Library Infrastructure Grant

2026-2027 Projects

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

2027-2028 Projects

- Aeration Tanks and Blower Rehabilitation
- Airport Biometric Access Control
- Nitrification Clarifier Rehabilitation
- Airfield Configuration Updates

**2023-2024 PROPOSED CAPITAL BUDGET
2024-2028 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 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 \$338.3 million allocated over the next five years, including expenditures totaling \$207.5 million budgeted in 2023-2024.

**Public Safety and Infrastructure Bond Fund
(Projected Expenditures in 2024-2028 Proposed CIP)**

Program	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	5-Year Total
<u>Traffic</u>						
Bridges	\$8,000,000	\$4,000,000				\$12,000,000
Pavement Maintenance	37,651,000	37,500,000	\$37,500,000	\$37,500,000		\$150,151,000
LED Streetlight Conversion	4,186,827	3,138,000				\$7,324,827
Admin – Traffic	29,000					\$29,000
Admin Reserve – Traffic	64,000					\$64,000
Total Traffic	\$49,930,827	\$44,638,000	\$37,500,000	\$37,500,000		\$169,568,827
<u>Public Safety</u>						
Fire Station 8 Relocation	\$12,014,000	\$388,000				\$12,402,000
Fire Station 23 Relocation	3,013,000	1,000,000				\$4,013,000
New Fire Station 32	549,000	371,000				\$920,000
New Fire Station 36	15,336,000	386,000				\$15,722,000
Police Training Center Relocation	45,414,000	385,000				\$45,799,000
Police Air Support Unit Hangar	14,625,000					\$14,625,000
911 Call Center Upgrades	5,174,000					\$5,174,000
Police Administration Building Upgrades	5,335,870					\$5,335,870
Public Safety Reserves	6,950,000					\$6,950,000
Public Art - Pub Safety	458,000	22,000				\$480,000
Admin WC - Public Safety	318,030					\$318,030
Admin Reserve - Public Safety	1,082,000					\$1,082,000
Total Public Safety	\$110,268,900	\$2,552,000				\$112,820,900

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MEASURE T GENERAL OBLIGATION BOND

Program	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	5-Year Total
<u>Storm Sewer</u>						
Storm Drain Improvements at Charcot Ave	\$22,805,000	\$1,492,000				\$24,297,000
Clean Water Projects	16,001,739	3,961,000	\$495,000	\$495,000		\$20,952,739
Public Art – Storm Sewer	113,000	40,000	5,000	5,000		\$163,000
Admin – Storm Sewer	143,000					\$143,000
Admin Reserve – Storm Sewer	382,000					\$382,000
Total Storm Sewer	\$39,444,739	\$5,493,000	\$500,000	\$500,000		\$45,937,739
<u>Parks & Community Facilities</u>						
Community Centers/Emergency Shelters	\$7,709,977	\$1,515,000				\$9,224,977
Public Art – Parks	42,000	15,000				\$57,000
Admin – Parks	30,000	29,000				\$59,000
Admin Reserve Parks	65,000	8,000				\$73,000
Total Parks & Community Facilities	\$7,846,977	\$1,567,000				\$9,413,977
Total Expenditures	\$207,491,443	\$54,250,000	\$38,000,000	\$38,000,000		\$337,741,443

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 2023-2024 will focus on continuing with design or construction for multiple projects, such as new and relocated fire stations and the Police Training Center Relocation. It is important to note that as construction costs continue to rise and as designs are refined, the City may experience funding gaps for projects scheduled to be completed in the outyears of the CIP. 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 in summer 2023 which will include a report of bid openings for key public safety projects such as Fire Station 32, Fire Station 8, Police Training Center Relocation, and Police Air Support Hangar.



Fire Station 20

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Each of the 14 capital programs is aligned to one of six CSAs. The chart below compares the 2023-2027 Adopted CIP with the 2024-2028 Proposed CIP for each CSA. As discussed earlier, the 2024-2028 Proposed CIP is 12.8% lower than the 2023-2027 Adopted CIP. Once funds to complete existing projects are rebudgeted from 2022-2023 to 2023-2024 as part of the Adopted Capital Budget process, the 2024-2028 CIP is expected be relatively in line to the 2023-2027 Adopted CIP.

