



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada

SUBJECT: SEE BELOW

DATE: January 19, 2007

Approved

1-19-07

COUNCIL DISTRICT: Citywide

**SUBJECT: STATUS REPORT ON OVERALL FUNDING FOR THE CITY'S
GENERAL OBLIGATION BOND CAPITAL PROGRAMS – PARKS,
LIBRARIES, AND PUBLIC SAFETY**

RECOMMENDATION

1. Accept report on cost projections, current cost management strategies and policy options related to the completion of the Safe Neighborhood Parks and Recreation, Neighborhood Libraries, and Public Safety bond programs; and
2. Adopt a resolution approving strategies to mitigate the risk of future cost escalation by:
 - a. Reducing project scopes only to the extent that core functionality, serviceability, and operating costs can be maintained;
 - b. Placing completion of the Bond programs as a priority over new projects when seeking external federal and state grant funding;
 - c. Directing the City Manager and the Redevelopment Agency Executive Director to examine the use of reserves, Construction and Conveyance Tax and Redevelopment funds to supplement funding for Bond program projects where eligible;
 - d. Requiring that the funding needs for the successful completion of the bond programs be considered prior to funding new capital projects in the City's Capital Budget.

CEQA: Not a project.

OUTCOME

This report provides an opportunity for the City Council to review the status of the City's three General Obligation bond programs approved by voters, consider the impacts of the volatile construction cost environment, and evaluate potential strategies to manage risks associated with program completion within available funding.

EXECUTIVE SUMMARY

The City is currently implementing three General Obligation Bond capital improvement programs for parks, libraries, and public safety facilities, respectively. In spite of ongoing cost management strategies, recent volatility in construction and real estate costs has raised concerns about the overall outlook for completion of the bond programs.

In general, each program is being managed in a manner to ensure completion within available resources. Given construction cost trends, this has required a combination of scope modifications and supplemental funding. However, recent and potential future cost escalation pose significant risks to varying degrees in each program. In order to mitigate this risk, staff recommends a multi-part strategy of continued cost management and designation of these programs as a priority for new funding.

BACKGROUND

The City is currently implementing three major General Obligation bond capital programs:

The Neighborhood Libraries Bond (Measure O) approved by voters in November 2000 provides \$212 million for 20 new and renovated branch libraries.

The Safe Neighborhood Parks and Recreation Bond (Measure P) approved by voters in November 2000 provides \$228 million for improvements at 69 neighborhood parks and 9 community centers, 7 regional parks, 6 trails, Happy Hollow Park and Zoo, and two sports complexes.

The Public Safety Bond (Measure O) approved by voters in March 2002 provides \$159 million for a driver training facility, upgraded emergency communications and dispatch facilities, an improved fire training center, a new police substation, new community policing centers, 10 new and relocated fire stations, and upgrades to 15 existing fire stations.

As reflected in the 2006-07 Adopted Capital Improvement Program, overall funding for the voter-established bond programs includes the bond proceeds, interest earnings and project savings, and specific supplemental funding such as Construction & Conveyance (C&C) tax funds. The overall funding for these programs is depicted in the Attachments, and described in more detail later in this report.

The cost effective and timely delivery of these capital programs has been a primary City priority since inception, with several cost management strategies having been established and implemented:

- Each program designated a Citizens' Oversight Committee (COC) to serve as a public watchdog over the prudent and effective use of bond proceeds. Each COC meets at least quarterly to review expenditures and project activity, and transmits an annual report with recommendations to the City Council.

- The City Manager's Office established the Capital Improvements Projects Action Team (CIPAT) to monitor and troubleshoot bond project completion against baseline budgets and schedules. The CIPAT conducts monthly project reviews with each City Service Area (CSA), and submits quarterly reports to the City Council on the status of all CIP projects.
- A Contingency Reserve fund was established early in the implementation of each program. Without adding funds to the fixed total bond proceeds available to each program, the Contingency Reserve established a policy of using project savings, interest earnings, and (in the case of the Public Safety Bond) reduction in individual project budgets to cover unanticipated or increased costs for the projects within each program.
- The Five-Year Capital Improvement Program (CIP) adopted annually by the City Council incorporates program schedule and scope adjustments, as well as current cost estimates, inflationary adjustments (escalation), and funding shifts as needed to complete each program.
- Finally, each capital project is budgeted as a separate appropriation. Funding shifts between projects requires City Council action, and therefore no project can be inadvertently under-funded or bond funds overdrawn.

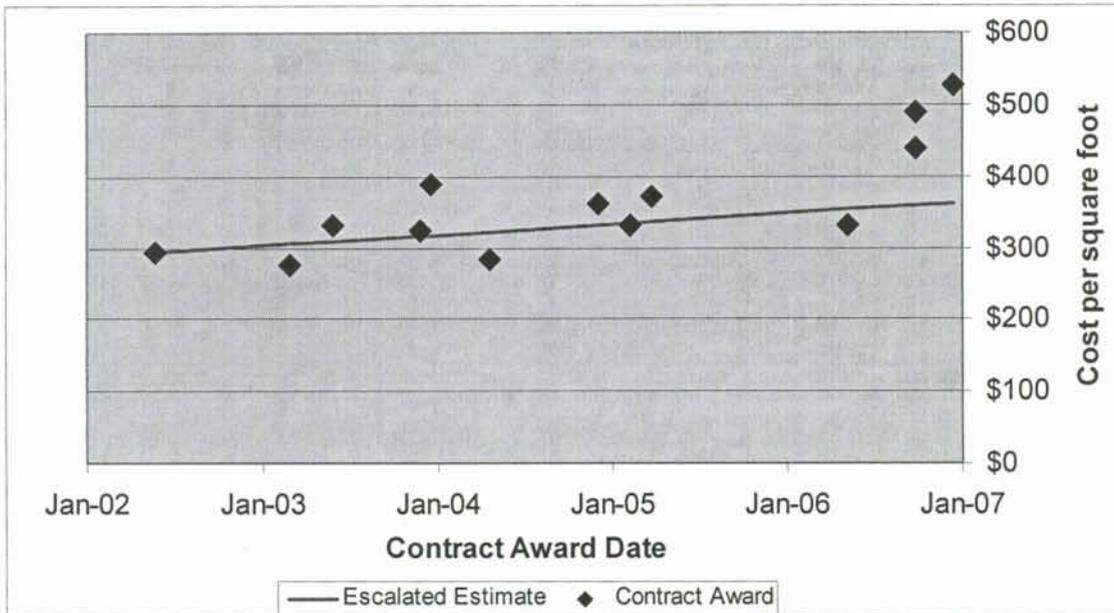
In addition to these specific strategies, maximizing the amount of funding available for construction (versus "soft" costs) is a critical element to the success of the entire CIP. In the case of the bond programs, special teams have been established within Public Works for each bond program to ensure that projects are managed and delivered in the most cost effective manner possible. Delivery cost performance measures and targets have also been established for each program.

Administrative processes have also been streamlined (such as the delegation of authority to award contracts up to \$1M) and new delivery methods created (such as Job Order Contracting) to reduce administrative costs. Consultant's fees, which are traditionally tied to the construction cost, are more closely scrutinized to protect against inappropriate escalation. At the same time, it is recognized that delivering projects with tighter budgets requires more oversight and more work by the consultants as they prepare various scenarios for the projects to stay within budget, but meet the needs of the community and operating department.

ANALYSIS

The City's bond programs have experienced both positive and negative impacts of variable construction costs. In the first three years of the programs, construction costs were relatively flat and some of the bids received were lower than the project budgets, resulting in a net savings from several Park and Library bond projects. Over the past two years, however, construction costs have been extremely volatile, with some costs rising as quickly as 15% per year. This has created a large variability between the project budgets as initially estimated and the actual costs. While recognizing that each project has unique elements, this variation is best illustrated by the range of branch library construction costs that have been experienced over the past four years as shown on the following chart.

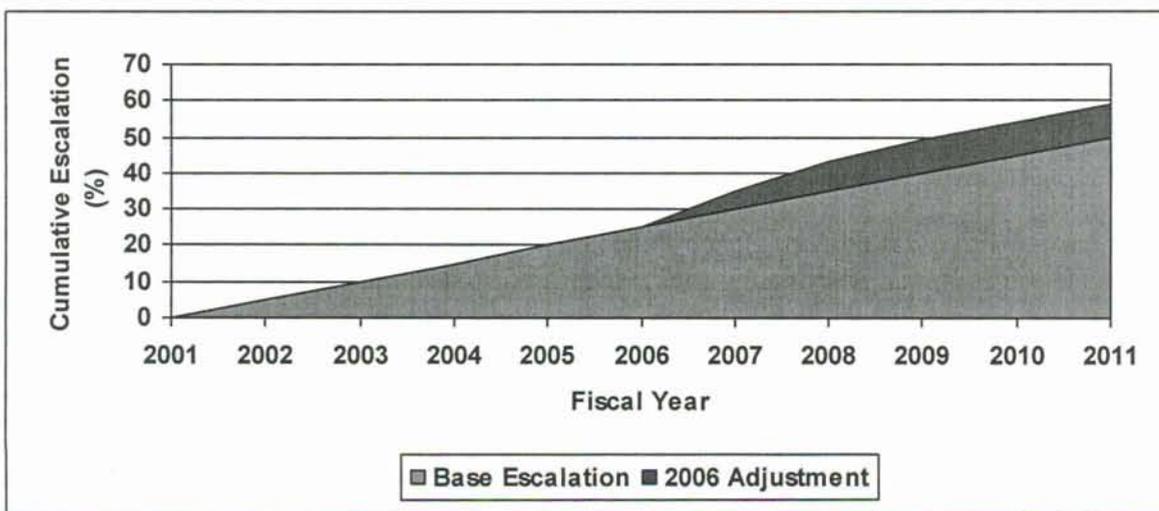
Library Construction Cost Variation



The above chart shows the trend in construction costs during the first few years of the Library Bond Program, and also illustrates the significant rise in costs for the last three project awards.

From fiscal year 2001 to 2005, all of the programs were scoped and budgeted in the CIP using an escalation rate of 5% per year. In 2006, this escalation rate was raised to 10% for FY 06-07, 8% for FY 07-08, 6% for FY 08-09 and back to the base 5% for future years. These rates were adjusted up based on recent industry trends in the construction bidding environment, attributed largely to the price and availability of building materials as a result of an overseas construction boom, and reconstruction efforts after Hurricane Katrina, as well as competition for skilled workers in the local labor market. The following chart illustrates the cumulative effect of cost escalation, using 2001 as the base year, and calculating cumulative cost escalation through the end of the Bond programs.

Budgeted Escalation



Significant effort has been expended to ensure that Bond projects are completed in spite of these rapidly rising costs. All three programs have made major changes to project scopes and budgets.