**2024-2028 Proposed CIP compared to 2023-2027 Adopted CIP
(By City Service Area)**

City Service Area	2023-2027 Adopted CIP	2024-2028 Proposed CIP	% Change
Community and Economic Development	\$19,871,984	\$21,932,571	10.4%
Environmental and Utility Services	1,432,875,852	1,231,871,715	(14.0%)
Neighborhood Services	473,729,372	387,555,316	(18.2%)
Public Safety	181,405,123	160,171,651	(11.7%)
Transportation and Aviation Services	1,483,337,215	1,351,828,205	(8.9%)
Strategic Support	124,058,097	86,380,524	(30.4%)
Total	\$3,715,277,643	\$3,239,739,982	(12.8%)

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.

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

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 Capital Program 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 were 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 2024-2028 Proposed CIP provides funding of \$21.9 million, of which \$15.4 million is allocated in 2023-2024.

The major undergrounding projects in this Capital Program include:

- Lincoln Avenue (Lincoln Avenue to West San Carlos Street)
- Kirk Park (Foxworthy Avenue from Yucca Avenue to Briarwood Avenue)
- McKee Road/José Figueres Avenue (José Figueres Avenue to North Jackson Avenue)
- Meridian Avenue (Park Avenue to Auzerais Avenue)
- Monterey Road (Willow Street to Curtner 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 2,040 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.

The 2024-2028 Proposed CIP does not assume a rate increase for the Sewer Service and Use Charge (SSUC) in 2023-2024. In the remaining years of the CIP, increases are currently projected to range from 2.0% and 7.0% 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.



San José-Santa Clara Regional Wastewater Facility Aeration



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 2024-2028 Proposed CIP provides funding of \$254.6 million, of which \$106.0 million is allocated in 2023-2024.

The major projects in this CIP include:

- Chesbro Avenue Sanitary Sewer Improvement
- Condition Assessment Sewer Repairs
- Fourth Major Interceptor, Phase VIIA
- Immediate Replacement and Diversion Projects
- Infrastructure – Sanitary Sewer Condition Assessment
- Master Planning Updates
- Sanitary Sewer Interceptor Management Program
- Tisch Way Sanitary Sewer Improvement
- 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 and the U.S. Army Corps of Engineers. The 2024-2028 Proposed CIP provides funding of \$88.8 million, of which \$47.3 million is allocated in 2023-2024.



An outfall being rehabilitated

The overall size of the Storm Water System CIP has decreased as a result of the reduction in revenues transferred from the Storm Sewer Operating Fund, which is funded through Storm Sewer Service and Use Charge fees. With no rate increases occurring in more than a decade and as a result, assessments remaining flat, 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 if no other source is available, must be a priority within the coming years. As a result, the 2023-2024 Proposed Operating Budget, includes recommendations to allocate additional resources to evaluate and identify funding strategies for the storm sewer system that may include long term financing or alternative revenue sources.

A key focus for the CIP is the delivery of Measure T projects, with Measure T funding providing the largest revenue source for this 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 its discharge into local waterways.



Rendering of the River Oaks Regional Stormwater Capture Project

The major projects in this CIP include:

- Citywide Outfall Improvements
- Green Infrastructure Improvements
- Large Trash Capture Devices
- Measure T – Clean Water Projects at River Oaks and City Land South of Phelan
- Measure T – Storm Drain Improvements at Charcot Avenue
- Storm Pump Station Rehabilitation and Replacement

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 \$780.9 million is 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), which 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 2024-2028 Proposed CIP does not assume a revenue rate increase for the SSUC Fund in 2023-2024, though increases from 2.0% to 7.0% 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 RWF 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. The 2024-2028 Proposed CIP provides funding of \$780.9 million, of which \$177.7 million is allocated in 2023-2024.



Headworks Construction

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Environmental and Utility Services CSA (Cont'd.)

Water Pollution Control Capital Program (Cont'd.)

The major projects in this CIP include:

- Additional Digester Upgrades
- Aeration Tanks and Blower Rehabilitation
- Digested Sludge Dewatering Facility
- East Primary Rehabilitation, Seismic Retrofit, and Odor Control
- Facility-wide Water Systems Improvements
- Final Effluent Pump Station and Stormwater Channel Improvements
- Nitrification Clarifier Rehabilitation
- Storm Drain System Improvements
- Support Building Improvements
- Various Infrastructure Decommissioning

Water Utility System Capital Program

The San José Municipal Water System provides water service to approximately 118,000 residents via 26,000 service connections in five areas within the City of San José: Alviso, Coyote Valley, Edenvale, Evergreen, and North San José. Projects in this CIP include the construction of new facilities, maintenance of existing infrastructure, and improvements to the Water Utility System facilities. A 12.2% water rate revenue increase for 2022-2023 was approved. 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. Similar revenue increases are forecasted in the future, including 14.6% anticipated for 2023-2024, though rates will be reassessed each year based on detailed operating costs and capital improvement requirements. The 2024-2028 Proposed CIP provides funding of \$107.6 million, of which \$70.9 million is allocated in 2023-2024.



Pressure Relief



Installation of new pumps and motors at the Fowler Pump Station

The major projects in this CIP include:

- Advanced Metering Infrastructure Implementation
- Annual Water Main Replacement Infrastructure Improvements
- North San José Reliability Well Construction
- North San José Well Development and Construction
- Water Resources Administration and Operations Facility

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. The 2024-2028 Proposed CIP provides funding of \$51.6 million, of which \$23.1 million is allocated in 2023-2024.



Dr. Martin Luther King, Jr. Library

The 2024-2028 Proposed CIP includes funding of branches that received grant and local match funding of \$15.5 million for the Building Forward Library Infrastructure grant from the State of California. This grant program, which is provided by the California State Library, is designed to address life-safety and critical maintenance needs of public library facilities throughout California. The Building Forward Library Infrastructure grant allows the San José Public Library to advance critical infrastructure projects that ensures branch libraries continue to provide safe, well-maintained environments for the public's exploration, learning, and discovery. Although the 50% local match obligation (\$7.7 million) has resulted in the reprioritization of projects in the Library's 2024-2028 Proposed CIP, the grant award effectively doubles the City's resources to maintain these essential assets and systems, such as roof and building repairs and repairs to boilers, chillers, and heating, venting, and cooling (HVAC) systems. Branches scheduled for repairs and improvement projects include Alviso, Bascom, Biblioteca Latinoamericana, East San José Carnegie, Educational Park, Seven Trees, Hillview, Joyce Ellington, and Tully.

As the rate of Library Parcel Tax revenue growth has not kept pace with increasing operational expenses and has historically been used to support operating and programming expenses during prolonged period of General Fund shortfalls, the 2024-2028 CIP does not include a transfer of Library Parcel Tax resources into the Proposed Library CIP. Further, declining C&C Tax revenue have negatively impacted capacity within the CIP to address capital infrastructure needs. As part of the 2024-2025 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 Tax 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
- Building Forward Library Infrastructure Grant
- 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 3,620 acres of parks (regional/city-wide and neighborhood/community) and open space in the City's sphere of influence, as well as 12 City-operated community centers. Over 65 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 2022-2023, with the completion of the Five Wounds Trail Feasibility Study between Story Road and Whitton Avenue, the construction of Odette Morrow Spur between Coyote Road and Odette Morrow, and the realignment of the Penitencia Creek Trail near King Road. In addition, construction began on the Thompson Creek Trail between Quimby Road to Aborn Court was initiated in January 2023.

As discussed at the City Council meeting on March 14, 2023, the water quality of Lake Cunningham is extremely poor. While the Proposed Capital budget includes a modest project leveraging grant resources to design a prototype wetland area at the lake, a much larger scale project to completely restore Lake Cunningham water quality will be required in the future. As the prototype design commences, the Administration will continue to seek external funding sources with the long-term intent of assembling a funding strategy to fully restore Lake Cunningham.

Overall, the 2024-2028 Proposed CIP allocates \$335.9 million to the P&CFD program, including \$175.9 million in 2023-2024. The P&CFD's 2024-2028 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 Parks and Recreation Facility Project Inventory to prioritize projects that reach the park-poor areas of each Council District. The CIP also includes 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. The 2024-2028 Proposed CIP provides funding of \$335.9 million, of which \$175.9 million is allocated in 2023-2024.