Library

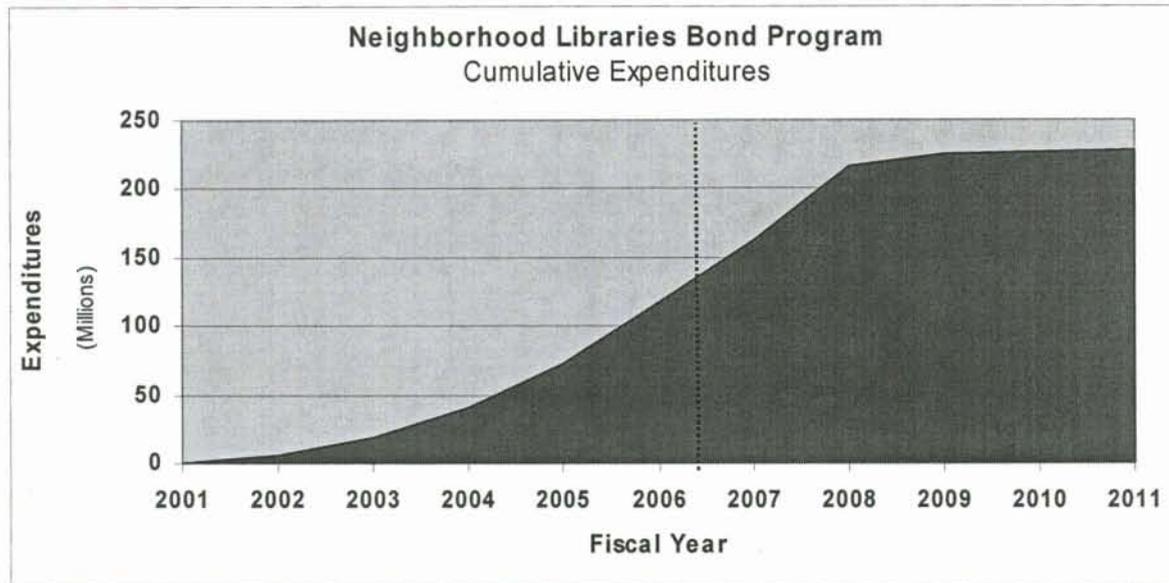
The Library Bond has completed 9 of the 20 branch libraries to date. Since all of these projects were completed within budget, savings have resulted in a sizeable contingency reserve.

In 2005, the Library bond program reduced program square footage on eight of the planned libraries, as noted on the following table. In addition to reductions in scope, project budgets were augmented on 12 libraries. The supplemental funding was made possible due to savings on the earlier bond projects, higher than anticipated interest earnings, and reallocation of soft costs to Construction & Conveyance funding.

Library Branch	Completion Date	Building Size/Notable Revisions
Vineland	Dec-03	24,000 sq.ft.
Tully Community	Dec-04	24,000 sq.ft.
Berryessa Branch	Feb-05	26,000 sq.ft.
Dr Roberto Cruz Alum Rock	Oct-05	26,000 sq.ft.
Rose Garden	Dec-05	33,000 sq.ft.
Almaden *	May-06	19,000 sq.ft.
Evergreen	Jul-06	22,000 sq.ft.
Cambrian	Sep-06	28,000 sq.ft.
Hillview	Nov-06	21,000 sq.ft.
Edenvale	Nov-07	Reduced from 24,000 to 22,000 sq.ft.
Pearl Avenue	May-08	Reduced from 16 to 14,000 sq.ft.
Joyce Ellington	Jun-08	Reduced from 15 to 14,500 sq.ft.
Willow Glen	Jul-08	13,000 sq.ft. (original scope)
East San Jose Carnegie	Feb-09	13,000 sq.ft. (original scope)
Santa Teresa Branch	Jun-09	Reduced from 24 to 22,000 sq.ft.
Educational Park	Jul-09	Reduced from 20 to 18,000 sq.ft.
Calabazas	Dec-09	9,000 sq.ft. (original scope)
Bascom (West Side) *	Feb-10	Reduced from 22 to 20,000 sq.ft.
Seventrees *	Mar-10	Reduced from 21,600 to 20,000 sq.ft.
Southeast	Sep-10	12,000 sq.ft. (original scope)

Asterisk (*) denotes project is part of a joint facility

The following chart illustrates the timeline for expenditure of Library bond funds.



Parks and Recreation

The Parks Bond has delivered a large number of projects in its initial years of implementation by constructing neighborhood-focused, smaller-scale projects. All of the 69 neighborhood park projects, 5 of the 9 community center projects, 2 of the 7 regional parks projects, and 2 of the 6 trail projects have been completed. The remaining projects to be constructed over the next four years include four community centers (two are joint facilities with a library), 5 regional park projects, 2 sports complexes and 4 trail projects.

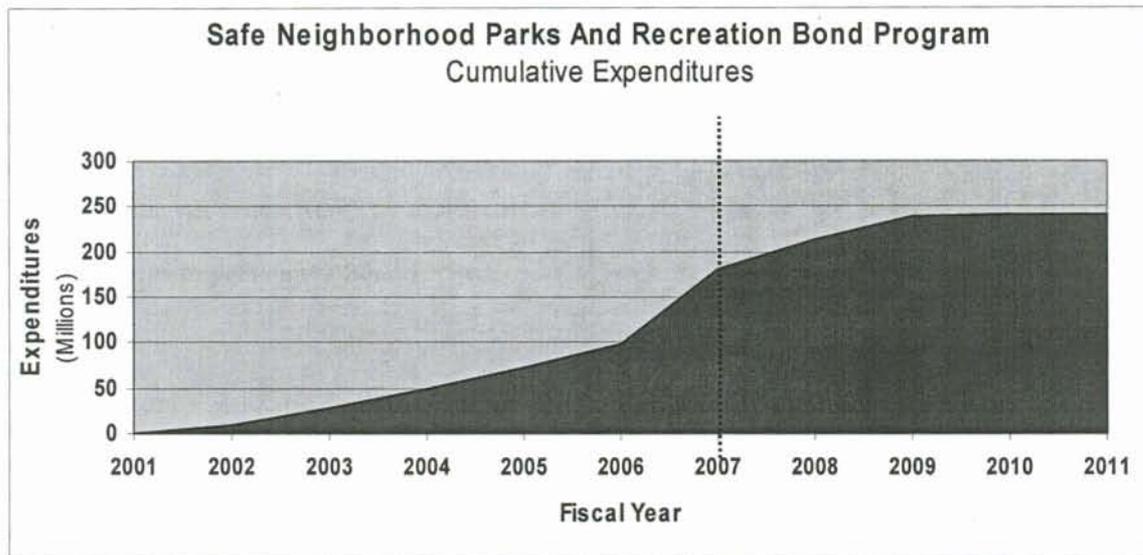
In order to address cost escalation, the Park bond program has reduced scopes and added supplemental funding to remaining projects. In FY 2006-2007, the Parks Bond program augmented the project budgets on the 4 remaining community centers, the Happy Hollow Park and Zoo project and the two trail projects while simultaneously reducing scope on all projects. The supplemental funding was made possible due to savings on the earlier bond projects, interest earnings and funding from other sources such as the Park Trust Fund, Construction & Conveyance Fund and the Redevelopment Agency.