Lone Hill Sports Courts

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Neighborhood Services CSA (Cont'd.)

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

The major projects in this CIP include:

- All Inclusive Playground – Almaden Lake Park
- Camden Community Center Improvements
- Emma Prusch Park Electrical Improvements
- Hanchett Park Development
- Lake Cunningham Prototype Wetland Restoration Design
- Murdock Park Lighting Improvements
- Police Athletic League Stadium Electrical Improvements
- River Glen Park Basketball Court Renovation
- Spartan Keyes Area Park Development
- St. James Parks Phase I Design
- TRAIL: Coyote Creek (Story Road to Tully Road)

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 \$112.8 million allocated to various projects, including new facilities, relocations of existing facilities, and rehabilitation of aging facilities. Projects anticipated to come online during this CIP include new Fire Stations 32 (Santee) and 36 (Windmill Springs) to improve response times; relocations of Fire Stations 8 (Downtown East); relocation of the Police Training Center, thereby allowing for the full activation of the South San José Police Substation; relocation of the Police Air Support Hangar to accommodate future expansion at the San José Mineta International Airport; upgrades to the Police Administration Building piping system and gun range HVAC system to meet Occupational Safety and Health Administration standards for air quality and safety; and upgrades to the 911 Call Center to accommodate the increasing demand for emergency services. All these projects, except for Fire Station 36, are anticipated to be completed in 2024-2025. The 2024-2028 Proposed CIP provides funding of \$160.2 million, of which \$101.5 million is allocated in 2023-2024.



SJFD Training Center

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Public Safety CSA

Public Safety Capital Program (Cont'd.)

The major projects in this CIP include:

- Measure T – 911 Call Center Upgrades
- Measure T – New Fire Stations 32, 36
- Measure T – Police Administration Building Upgrades
- Measure T – Police Air Support Hangar
- Measure T – Police Training Center
- 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

The San José Mineta International Airport (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. SJC 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 cargo facility and fueling station, and rehabilitation of the airfield pavement apron to support additional airline gates. The 2024-2028 Proposed CIP provides funding of \$460.0 million, of which \$125.1 million is allocated in 2023-2024.



***XO Public Art
San José Mineta International Airport 2023
Artists: Laura Kimpton and Jeff Schomberg,
Photo credit: Adrien Le Biavant***

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA

Airport Capital Program (Cont'd.)

The major projects in this CIP include:

- Airfield Configuration Updates
- Bioretention Cell Project
- Garage Sprinkler Replacement
- Program Management
- Terminal A Ramp Rehabilitation
- Terminal B Ramp Rehabilitation

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 and San Pedro Square
Garage Façade Project***

The 2024-2028 Proposed CIP provides total funding of \$18.8 million over the five years, of which approximately \$15.0 million is allocated in 2023-2024. The 2024-2028 Proposed CIP focuses on continuing to maintain existing parking facilities and rehabilitating the aging garage elevator infrastructure portfolio-wide. The CIP also includes the development of new surface parking lots in the Diridon/SAP area, replacing the failing façade at the Market and San Pedro Square Garage as well as providing funding for investment in on-street parking modernization projects.

The major projects in this CIP include:

- Garage Elevator Upgrades
- Garage Façade Improvements
- Greater Downtown Parking Inventory

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 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 2024-2028 Proposed CIP provides funding of \$ 873.0 million, of which \$338.9 million is allocated in 2023-2024. Key highlights of the Traffic CIP are discussed below.



Bike Lane - intersection of Silver Creek Valley Rd, Coyote Rd & Hwy 101

Transportation Safety and Multimodal Improvements

The 2024-2028 Proposed CIP seeks to improve street safety for all modes of travel and balance transportation funding by investing approximately \$176.5 million in traffic safety and efficiency and local multimodal improvements. The City was recently awarded, but not yet programmed in the CIP, approximately \$63 million in One Bay Area Grant 3 and Active Transportation Program grants for priority areas complete streets and Vision Zero projects. Implementation of the City's Better Bike Plan 2025 and other on-street bikeways projects will continue with a total of 67.4 miles of bikeways under construction: 44.6 miles of new bikeways and 22.8 miles of existing bikeway improvements will be constructed over the next two years. Many of these projects support ongoing planning initiatives such as Better Bike Plan 2025, Vision Zero, General Plan, and several specific plans such as En Movimiento. The Transportation Department will focus its efforts on creating equitable "all-ages-and-abilities bikeways" along major north-south and east-west corridors such as Story-Keyes, Jackson, San Fernando, Skyway, and Bascom Avenue. 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.



High-Visibility Crosswalk – Ocala STEAM Academy

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

Transportation and Aviation Services CSA (Cont'd.)

Traffic Capital Program (Cont'd.)

The Vision Zero Action Plan is a safety investment strategy of approximately \$25 million to significantly reduce traffic fatalities and severe injuries on the City's roadways. Reflective of the City's equity-based approach, the Vision Zero Action Plan targets safety improvement, programs, and messaging to the communities and at locations experiencing high levels of crashes in which people are killed or severely injured, not just those areas with the most requests. A total of \$13.0 million of the \$25 million cost has been programmed through 2023-2024 for quick-build safety improvements, data analytics, and outreach and engagement. Major roadway quick-build projects scheduled for completion in 2022-2023 include Hillsdale Avenue, White Road, Branham Lane, and Curtner Avenue. Branham Lane and Curtner Avenue began construction in fall 2022 and will be completed in spring 2023. Quick-build improvements for Blossom Hill Road, McKee Road, and Saratoga Avenue are in the design phase and will be implemented in 2023-2024.

Pavement and Transportation Infrastructure Maintenance



Pothole Repair

Overall, the 2024-2028 Proposed Traffic CIP allocates \$458.2 million for maintenance activities, of which \$447.5 million is earmarked for pavement maintenance. The pavement maintenance funding of \$447.5 million amounts to an annual average over the next five years of \$89.4 million. San José's street system consists of 2,519 miles of pavement and the current average Pavement Conditions Index (PCI) for all San José streets is 71, which is a rating of "Good". To sustain the City's current condition of PCI 71, and significantly reduce the backlog of deferred maintenance, the City would need to invest \$75.3 million annually for 10 years. While average funding levels for the next ten years are estimated at approximately \$74.4 million per

year and fall slightly short of the total amount of needed funding by \$0.9 million annually, this funding level still allows for a significant reduction of the backlog and overall improvement in pavement condition. Although the Department of Transportation (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 313 out of 354 miles (roughly 88%) of local and neighborhood streets designated in EPC areas will be maintained by the end of 2025.



E Santa Clara St WB, W of N 2nd Street

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:

- Balbach Street Transportation Improvements
- Better Bikeways San Fernando
- Julian Street and St. James Couplet Conversion
- North San José Improvement – 101/Zanker
- Pavement Maintenance
- Route 87/Narvaez Interchange Improvements
- Tully Rd. Corridor Safety Improvements
- Vision Zero: East San José Corridor Safety Improvements at Senter Road
- Vision Zero: Story/Jackson Safety Improvements
- W San Carlos Corridor Safety Improvements

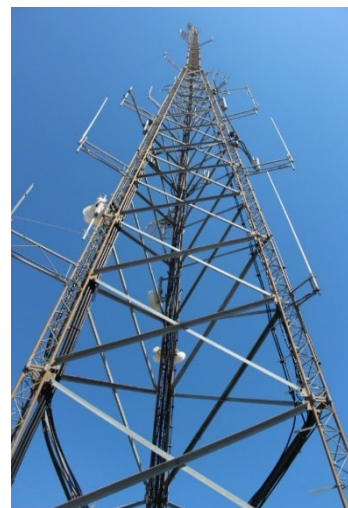
Strategic Support CSA

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 3,318 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 2024-2028 CIP allocates an ongoing \$800,000 in the General Fund, from \$900,000 to \$1.7 million in the Silicon Valley Regional Communication Systems – Radios project, to help replace radios that will reach their end-of-service dates.