With these measures, all remaining projects had been budgeted sufficiently to complete within available funding. However, it is notable that very recent cost estimates for the Almaden Lake Park Improvements Phase II, Guadalupe River Trail, Coyote Creek Trail, and Happy Hollow Park and Zoo projects indicate that further scope reduction may be needed to remain within budget.

The scope of work for Happy Hollow Park and Zoo, Mayfair Community Center, Solari joint facility, and the Bascom joint facility have been scrutinized closely to eliminate non essential areas in order to remain within the available budget. Further reducing scope will compromise the financial performance of the facilities, specifically cost recovery, and program effectiveness

at meeting the needs and priorities expressed by community members who worked on these projects. For example, further reductions at Happy Hollow Park and Zoo will reduce its ability to maximize revenue generation and reach cost recovery. Reducing the size of the multi-purpose room at Solari or Mayfair Centers will significantly impact the number of seniors that can be accommodated for daily lunch as well as the center's ability to rent the room for private functions, thereby affecting its financial performance.

The following chart illustrates the timeline for expenditure of Park bond funds.



Public Safety

The Public Safety Bond has delivered 13 of the 15 fire station upgrade projects and 2 of the 4 community policing centers. The remaining projects to be constructed are the 10 new or relocated fire stations, police substation, driver training facility, fire training center, emergency communications dispatch center (ECDC) renovation, and 2 community policing centers. This program has undergone several scope changes involving fire stations. In 2003, a Contingency Reserve was established through a 10% reduction in project budgets.

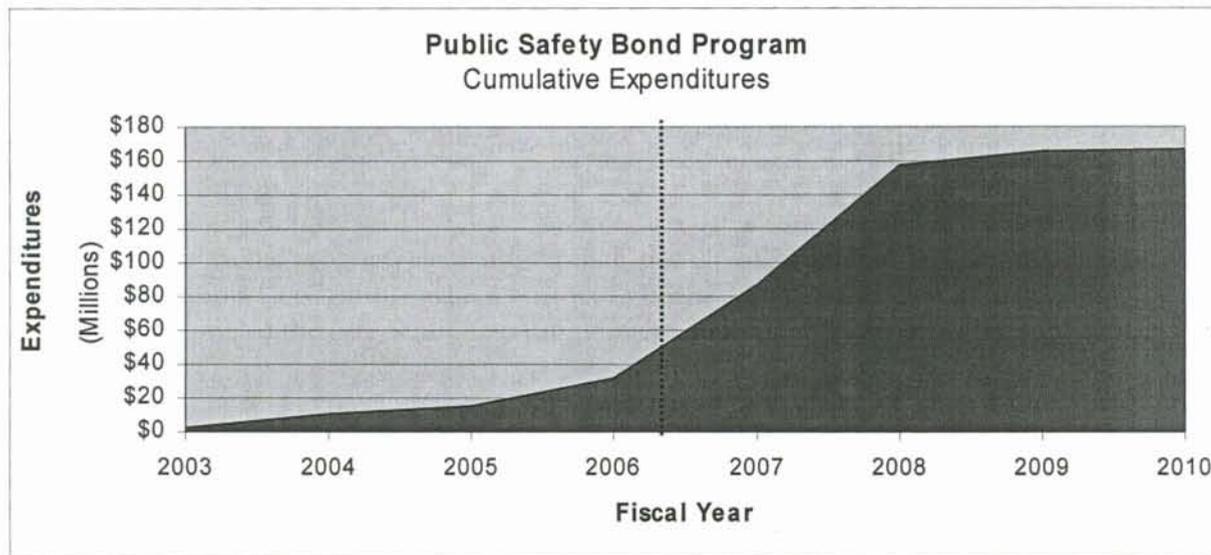
The Public Safety Bond program is perhaps the most susceptible to volatile costs, as the bulk of planned projects have yet to be awarded. To date, projects have been kept within budget through setting scopes within available funding. In particular, the scope of the fire training center project was reduced by 85%, to limited renovations rather than a more significant reconstruction as originally desired. Scopes for the 10 fire stations involving new construction were standardized based on an overall program that reflects flexibility for operating and gender separation needs.

As several fire stations have recently been bid or will bid soon, new cost estimates have been developed over the past several months. Based on this new information, the City has taken the following actions:

- Bids for Fire Station 17 (Coniston), received on August 17, 2006, were rejected. Fire Stations 17 and 12 (Cahalan) are being rebid as a single, potentially multiple prime contract, in order to attract more competitive bidders
- The design contract for Fire Station 36 (Yerba Buena) will evaluate a design that reduces scope from the program standard in order to stay within budget
- Fire Station 19 (Capitol), which was set to begin design, will be on hold pending completion of the Fire Station 36 program evaluation.

In addition, staff is exploring several other options to mitigate risks, such as delaying some projects until the Police Substation contract is awarded (November 2007). This will allow a reevaluation of the availability of Contingency Reserve. Other scope reductions or phasing options are also being evaluated, including further reduction of the Fire Training Center project, and reducing the scope of the Driver Training Facility to defer the heavy-vehicle portion of the facility until funding can be identified in the future.

The following chart illustrates the timeline for expenditure of Public Safety bond funds.

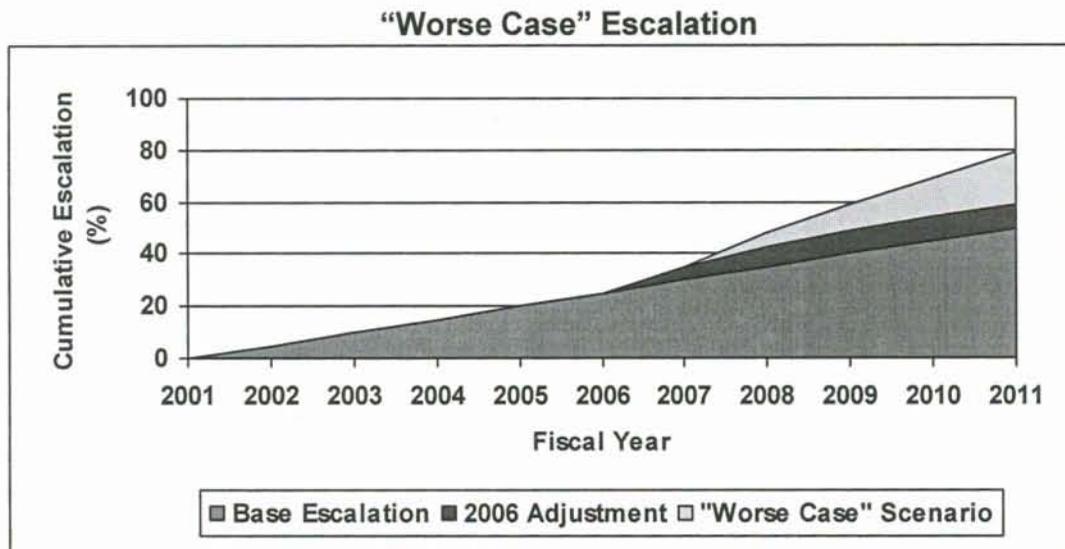


In summary, current project scopes have been adjusted to complete within available funding. However, several current projects in the Parks and Public Safety programs are at risk for requiring additional scope reduction or supplemental funding for completion as originally contemplated.

It should also be noted that on November 21, 2006, the City Council directed staff to revise the Council Policy on Green Building to seek LEED "Silver" certification on all projects exceeding 10,000 square feet of occupied space. Staff was directed to return with recommendations on how this policy would impact the schedules and budgets of projects already underway. Staff is evaluating those potential impacts and will return to Council in February with those recommendations. This could place additional strain on the fixed-budget bond programs.

Potential Impact of Higher Than Anticipated Costs

While difficult, the preceding strategies have been necessary to forecast completion of each bond program. Given the recent market fluctuations in the construction industry, however, it is prudent to evaluate the impact of further unanticipated cost escalation. To explore this potential, staff has evaluated the impact of an additional 5% annual construction cost escalation as a “worse case scenario.” This translates into an approximate 3% increase in total project budgets as currently estimated. The following chart illustrates the magnitude of this scenario.



Library Bond - The worse case scenario would result in a funding shortfall of \$5.1 million. As stated above, square footage reduction has already occurred on the majority of the remaining libraries. Further scope reduction would certainly impact service delivery, however, is still possible in the three remaining projects that have not yet begun design – Educational Park, Calabazas and Southeast branches. It should be noted that the square footage for the Educational Park Branch has already been reduced and Calabazas and Southeast are the smallest projects in the program. Construction & Conveyance monies are an eligible source of funding, but are limited and compete with other priorities and are currently used to fund non-construction costs and materials in the Libraries.

Parks Bond - The worse case scenario would result in a funding shortfall of \$6.3 million. The 4 remaining community center projects (Mayfair, Solari, Roosevelt and Bascom) are intended to serve as the “hub” centers for the respective Council District in which they are located. As the programming plans for each of these centers have already been narrowed down to meet the minimum needs of the surrounding communities, an additional funding gap of \$6.3 million would further reduce the scopes of these projects, and likely lead to ineffective service delivery and cost recovery. The Happy Hollow Park and Zoo project scope is closely tied to the revenue generation of the facility and has already been reduced drastically. An alternative to further scope reduction would be to draw additional money, where eligible, from other funding sources such as Park Trust and Construction and Conveyance Tax funds. This alternative would further exacerbate and/or delay the acquisition of additional parkland to serve the growing population.

If construction costs continue to rise beyond the assumptions already included in the current Capital Budget, another option could be to dramatically reduce scope on certain remaining projects in order to keep other projects whole and complete them to the level of service they were intended. Possibilities include:

- Discontinuing work on the Coyote Creek Trail and/or Guadalupe River Trail project and combining the funding to ensure that at least one of the projects is completed;
- Reducing the scope of the sports complex projects to utilize only a portion of the remaining funding. The left over funding from this scope reduction could be used to supplement other projects. This would likely lead to a future financial burden as it would lessen the revenue generation capacity of the facilities.

Public Safety Bond - The worse case scenario would result in additional costs of \$6.8 million. A strategy to address this could include deferring several program elements, such as the vehicle maintenance facility at the Police substation, an apparatus bay at Fire Station No. 36, on-site fueling facilities at all future fire stations, as well as using asphalt in lieu of concrete at Fire Station Nos. 19, 21, 36 and 37. However, these strategies would largely defer rather than eliminate costs. Any additional funding required over and above these scope reductions would need to come from other sources, such as General Fund reserves or Construction & Conveyance tax which is currently used for priority fire capital replacement.

POLICY ALTERNATIVES

While currently forecast cost escalation and project estimates indicate that the three bond programs are sufficiently funded for completion, the stresses that have been encountered to date and potential for unanticipated cost increases justify consideration of further policy actions to ensure completion of these programs. The following alternatives are offered for consideration:

Alternative 1: Continue scope reductions as needed to ensure completion within available funds.

Pros: Will be able to complete the programs within the allocated budget.

Cons: May drastically reduce scope on projects that have already been through several scope reductions. This is likely to severely impact the service delivery benefits of the projects. Also, further scope reduction often results in redesign efforts which add costs.

Alternative 2: Establish completion of bond programs as a policy priority before funding new non-bond projects, by funding any shortfalls in each program prior to allocating City or Redevelopment Agency funds to new capital projects.