***Transmitter Antennae
at Covote Peak***

The major projects in this CIP include:

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

CAPITAL PROGRAM OVERVIEW BY CITY SERVICE AREA

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 three 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 2024-2028 Proposed Municipal Improvements CIP provides funding of \$29.1 million of which \$19.5 million is allocated in 2023-2024. The General Fund provides one-time and ongoing funding in the CIP for projects with no other funding source. This includes an annual funding of \$2.0 million allocated for maintenance and repairs. An additional \$13.9 million from the General Fund is specifically programmed in 2023-2024 to rehabilitate or support cultural facilities, including \$7.6 million to replace the chiller, cooling tower, and boilers at the Center for the Performing Arts.

The major projects in this CIP include:

- 280 Almaden Ave Beautification Project
- Animal Care and Services – Various Improvements
- Center for Performing Arts Chiller, Cooling Tower, and Boilers
- Children’s Discovery Museum – Curb and Walkway Rehabilitation
- City Facilities Security Enhancements
- Electric Vehicle Charging Site Assessment
- Fleet Shop Improvements
- San José Museum of Art Cooling Tower Replacement
- The Tech Interactive Chiller and Cooling Tower Replacement

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. The 2024-2028 Proposed CIP provides funding of \$33.0 million of which \$16.3 million is allocated in 2023-2024.



Vehicles waiting for Maintenance at the Central Service Yard

While ongoing funding is allocated to address general capital improvement needs, the repayment of debt associated with various projects at the Central Service Yard, including the Fire Department Training Center, represents the largest use of non-construction funds in the 2024-2028 Proposed CIP. Due to an infusion of funding from the Series 2021A lease revenue bonds issued in November 2021, \$7.6 million was allocated to Central Service Yard projects that were previously deferred due to a lack of funding – projects that continue in the 2024-2028 CIP.

The major projects in this CIP include:

- Central Service Yard – Fueling Island
- Central Service Yard – Water Main Replacement
- Roofing, Replacement, Painting and Supplemental Needs

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, Clean Water Projects, Fire Stations 8, 32, and 36, the Police Training Center, and the subsequent activation of the South San José Police Substation and Old Orchard Park 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).

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

Project Type	2024-2025	2025-2026	2026-2027	2027-2028
Parks Facilities	267,000	1,744,000	1,875,000	2,063,000
Public Safety Facilities	10,479,000	17,022,000	22,877,000	23,654,000
Storm Sewer	163,000	173,000	183,000	194,000
Traffic Projects	55,000	117,000	162,000	176,000
General Fund Total	10,964,000	19,056,000	25,097,000	26,087,000
Water Pollution Control Plant		15,492,000	18,192,000	19,444,000
Special Fund Total		15,492,000	18,192,000	19,444,000
All Funds Total	10,964,000	34,548,000	43,289,000	45,531,000

For the General Fund, these costs are estimated at \$11.0 million in 2024-2025 and are anticipated to increase to \$26.1 million by 2027-2028. 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 \$15.5 million starting in 2025-2026 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 \$18.2 million in 2026-2027 and \$19.4 million in 2027-2028.

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 Americans with Disabilities Act 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.



**Keyla Salazar Memorial Mural, Mayfair Community Center 2022,
Artist Jessica Sabogal**

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 \$1.9 million is programmed for eligible public art projects that span all capital programs in the 2024-2028 Proposed CIP. This figure is in addition to the estimated \$7.3 million in public art expenditures previously programmed for 2022-2023. The allocation for public art will be applied once the scopes of eligible projects are more fully defined.

CONCLUSION

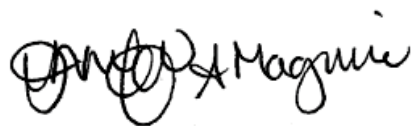
A reflection of the City's continued commitment to rehabilitate and renew the public infrastructure that so much of our community relies on, the 2023-2024 Proposed Capital Budget and the 2024-2028 Proposed CIP allocates \$1.2 billion and \$3.2 billion, respectively, from a wide range of funding sources. Included in this work is an anticipated surge over the next two years in project delivery 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 further 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 Capital Budget and 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.

Based on City Council direction and expectation, this CIP was developed to reflect the needs and priorities of our residents, businesses, and visitors. Under the direction of the City Manager's Budget Office, the 2023-2024 Proposed Capital Budget and 2024-2028 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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