Pros: Will set completion of bond programs as a citywide priority and reduce competing priorities.

Cons: May delay funding of important new projects. Proposed funding sources will also require review to ensure eligibility of proposed uses. Use of Redevelopment funds is limited to Redevelopment areas or for uses that primarily benefit Redevelopment areas and may compete with Strong Neighborhood Initiative priorities.

Alternative 3: Re-allocate funding from existing non-bond projects.

Pros: Will provide immediate funding for stressed bond programs.

Cons: Will directly impact non-bond projects for which funding has already been allocated, and may require interruption of community outreach underway.

Alternative 4: Defer projects.

Pros: Will provide time to identify and secure additional funding. May defer the onset of operating and maintenance expenses.

Cons: Will likely increase project costs in the future due to construction cost escalation.

Operating and maintenance costs associated with new bond projects have been factored into current budget forecasts. It is also notable that in the FY 2004-05 Capital Budget, several bond projects were postponed in order to delay the onset of general fund maintenance and operating expenses. While that strategy produced a general fund savings during the deferral, the affected capital projects have been negatively impacted by construction cost escalation.

Alternative 5: De-fund and cancel projects.

Pros: Will provide immediate funding to apply to other bond projects in order to keep scope reductions to a minimum. The City Attorney has reviewed this issue and notes that with a few specific exceptions, the bond measures did not identify individual projects to be implemented within each program. Exceptions include the Happy Hollow Park and Zoo and the 911 communications facilities. This provides the City with some discretion in proceeding (or choosing not to proceed) with other projects that were contemplated to be funded from the bonds.

Cons: While this approach may be within the City's discretion, cancelling projects could be perceived as inconsistent with voter expectations regarding the General Obligation bond ballot measures and may impact the City's ability to pass future bond programs.

These alternatives reflect a range of policy options that can be employed to increase assurance in the successful completion of the bond programs. Staff recommends that the City Council adopt a Resolution setting forth the following guiding principles:

- a. Reducing project scopes only to the extent that core functionality, serviceability, and operating costs can be maintained;
- b. Placing completion of the Bond programs as a priority over new projects when seeking external federal and state grant funding;
- c. Directing the City Manager and the Redevelopment Agency Executive Director to examine the use of reserves, Construction and Conveyance Tax and Redevelopment funds to supplement funding for Bond program projects where eligible;
- d. Requiring that the funding needs for the successful completion of the bond programs be considered prior to funding new capital projects in the City's Capital Budget.

PUBLIC OUTREACH/INTEREST

This item does not meet any of the special outreach criteria below. The attached report is available for viewing on the City's internet website at www.sanjoseca.gov

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This report has been reviewed with the Citizens Oversight Committee for each bond program. Comments received from the committees have been incorporated into this memorandum and their communications are attached to this memorandum. This report will also be presented to the SNI PAC on January 24, 2007. In addition, staff has worked with neighborhood groups and other stakeholders throughout the bond program development to ensure that community input is considered as project-specific scope modification decisions are made.

COORDINATION

This report has been coordinated with the Public Works, Finance, Fire, Library, Parks, Recreation and Neighborhood Services, and Police Departments, the Budget Office, the City Attorney's Office, and the Redevelopment Agency.

COST SUMMARY/IMPLICATIONS

Not applicable.

BUDGET REFERENCE

Not applicable

CEQA

Not a project



ED SHIKADA
Deputy City Manager

For questions please contact ED SHIKADA, Deputy City Manager, at 408-535-8190.

Attachments (6)

NEIGHBORHOOD LIBRARIES BOND PROGRAM (2000 - MEASURE O)

PROJECT SCHEDULE AND FUNDING SUMMARY

Project Name	Council District	Completion Date	Bond (in Millions)	Non-Bond (In Millions)
Vineland Branch	10	Dec-03	\$ 9.1	
Tully Community	7	Dec-04	\$ 10.6	
Berryessa Branch	4	Feb-05	\$ 9.3	
Dr Roberto Cruz Alum Rock Branch	5	July-05	\$ 11.3	
Rose Garden Branch	6	Dec-05	\$ 9.4	
Almaden Branch	10	May-06	\$ 8.6	
Evergreen Branch	8	Jul-06	\$ 10.2	
Cambrian Branch	9	Sep-06	\$ 11.9	
Hillview Branch	5	Nov-06	\$ 11.1	
Edenvale Branch (Construction Awarded)	2	Nov-07	\$ 11.4	
Pearl Avenue Branch (Construction Awarded)	9	May-08	\$ 9.3	
Joyce Ellington (Construction Awarded)	3	Jun-08	\$ 9.8	
Willow Glen Branch	6	Jul-08	\$ 8.4	
East San Jose Carnegie	3	Feb-09	\$ 8.2	
Santa Teresa Branch	2	Jun-09	\$ 15.3	
Educational Park	4	Jul-09	\$ 12.7	
Calabazas Branch	1	Dec-09	\$ 6.6	
Bascom Branch (West Side)	6	Feb-10	\$ 14.2	
Seventrees	7	Mar-10	\$ 14.0	
Southeast	8	Sep-10	\$ 8.8	
Land Acquisition			\$ 11.4	\$ 2.3
Program-wide expenses			\$ 3.9	\$ 4.0
Contingency Reserve			\$ 2.6	

Total **\$ 228.1** **\$ 6.3**

SAFE NEIGHBORHOOD PARKS AND RECREATION BOND PROGRAM (2000 - MEASURE P)

PROJECT SCHEDULE AND FUNDING SUMMARY

Project Name	Council District	Completion Date	Bond (in Millions)	Non-Bond (In Millions)
Gardner Community Center	3	Aug-04	\$ 4.8	\$ 0.3
Municipal Rose Garden	CW	Sep-04	\$ 1.9	\$ 0.2
Almaden Lake Park Improvements - Phase 1	CW	May-05	\$ 1.3	\$ 0.7
Morrill Community/Youth Center	CW	Jul-05	\$ 4.1	
Camden Community Center Improvements	9	Sep-05	\$ 9.4	\$ 1.1
Southside Community Center - Phase III	2	Nov-05	\$ 1.9	
TRAIL: San Tomas Aquino/ Saratoga Crk. Rch 6	CW	Nov-05	\$ 2.3	\$ 1.5
69 Neighborhood Parks	Varies	Dec-05	\$ 25.1	
Almaden Community Center	10	May-06	\$ 17.7	\$ 0.4
TRAIL: Los Alamitos/Calero Creek Pedestrian Safety Improvements	CW	Oct-06	\$ 0.03	
Emma Prusch Memorial Park	CW	Nov-06	\$ 2.0	
Emma Prusch Memorial Park - LeFevre House	CW	Dec-06	\$ 1.9	
Almaden Lake Park Improvements - Phase 2	CW	Jul-07	\$ 1.8	
TRAIL: Los Gatos Creek Reach 4	CW	Nov-07	\$ 2.4	\$ 1.9
Roosevelt Community Center	3	Jun-08	\$ 20.7	\$ 1.4
Happy Hollow Park and Zoo - Phase I	CW	Sep-08	\$ 4.4	\$ 1.4
TRAIL: Coyote Creek Trail	CW	Nov-08	\$ 2.4	
Mayfair Community Center	5	Dec-08	\$ 13.5	\$ 2.3
TRAIL: Guadalupe River Trail	CW	Jan-09	\$ 2.4	
Happy Hollow Park and Zoo - Phase II	CW	Jul-09	\$ 48.0	\$ 6.1
Soccer Complex	2	Jan-10	\$ 9.8	
Softball Complex	7	Jan-10	\$ 17.7	
Bascom Community Center	6	Feb-10	\$ 12.9	\$ 1.5
Solari Community Center	7	Mar-10	\$ 21.8	\$ 1.5
Public Art	CW		\$ 4.0	
Program-wide expenses			\$ 6.5	
Contingency Reserve			\$ 0.7	

Total	\$ 241.5	\$ 20.3
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PUBLIC SAFETY BOND PROGRAM (2002 - MEASURE O)

PROJECT SCHEDULE AND FUNDING SUMMARY

Project Name	Council District	Completion Date	Bond (in Millions)	Non-Bond (In Millions)
Central Community Police Center	CW	Oct-03	\$ 0.3	
Fire Station 23 - Relocate		Jan-04	\$ 0.1	
West Community Police Center	CW	Apr-06	\$ 2.2	
Various Fire Station upgrades	Varies	Dec-06	\$ 8.5	
Fire Station No. 34 - New (Construction Awarded)	3,4	Jun-07	\$ 6.5	
Fire Station No. 25 - Relocate (Constr. Awarded)	4	Aug-07	\$ 5.4	
Fire Station No. 35 - New (Construction Awarded)	2	Sep-07	\$ 6.3	
Fire Station No. 2 - Relocate	5	Feb-08	\$ 6.0	\$ 0.4
Fire Station No. 17 - Relocate	9,10	May-08	\$ 3.9	
Fire Station No. 12 - Relocate	10	May-08	\$ 3.6	\$ 0.1
Fire Station No. 36 -New	8	Jul-08	\$ 6.0	\$ 0.2
Emergency Comm Dispatch Ctr / Health Building	CW	Dec-08	\$ 2.6	\$ 0.3
East Community Police Center	CW	Jan-09	\$ 1.7	
Fire Training Center Remodel	CW	Jan-09	\$ 3.9	
Public Safety Driver Training Center	CW	Jan-09	\$ 8.1	
Fire Station No. 19 - Relocate	4	Feb-09	\$ 3.4	\$ 0.2
Fire Station No. 21 - New	5,8	Jul-09	\$ 3.9	\$ 0.4
South Community Police Center	CW	Jul-09	\$ 1.7	
Police Substation	CW	Jul-09	\$ 67.8	
Fire Station No. 37 - New	6,9	May-10	\$ 4.3	\$ 0.3
Land Acquisition + Transfers	CW	Varies	\$ 6.4	
Program Wide Expenses	CW	N/A	\$ 5.2	
Contingency Reserve	CW	N/A	\$ 7.4	\$ 0.8

Total	\$ 165.4	\$ 2.7
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January 18, 2007

Honorable Mayor and City Council
City of San Jose
200 E. Santa Clara Street, Tower, 18th Floor
San Jose, CA 95113

Subject: Status Report on Overall Funding for the City's General Obligation Bond Capital Programs

Dear Honorable Mayor and City Council:

On January 10, 2007 the Citizen Oversight Committee for the Library Bond Projects reviewed the draft status report on overall funding for the City's general obligation bond capital programs. Deputy City Manager Ed Shikada presented information to the Committee regarding the cost projections, current cost management strategies and policy options related to the completion of the bond programs.

This letter to the Mayor and Council provides the Committee's comments and concerns regarding the recommendations and alternatives in that report.

To date, nine branch libraries have been completed, four are under construction, and the remaining seven are in different stages of design or feasibility study. The completed libraries have been very well received by the public.

The City has done well in the implementation of the projects and management of the costs in light of escalating construction costs. The Committee's comments and concerns regarding the recommendations and alternatives in the report include:

- Completion of the bond projects should have priority over all other projects.
- With the passage of the Neighborhood Libraries Bond Act, a commitment was made to complete 20 neighborhood branch libraries. Dropping any of these projects from the program would result in a significant loss of public confidence and could jeopardize future bond elections. Deferring projects may have the same result and would also significantly increase costs.

Honorable Mayor and City Council

Subject: Status Report on Overall Funding for the City's General Obligation Bond Capital Programs

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- In 2005, the City reduced the scope of the seven largest remaining projects by approximately ten percent. These reductions were not well received by many and a number of complaints were made to the committee. Further reductions in scope to the smaller projects would negatively impact the goals of the program and the functionality of the buildings.
- The Library Department receives only 14.22% of the Construction and Conveyance Tax funds collected. These funds are primarily used to purchase library materials and replacement equipment on an annual basis. While the revenues exceeded projections over the past few years, that additional funding has been reserved to provide the furniture, fixtures, equipment, and opening day collections for the new branches at an estimated total cost of approximately \$16 million for the twenty projects. Utilizing Library C&C funds for bond project construction would only shift the funding need from one category to another.
- The City and Redevelopment Agency should consider redevelopment funding for the East San Jose Carnegie branch and the joint Seventrees branch library/Solari Community Center project in order to complete these redevelopment eligible projects and ensure sufficient bond funding for the remaining projects.

Yours truly,

Giane Longoria for Vincent Tarpey

Vincent Tarpey, Chair
Citizen Oversight Committee for the Library
Bond Projects

January 18, 2007

Honorable Mayor and City Council
City of San José
200 E. Santa Clara Street, Tower, 18th Floor
San Jose, CA 95113

Subject: Letter of Support and Comments on Staff's Recommendations on Overall Funding Strategies for the City's General Obligation Bond Capital Programs

Dear Honorable Mayor and City Council:

On January 10th, 2007 City staff met with the Citizens Oversight Committee (COC) for the Public Safety Bond program to present staff's draft status report and recommended budget strategies for the City's General Obligation Bond Capital Programs. Deputy City Manager Ed Shikada presented information to the Committee regarding the cost projections, current cost management strategies and policy options related to the completion of all of the bond programs.

This letter to the Mayor and Council provides the Public Safety Bond Committee's comments and concerns regarding the recommendations and alternatives in that report.

- The COC commends the City for its efforts to date with the implementation of projects and management of costs in light of escalating construction costs. We support the cost management actions implemented since the program began, and appreciate the regular updates provided by staff to the COC.
- Fundamentally, the COC believes that completion of the bond projects should have priority over all other capital projects. With the passage of the Neighborhood Security Act in 2002 and subsequent related City actions, the City committed itself to much needed improvement of its Public Safety infrastructure. Failure to complete these projects would result in a significant loss of public confidence and could jeopardize future bond elections. Deferring projects may have the same impact and would also result in even greater cost increases.
- In 2003, the City implemented a program wide contingency reserve of \$12.8 million by reducing all projects funded after 2003 by approximately 10 percent. The remaining balance of this reserve currently stands at \$6.0 million. In 2006, the City budgeted additional reserves from projects savings and Fire Construction and Conveyance (C&C) funds in the amount of \$2.2 million. Even with these conservative fiscal measures, the Public Safety Bond program, due to recent rapid construction cost escalation, now faces a potential shortfall that jeopardizes the completion of all of the remaining un-built projects.

Honorable Mayor and City Council

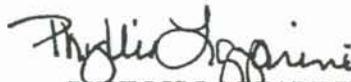
Subject: Recommendations on Overall Funding Strategies for the City's General Obligation Bond Capital Programs

January 18, 2007

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- In 2004, staff standardized on the program size of the new and relocated Fire Station building projects. These standards were developed to: establish the functional and durability requirements of modern fire stations, address long standing privacy and union concerns as well as improve the efficiency of the design process. Any reductions in scope to these projects would negatively impact the goals of the program and the functionality of the buildings.
- Since finalization of the land purchase for the South Police Substation in 2005, staff with consultant assistance worked diligently to design a facility that meets the long term goals of serving the growing southern portion of the City while simultaneously achieving LEED certification and addressing rapidly rising construction costs. In addition to seeking state grant funding for implementing a Green Roof, staff has also employed a sizable add-alternate strategy into the design package to further increase the chances of receiving an awardable bid. This, the largest project in the Safety Program, is scheduled to award in Winter of 2007.
- The Fire Department receives a share of the C&C Tax, primarily used to purchase fire engines, apparatus, materials and replacement equipment on an annual basis. Council has already budgeted approximately \$1.6 million of Fire C&C for multiple fire stations as well as set aside an additional \$768,000 of Fire C&C as a Fire Bond Reserve. Utilizing additional Fire C&C funds for bond project construction would only shift the funding need from one category to another.
- The City and Redevelopment Agency should consider using redevelopment funding, City general fund reserves, or developing other supplemental funding sources wherever feasible to help ensure sufficient funding for all of the remaining bond projects.

By investing the bond and other capital funds where they will be needed most, the City of San José will best meet the expectations of the public that voted for these capital improvements to the Public Safety infrastructure.



PHYLLIS LAZZARINI, Chairperson
PSB - Citizen Oversight Committee



Parks, Recreation and Neighborhood Services

CITIZEN OVERSIGHT COMMITTEE
SAFE NEIGHBORHOOD PARKS AND RECREATION BOND

January 19, 2007

Honorable Mayor and City Council
200 East Santa Clara Street
San Jose, CA 95113

Honorable Mayor and Councilmembers:

On January 17, 2007 the Citizen Oversight Committee for the Safe Neighborhood Parks and Recreation Bond Projects reviewed the draft status report on overall funding for the City's general obligation bond capital programs. Deputy City Manager Ed Shikada presented information to the Committee regarding the cost projections, current cost management strategies and policy options related to the completion of the bond programs.

This letter to the Mayor and Council reflects the Committee's comments and concerns regarding the recommendations and alternatives presented in that report.

- Recommend to Council that the risk of future cost escalation of Measure P projects be mitigated by reducing project scope to the extent that core functionality, serviceability and operating costs can be maintained and provided;
- Give particular emphasis to scope reductions in projects that are not yet legally encumbered;
- Project deferrals and cancellations should not be considered except as an absolute last resort;
- Sports facilities should not be considered for further re-scoping or further delays;
- All proposals for re-scoping should come before the Citizen Oversight Committee with sufficient time to allow opportunity for community outreach.

Thank you for your consideration of our recommendations.

Sincerely,

Helen Chapman
Chair, Parks and Recreation Commission